UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File No. 1-11530

TAUBMAN CENTERS, INC.

(Exact name of registrant as specified in its charter)

Michigan	38-2033632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Long Lake Road, Suite 300, Bloomfield Hills, Michigan	48304-2324
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (248) 258-6800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	New York Stock Exchange
6.5% Series J Cumulative Redeemable Preferred Stock, No Par Value	New York Stock Exchange
6.25% Series K Cumulative Redeemable Preferred Stock, No Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller reporting company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the 58,042,052 shares of Common Stock held by non-affiliates of the registrant as of June 30, 2018 was $3.4 billion , based upon the closing price of $58.76 per share on the New York Stock Exchange composite tape on June 29, 2018. (For this computation, the registrant has excluded the market value of all shares of its Common Stock held by directors of the registrant and certain other shareholders; such exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the registrant.) As of February 27, 2019 , there were outstanding 61,122,292 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual shareholders meeting to be held in 2019 are incorporated by reference into Part III.

TAUBMAN CENTERS, INC.
CONTENTS

PART I

Item 1. BUSINESS.

The following discussion of our business contains various "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations or beliefs concerning future events and performance. We caution that although forward-looking statements reflect our good faith beliefs and reasonable judgment based upon current information, these statements are qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including those risks, uncertainties, and factors detailed from time to time in reports filed with the Securities and Exchange Commission (SEC), and in particular those set forth under Risk Factors in this Annual Report on Form 10-K. The forward-looking statements included in this report are made as of the date hereof or the date specified herein. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

The Company

Taubman Centers, Inc. (TCO) is a Michigan corporation (incorporated in 1973) that operates as a self-administered and self-managed real estate investment trust (REIT). TCO's sole asset is an approximate 71% general partnership interest in The Taubman Realty Group Limited Partnership (TRG), which owns direct or indirect interests in all of our real estate properties. In this report, the terms "we", "us", and "our" refer to TCO , TRG , and/or TRG's subsidiaries as the context may require. See "Our UPREIT Structure" for additional information about our structure.

We own, lease, acquire, dispose of, develop, expand, and manage shopping centers and interests therein. Our owned portfolio of operating centers as of December 31, 2018 consisted of 23 urban and suburban shopping centers operating in 11 U.S. states, Puerto Rico, South Korea, and China. The Taubman Company LLC (the Manager) provides certain management and administrative services for us and for our U.S. properties. See "Personnel" below for more information about the Manager.

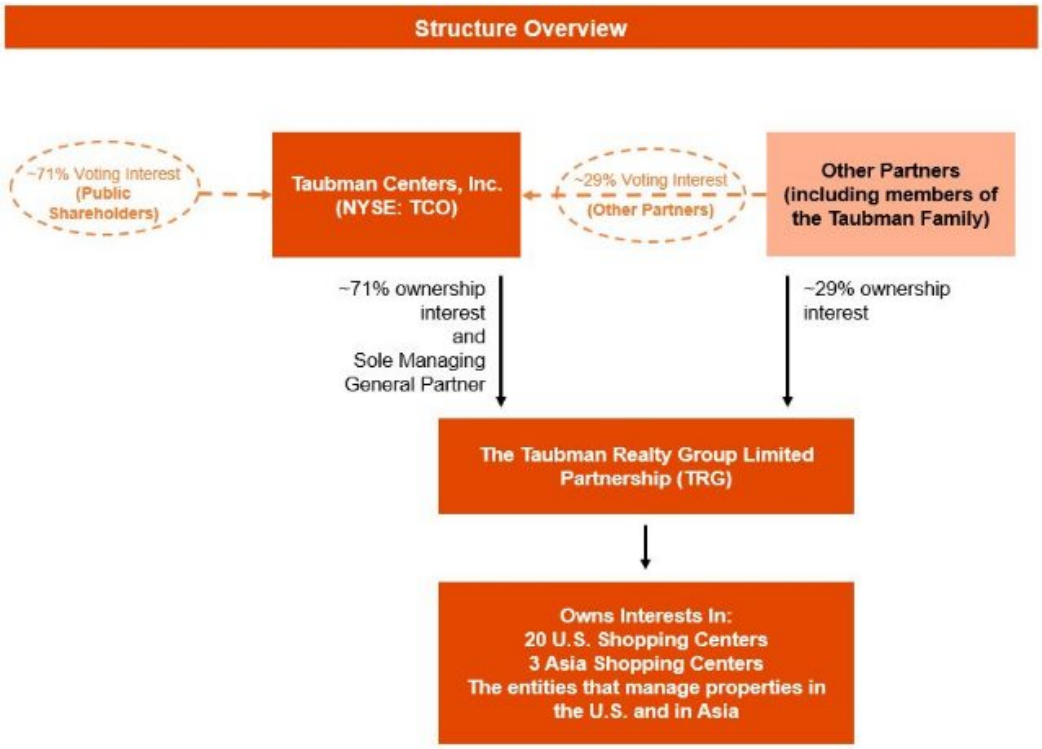
The Consolidated Businesses consist of shopping centers and entities that are controlled, by ownership or contractual agreements, by TRG , the Manager, or Taubman Properties Asia LLC and its subsidiaries (Taubman Asia). Shopping centers owned through joint ventures that are not controlled by us but over which we have significant influence (Unconsolidated Joint Ventures) are accounted for under the equity method. See "Item 2. Properties" for information regarding the shopping centers.

In 2017, the U.S. Congress passed the Tax Cuts and Jobs Act of 2017, which made significant changes to both corporate and individual tax rates and the resulting calculation of taxes, as well as international tax rules for U.S. domestic corporations. As a REIT, this legislation minimally changed the taxes we pay. However, it could impact the way in which our dividends are taxed on the holders of our stock.

Our UPREIT Structure

We are structured as an umbrella partnership real estate investment trust, referred to as an UPREIT. In our UPREIT structure, TCO , which is a publicly-traded REIT, is the sole managing general partner of TRG . TCO's sole asset is its ownership of partnership interests in TRG (TRG units), which constitute an approximate 71% economic interest in TRG as of December 31, 2018 . The remaining approximate 29% of the TRG units are owned by TRG's partners other than TCO (Other Partners), including Robert S. Taubman, William S. Taubman, Gayle Taubman Kalisman, and the A. Alfred Taubman Restated Revocable Trust (Taubman Family). TRG owns direct or indirect interests in our real estate properties and in the companies that provide management services to us and our real estate properties, including in our Unconsolidated Joint Ventures and the Manager.

The following chart illustrates TCO's and TRG's structure:



Since TCO manages TRG as the sole managing general partner, the Other Partners have limited control rights in TRG in which they hold an economic interest. To provide the Other Partners with voting rights in TCO corresponding with their economic interests in TRG , in 1998, TCO issued, and made available for the Other Partners to purchase, Series B Non-Participating Convertible Preferred Stock (Series B Preferred Shares). The holders of the Series B Preferred Shares vote together with the holders of our common stock on all matters on which the common shareholders vote. Holders of our common stock and the Series B Preferred Shares are each entitled to one vote per share.

Shares of TCO's common stock are held by TCO's public shareholders and represent, as of December 31, 2018, an approximate 71% voting interest in TCO , which corresponds with TCO's economic ownership of TRG . The Series B Preferred Shares represent, as of December 31, 2018 , an approximate 29% voting interest in TCO , which corresponds with the Series B Preferred shareholders' economic ownership in TRG . As of December 31, 2018 , based on information contained in filings made with the SEC by members of the Taubman Family, members of the Taubman Family collectively held 97% of the outstanding Series B Preferred Shares, and collectively held an approximate 30% voting interest in TCO based on their ownership of TCO common stock and Series B Preferred Shares. For further information regarding the control rights of members of the Taubman Family, see "Risk Factors - Members of the Taubman Family have the power to vote a significant number of the shares of Capital Stock entitled to vote and have contractual rights."

We operate as a REIT under the Internal Revenue Code of 1986, as amended (the Code). In order to satisfy the provisions of the Code applicable to REITs, we must distribute to our shareholders at least 90% of our REIT taxable income prior to net capital gains and meet certain other requirements. TRG's partnership agreement provides that TRG will distribute, at a minimum, sufficient amounts to its partners such that our pro rata share will enable us to pay shareholder dividends (including capital gains dividends that may be required upon TRG's sale of an asset) that will satisfy the REIT provisions of the Code.

Recent Developments

For a discussion of business developments that occurred in 2018 , see "Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)."

Business of TCO

We are engaged in the ownership, leasing, acquisition, disposition, development, expansion, and management of shopping centers and interests therein. We owned interests in 23 operating centers as of December 31, 2018 . In the following discussion, the term "GLA" refers to gross retail space, including anchors and mall tenant areas, and the term "Mall GLA" refers to gross retail space, excluding anchors. The term "anchor" refers to a department store or other large retail store. The term "mall tenants" refers to stores (other than anchors) that lease space in shopping centers, including temporary tenants and specialty retailers.

As of December 31, 2018 , the shopping centers:

- are strategically located in major metropolitan areas, many in communities that are among the most affluent in the U.S. or Asia, including Denver, Detroit, Honolulu, Kansas City, Los Angeles, Miami, Nashville, New York City, Orlando, Salt Lake City, San Francisco, San Juan, Sarasota, Tampa, Washington, D.C., Hanam (South Korea), Xi'an (China), and Zhengzhou (China);

- range in size between 236,000 and 1.7 million square feet of GLA and between 186,000 and 1.0 million square feet of Mall GLA, with an average of 1.0 million and 0.5 million square feet, respectively. The smallest center has approximately 60 stores, and the largest has over 300 stores with an average of approximately 150 stores per shopping center.

- have approximately 3,200 stores operated by their mall tenants under approximately 1,700 trade names;

- have 56 anchors, operating under 17 trade names;

- lease approximately 90% of Mall GLA to national chains (U.S. centers only), including subsidiaries or divisions of Forever 21 (Forever 21 and XXI Forever), The Gap (Gap, Gap Kids, Baby Gap, Banana Republic, Old Navy, Athleta, and others), H&M, and Limited Brands (Bath & Body Works/White Barn Candle, Pink, Victoria's Secret, and others); and

- are among the highest quality centers in the U.S. public regional mall industry as measured by our high portfolio average of mall tenants' sales per square foot. In 2018 , our mall tenants at comparable centers reported average sales per square foot of $824 .

The most important factor affecting the revenues generated by the centers is leasing to mall tenants (including temporary tenants and specialty retailers), which represents approximately 90% of revenues. Anchors account for less than 10% of revenues because many own their stores and, in general, those that lease their stores do so at rates substantially lower than those in effect for mall tenants.

Our portfolio is concentrated in highly productive shopping centers. Of our 23 owned centers, 21 have annualized rent rolls at December 31, 2018 of over $ 10 million . We believe that this level of productivity is indicative of the centers' strong competitive positions and is, in significant part, attributable to our business strategy and philosophy. We believe that our high-quality shopping centers are the least susceptible to direct competition because, among other reasons, anchors and specialty retail stores do not find it economically attractive to open additional stores in the immediate vicinity of an existing location for fear of competing with themselves. We also believe that our centers' success can be attributed in part to their other characteristics, such as being well-designed with effective layouts, natural light, good physical condition, strong and evolving retail programming, state-of-the-art technology infrastructure, and other amenities. Many of our shopping centers are also strategically located in high-quality markets, with convenient access to a high density of customers, including significant tourist traffic.

Business Strategy and Philosophy

We believe that the shopping center business is not simply a real estate development business, but rather an operating business in which a retailing approach to the ongoing management and leasing of the centers is essential. Thus we:

- offer retailers a location where they can maximize their profitability. We believe leading retailers and emerging concepts choose to showcase their brand in the best markets and highest quality assets;
- offer a large, diverse selection of retail stores and dining in each center to give customers a broad selection of consumer goods, food, and entertainment and a variety of price ranges;
- endeavor to increase overall mall tenants' sales by leasing space to a regularly changing mix of tenants, thereby increasing rents over time;
- seek to anticipate trends in our industry and emphasize ongoing introductions of new concepts into our centers. Due in part to this strategy, a number of successful retail trade names have opened their first mall stores in our centers. In addition, we have brought to the centers "new to the market" retailers and other retailers that previously served customers through online presences. We believe that the execution of this leasing strategy is an important element in building and maintaining customer loyalty and increasing mall productivity; and
- provide innovative initiatives, including those that utilize technology and the internet, to increase revenues, enhance the shopping experience, personalize our relationship with shoppers, build customer loyalty, and increase mall tenant sales, with the following as examples:
    - we are continuing to invest in other synergistic digital capabilities and are a developer of the "Smart Mall" concept. Of the 23 shopping centers in our portfolio, 18 are considered to be "Smart Malls." This technology includes a new fiber optic network throughout the centers, free shopper Wi-Fi, navigation and directory technology, advanced energy management, high-speed networking options for our tenants, new digital, mobile shopper engagement, and advanced shopper analytics;
    - our Taubman website program connects shoppers to each of our individual center brands through the internet. In 2018, we launched new mobile responsive websites for all of our centers, emphasizing the imagery of our premier properties and associated offerings;
    - we have a robust email program reaching our most loyal customers weekly and our social media sites offer retailers and customers an immediate geo-targeted communication vehicle;
    - we actively manage a comprehensive social media program at 18 centers, delivering authentic local content which gained over 800 million impressions in 2018;
    - we deploy highly targeted digital media programs that leverage geographic and behavioral targeting to drive incremental visits from local and tourist customers;
    - we have pioneered an indoor navigation technology at many of our centers that has the potential to significantly change a shopper's experience and connect them to retailers in new ways;
    - we have begun installing "smart parking" systems at some of our shopping centers, providing customers real-time information about parking availability, most convenient spots, and directions to their parked cars; and
    - we have implemented rewards, loyalty, VIP, and incentive programs that provide exclusive benefits to designated shoppers leveraging a variety of technologies ranging from dedicated applications for VIPs to customer relationship management database marketing efforts.

For example, as part of Beverly Center's redevelopment, we implemented the following:

- free shopper Wi-Fi with analytics capabilities;
- extensive fiber for future technology needs of the shopper, tenant, and shopping center;
- a 35-foot-tall, 3-story portrait LED screen with highly immersive artistic and sponsored content;
- exterior LED lighting system wrapping the entire building that allows the center to celebrate Los Angeles and key events;
- the latest in digital directory technology, that provides real time map updates, restaurant menus, and interactive routing (in English and Chinese); and
- a parking system with integration into our website and mobile application that allows consumers to find their car based on license plate recognition.

Our leasing strategy involves assembling a diverse and unique mix of mall tenants in each of the centers in order to attract customers, thereby generating higher sales by mall tenants. High sales by mall tenants make the centers attractive to prospective renewal and new tenants, thereby increasing the rental rates that current and prospective tenants are willing to pay. We have implemented an active leasing strategy to increase the centers' productivity and to set minimum rents at higher levels. Elements of this strategy include renegotiating existing leases and leasing space to prospective tenants that would enhance a center's retail mix.

The shopping centers compete for retail consumer spending through diverse, in-depth presentations of predominantly fashion merchandise in an environment intended to facilitate customer shopping. Many of our centers include stores that target high-end customers, and such stores may also attract other retailers to come to the center. Each center is always individually merchandised in light of the demographics of its potential customers within convenient driving distance. When necessary, we consider rebranding existing shopping centers in order to maximize customer loyalty, maintain and increase mall tenant sales, and achieve greater profitability.

As our tenant mix continues to evolve to include tenants such as digitally native concepts, luxury, entertainment, restaurants, and fast fashion, increased tenant allowances are being provided to attract the best tenants to our centers. We believe bringing in great retailers will drive traffic and productivity to our centers, enhancing the long-term strategic position of each center.

Recent Trends in Retail

The U.S. shopping center industry has been challenged in recent years and is currently facing choppiness as it continues to evolve rapidly alongside retail. Across the industry, department store sales have weakened and their ability to drive traffic has substantially decreased, resulting in increased store closures, with mature mall tenants and anchors rationalizing square footage and being highly selective in opening new stores. There has been some stabilization of portions of the retail landscape recently, including comparatively strong sales performance during 2018. However, the retail headwinds still have the potential to be prolonged and ultimately may still result in many centers incurring lost or reduced rent, paying higher tenant allowances, and/or experiencing unscheduled terminations.

The impact of e-commerce on shopping center retail has been steadily increasing. There have been secular changes in shopper behavior affecting how, where, and what consumers shop for. Technology has intervened in the direct relationship between shoppers and the mall by enabling them to research, compare, and purchase products online easily, challenging our unique position as the main shopping portal within a trade area.

While challenging traditional retail in the shorter-term, e-commerce is also making high-quality brick-and-mortar assets more valuable, as retailers focus their real estate investments on the strongest assets. Successful retailers understand that a combination of both physical and digital channels is likely to best meet their customer needs. Physical locations are an important distribution channel that reduce order fulfillment and customer acquisition costs, while improving website traffic and brand recognition. Physical locations also allow for tenants to most successfully express their full brand statement, creating emotional connections to customers. We strive to position our assets to be desirable platforms for omni-channel retailers, believing technology improves the customer experience and will continue to do so, from the front of the house, logistics, efficiency, pricing, customer acquisition, customer knowledge and service.

Over time we believe high-quality mall portfolios such as ours will continue to gain market share of mall tenant sales and rents. We expect to achieve this because brick-and-mortar remains the heart of omni-channel retailing. Our high-quality portfolio of shopping centers complements retailers' strategies by positioning their brands among high-end, productive retailers in the best markets. We believe the current environment of significant consolidation of shopping centers will cause high-quality portfolios such as ours to become more valuable, solidifying our position in our current markets, and ultimately leading to greater market share. As an upscale, niche player in our industry, most of our assets have a unique value proposition in their respective markets for tenants and consumers - it's estimated that nearly 80% of our malls are ranked number one or two in their markets based on sales per square foot. They remain critical brick-and-mortar locations for retail brands and important destinations for shoppers. This is a strength of our assets that represents a key advantage against our larger competitors in our industry.

Apparel retailers, traditionally a dominant category for malls, had been facing particularly challenging times in recent years, however there has been recent momentum in the category, and sales have increased in 2018. While it is prudent to continuously adjust the use of space in order to broaden the mall experience, we believe that the rebound of apparel is further evidence that the dramatic reallocation of in-line space to other tenants across the board for the sake of reducing exposure to apparel is neither economically sustainable nor strategically necessary. We continue to expect that additional dining, entertainment, digitally native concepts, grocery, fitness, events, coworking and other new uses over time will gain a larger allocation of space alongside a significant presence of apparel, encouraging more shopping destination trips and strengthening high-quality malls as social hubs in their communities.

Throughout the industry, traditional department stores have been experiencing declining sales and market shares. As a result, some department stores have been pursuing strategies of consolidation and/or closure of under-performing locations. Given the overall quality of our real estate, however, many of our department stores have been performing comparatively well. As a result, we do not expect that we will have as many opportunities as others in our industry to reacquire and re-purpose anchor locations, with department stores often being reluctant to exit our malls. However, in the event of anchor closures, we generally expect re-purposing of anchors to add value strategically and be accretive financially.

Potential For Growth

Our principal objective is to enhance shareholder value. We seek to maximize the financial results of our core assets, while also pursuing a growth strategy that includes redevelopment of existing centers as well as a new center development program. As our current development pipeline is now largely complete in the U.S., our emphasis will now be on strengthening and growing our core assets, in addition to stabilizing our newest projects and executing our redevelopments. We continue to invest for the future and are creating value in our centers that is intended to lead to sustained growth for our shareholder s. Our internally generated funds and distributions from operating centers and other investing activities (including strategic dispositions of centers or a portion of our interests therein), augmented by use of our existing revolving lines of credit and unsecured term loans, provide resources to maintain our current operations and assets, pay dividends, and fund a portion of our major capital investments. We pursue an overall strategy of creating value and recycling capital using long-term fixed rate financing on the centers upon stabilization. Excess proceeds from refinancings typically are used to reinvest in our business. Generally, our need to access the capital markets is limited to refinancing debt obligations at or near maturity and, funding major capital investments. From time to time, we also may access the equity markets or sell interests in shopping centers to raise additional funds or refinance existing obligations on a strategic basis, including using excess proceeds therefrom.

Internal Growth

As noted in "Business Strategy and Philosophy" above in detail, our core business strategy is to maintain a portfolio of properties that deliver above-market profitable growth by providing targeted retailers with the best opportunity to do business in each market and targeted shoppers with the best local shopping experience for their needs.

We continue to expect that over time a significant portion of our future growth will come from our existing core portfolio and business. We have always had and will continue to have a culture of intensively managing our assets and maximizing the rents from mall tenants over the long-term as this is a key growth driver going forward.

An element of our internal growth over time is the strategic expansion and redevelopment of existing properties to update and enhance their market positions by adding, replacing, re-tenanting, or otherwise re-merchandising the use of anchor space, increasing mall tenant space, or rebranding centers. Most of the centers have been designed to accommodate expansions. Expansion projects can be as significant as new shopping center construction in terms of scope and cost, requiring governmental and existing anchor store approvals, design and engineering activities, including rerouting utilities, providing additional parking areas or decking, acquiring additional land, and relocating anchors and mall tenants (all of which must take place with minimum disruption to existing tenants and customers).

We substantially completed our redevelopment project at Beverly Center in November 2018, which included a complete renovation and significant re-merchandising, including transformation of food offerings. Additionally, we have an ongoing redevelopment project at The Mall at Green Hills that will add approximately 170,000 square feet of incremental GLA that we expect to be completed in 2019.

We also look to monetize our common areas through robust specialty leasing and sponsorship programs. About 8% of our 2018 comparable center Net Operating Income (NOI) was generated from such programs. In the past five years, comparable center NOI from leasing and sponsorship programs has ranged from 8% to 9%. Examples found in our centers include destination holiday experiences, customer service programs, sponsored children's play areas, and turnkey attractions. In addition, we monetize our common areas through static and digital media that comes in a variety of formats.

External Growth

We pursue various areas of external growth, including traditional center development in the U.S., new opportunities in Asia, and acquisitions in both the U.S. and Asia. We have invested in a development project, Starfield Anseong, in South Korea for which we have formed an additional joint venture with Shinsegae Group (Shinsegae). Additionally, we opened one new center in 2017 and three new centers in 2016: one in Hawaii, one in South Korea, and two in China. We continue to evaluate various development and acquisition possibilities for additional new centers.

Development of New U.S. Centers

We have developed 14 U.S. properties since 1998, or an average of about one every 18 months. Our most recent U.S. development, International Market Place, opened in Waikiki, Honolulu, Hawaii in August 2016. We have a 93.5% interest in the 0.3 million square foot center, which is subject to a participating ground lease.

Given the over saturation of suburban retail in the U.S., almost no new supply of suburban malls is expected in the foreseeable future. Current trends suggest that any future new supply of malls will likely be limited and in the format of mixed-use or destination projects. We do expect expansions of high-quality malls will continue as lower quality centers atrophy. In the next five years, in addition to The Mall at Green Hills expansion, we will pro-actively pursue the re-purposing of anchors where appropriate. We do not anticipate significant new ground-up developments.

While we will continue to evaluate potential future U.S. development projects using criteria, including financial criteria for rates of return, similar to those employed in the past, no assurances can be given that the adherence to these criteria will produce comparable or projected results in the future. In addition, the costs of shopping center development opportunities that are explored but ultimately abandoned will, to some extent, diminish the overall return on development projects taken as a whole. See "MD&A – Liquidity and Capital Resources – Capital Spending" for further discussion of our development activities.

In 2015, we made a decision not to move forward with an enclosed mall that was intended to be part of the Miami Worldcenter mixed-use, urban development in Miami, Florida. Miami Worldcenter's master developer, Miami Worldcenter Associates, is pursuing a high street retail plan as a part of their master development of the site. We have agreed with Miami Worldcenter Associates on terms for a co-leasing services agreement with The Forbes Company for the retail portion of the street level project, with an option to purchase the retail component at a favorable price once it opens.

Asia

We are pursuing a development strategy in Asia to:

- provide additional growth through exposure to countries that have more rapidly growing gross domestic products (GDPs);
- utilize our expertise, including leasing/retailer relationships, design/development expertise, and operational/marketing skills; and
- take advantage of a generational opportunity, as the demand for high-quality retail is early to mid-cycle, there is significant deal flow, and it diversifies longer-term growth investment opportunities.

Taubman Asia is responsible for our operations and development in the Asia-Pacific region, focusing on China and South Korea. We have pursued a strategy of seeking strategic partners to jointly develop high-quality malls in our areas of focus. Taubman Asia is engaged in projects that leverage our strong retail planning, design, and operational capabilities with our strategic partners being responsible for acquiring and entitling the land and leading construction.

We envision that the Asia business will be a smaller but complementary and important part of the overall business. We have built three high-quality shopping centers and a fully integrated development and management platform with strategic, local partners. Our goal is to create a platform that finances itself by bringing in new capital partners, and potentially adding additional operating partners where appropriate, to create a less capital-intensive business that can grow the asset base with improved returns on equity, which is evidenced by our institutional partner in Starfield Hanam and the agreement with The Blackstone Group L.P. (Blackstone) to sell 50% of our interests in Starfield Hanam, CityOn.Xi'an, and CityOn.Zhengzhou described below.

As part of our Asia strategy, we look to mitigate our operating costs through property management fees and third-party service contracts when possible. We currently provide management and advisory services to third parties in Asia. We also attempt to manage risks and financial returns for our Asia developments through actively managing and limiting pre-construction costs, ensuring there is adequate anchor and tenant interest in the project prior to construction, and pursuing initial projects that are already fully entitled with partners having appropriate expertise in land acquisition and local regulatory issues. Developments in China and South Korea are subject to income taxes and taxes upon repatriation of earnings that also must be planned for and managed.

We have a joint venture with Shinsegae, one of South Korea's largest retailers, to build, lease, and manage Starfield Anseong, an approximately 1.1 million square foot shopping center, in Anseong, Gyeonggi Province, South Korea. We expect to beneficially own a 24.5% interest in the project; however we currently own and are funding 49% of the project until an additional capital partner is admitted. The center is scheduled to open in late 2020.

We also have an additional joint venture with Shinsegae that owns and manages an approximately 1.7 million square foot shopping center, Starfield Hanam, in Hanam, South Korea. The center opened in September 2016. We are currently partnered with a major institution in Asia for a 49% ownership interest in Starfield Hanam. As of December 31, 2018, the institutional partner owned 14.7% of the center, bringing our effective ownership to 34.3%.

We also have two joint ventures with Wangfujing Group Co., Ltd (Wangfujing), one of China's largest department store chains. The first joint venture owns an interest in and manages an approximately 1.0 million square foot shopping center, CityOn.Xi'an, which opened in April 2016 and is located at Xi'an Saigao City Plaza, a large-scale mixed-use development in Xi'an, China. As of December 31, 2018, we had an effective 50% ownership interest in the center. The second joint venture with Wangfujing owns an interest in and manages an approximately 0.9 million square foot shopping center, CityOn.Zhengzhou, which opened in March 2017 and is located in Zhengzhou, China. As of December 31, 2018, we had a 49% ownership interest in the center.

In February 2019, we announced agreements to sell 50% of our interests in Starfield Hanam, CityOn.Xi’an, and CityOn.Zhengzhou to funds managed by Blackstone. Following the transactions, which are subject to customary closing conditions and are expected to close throughout 2019, we will retain a 17.15% ownership interest in Starfield Hanam, a 25% ownership interest in CityOn.Xi'an, and a 24.5% ownership interest in CityOn.Zhengzhou. We will remain the partner responsible for the joint management of the three shopping centers, with Blackstone paying a property service fee. The interests to be sold are valued at $480 million, with net cash proceeds expected to be about $315 million, after transaction costs and the allocation to Blackstone of its share of third-party debt. Also, we may receive up to an additional $50 million of consideration based on the 2019 performance of the three assets.

See "MD&A - Results of Operations - Taubman Asia" for further details regarding our activities in Asia.

Strategic Acquisitions

We expect attractive opportunities to acquire existing centers, or interests in existing centers, from other companies may be scarce and expensive. However, we continue to look for assets in both the U.S. and Asia where we can add significant value or that would be strategic to the rest of our portfolio. Our objective is to acquire existing centers only when they are compatible with the quality of our portfolio, or can be redeveloped to that level. We also may acquire additional interests in centers currently in our portfolio.

In March 2016, a joint venture we formed with The Macerich Company acquired Country Club Plaza, a mixed-use retail and office property in Kansas City, Missouri, from Highwood Properties for $660 million ($330 million at TRG’s beneficial share) in cash, excluding transaction costs. This purchase is consistent with our strategy to own high-quality, dominant assets in great markets. See "MD&A - Results of Operations - Acquisition - Country Club Plaza" for additional information regarding the acquisition.

Redevelopment Agreement for Taubman Prestige Outlets Chesterfield

In May 2018, we closed on a redevelopment agreement for Taubman Prestige Outlets Chesterfield. As of May 1, 2018, all operations at the center, as well as the building and improvements, were transferred to The Staenberg Group (TSG). TSG leases the land from us through a long-term, participating ground lease and we receive ground lease payments and a share of the property's revenues above a specified level. TSG is planning a significant redevelopment of the property, which will transform it into a unique entertainment, shopping and dining destination. See "MD&A - Results of Operations - Redevelopment Agreement for Taubman Prestige Outlets Chesterfield" for further details regarding the redevelopment agreement.

Rental Rates

As leases have expired in the centers, we have generally been able to rent the available space, either to the existing tenant or a new tenant, at rental rates that are higher than those of the expired leases. Generally, center revenues have increased as older leases rolled over or were terminated early and replaced with new leases negotiated at current rental rates that were usually higher than the average rates for existing leases. In periods of increasing sales, rents on new leases will generally tend to rise. In periods of slower growth or declining sales, rents on new leases will generally grow more slowly or will decline for the opposite reason, as tenants' expectations of future growth become less optimistic. Where appropriate, we are occasionally making decisions as we re-tenant space to use some shorter leases in order to maintain occupancy, merchandising, and preserve cash flow when possible; this activity can have a material impact on our releasing spread for an applicable period. See "Risk Factors" for further information.

The following table contains certain information regarding average mall tenant minimum rent per square foot of our Consolidated Businesses and Unconsolidated Joint Ventures at the comparable centers (centers that had been owned and open for the current and preceding year, excluding centers impacted by significant redevelopment activity, as well as The Mall of San Juan due to the impact of Hurricane Maria). Comparable center statistics for 2018 and 2017 exclude Beverly Center, CityOn.Zhengzhou, The Mall of San Juan, and Taubman Prestige Outlets Chesterfield. Average rent per square foot statistics reflect the contractual rental terms of the leases currently in effect and include the impact of rental concessions.

	2018	2017	2016	2015	2014
Average rent per square foot:					
Consolidated Businesses	$ 71.24	$ 69.25	$ 63.83	$ 61.37	$ 59.48
Unconsolidated Joint Ventures	49.00	47.02	58.10	57.28	58.65
Combined	57.51	55.36	61.07	59.41	59.14

See "MD&A – Rental Rates and Occupancy" for information regarding opening and closing rents per square foot for our centers.

Lease Expirations

The following table shows scheduled lease expirations for mall tenants based on information available as of December 31, 2018 for the next ten years for all owned centers in operation at that date.

	Tenants 10,000 square feet or less [1]				Total [1][2]			
Lease Expiration Year	Number of Leases Expiring	Leased Area in Square Footage	Annualized Base Rent Under Expiring Leases Per Square Foot [3]	Percent of Total Leased Square Footage Represented by Expiring Leases	Number of Leases Expiring	Leased Area in Square Footage	Annualized Base Rent Under Expiring Leases Per Square Foot [3]	Percent of Total Leased Square Footage Represented by Expiring Leases
2019 [4]	334	479	$ 30.63	6.8%	335	663	$ 26.35	5.3%
2020	346	717	52.97	10.2	360	927	50.60	7.5
2021	468	1,156	56.37	16.4	503	1,847	46.37	14.9
2022	382	1,041	51.79	14.7	410	1,716	44.56	13.8
2023	279	841	56.47	11.9	286	1,113	53.68	9.0
2024	223	643	61.18	9.1	241	1,026	50.86	8.3
2025	194	702	59.65	9.9	219	1,074	59.17	8.7
2026	191	544	71.50	7.7	214	1,118	55.63	9.0
2027	143	426	68.58	6.0	156	830	46.86	6.7
2028	92	275	64.23	3.9	93	442	61.64	3.6

(1) Excludes rents from temporary in-line tenants and centers not open and operating at December 31, 2018 .
(2) In addition to tenants with spaces 10,000 square feet or less, includes tenants with spaces over 10,000 square feet and value and outlet center anchors. Excludes rents from mall anchors and temporary in-line tenants.
(3) Weighted average of the annualized contractual rent per square foot as of the end of the reporting period.
(4) Excludes leases that expire in 2019 for which renewal leases or leases with replacement tenants have been executed as of December 31, 2018 .

We believe that the information in the table is not necessarily indicative of what will occur in the future, principally because of early lease terminations at the centers. The average remaining term of the leases that were terminated during the 2013 to 2018 period was approximately one year. The average term of leases signed was approximately seven years during both 2018 and 2017 , excluding temporary in-line tenants (TILs).

In addition, mall tenants at the centers may seek the protection of the bankruptcy laws, which could result in the termination of such tenants' leases and thus cause a reduction in cash flow. In 2018 , tenants representing 1.6% of leases filed for bankruptcy during the year compared to 3.1% in 2017 . This statistic has ranged from 0.8% to 3.1% of leases per year over the last five years. The annual provision for losses on accounts receivable represents 0.6% of total revenues in 2018 and has ranged from 0.4% to 1.8% over the last five years. However, many bankruptcies do not ultimately impact our occupancy because historically less than half of bankrupt tenants actually close.

Occupancy

Occupancy and leased space statistics include TILs and value and outlet center anchors (Dolphin Mall, Great Lakes Crossing Outlets, and Taubman Prestige Outlets Chesterfield). The following table shows ending occupancy and leased space for the past five years:

	2018	2017	2016	2015	2014
All Centers:					
Ending occupancy	94.6%	94.8%	93.9%	94.2%	94.1%
Leased space	96.2	95.9	95.6	96.1	96.0
Comparable Centers:					
Ending occupancy	94.7%	95.7%			
Leased space	96.3	96.6			

Major Tenants

No single retail company represents 5% or more of our Mall GLA or revenues. The combined operations of Forever 21 accounted for about 4% of Mall GLA as of December 31, 2018 and less than 3% of 2018 minimum rent. No other single retail company accounted for more than 4% of Mall GLA as of December 31, 2018 or 4% of 2018 minimum rent.

The following table shows the ten mall tenants who occupy the most Mall GLA at our centers and their square footage as of December 31, 2018 :

Tenant	# of Stores	Square Footage	% of Mall GLA
Forever 21 (Forever 21, XXI Forever)	17	513,277	4.3%
H&M	20	414,527	3.5
The Gap (Gap, Gap Kids, Baby Gap, Banana Republic, Old Navy, Athleta, and others)	47	399,419	3.4
Limited Brands (Bath & Body Works/White Barn Candle, Pink, Victoria's Secret, and others)	40	274,217	2.3
Inditex (Zara, Zara Home, Massimo Dutti, Bershka, and others)	20	235,063	2.0
Urban Outfitters (Anthropologie, Free People, Urban Outfitters)	28	219,985	1.9
Williams-Sonoma (Williams-Sonoma, Pottery Barn, Pottery Barn Kids, and others)	27	217,493	1.8
Ascena Retail Group (Ann Taylor, Ann Taylor Loft, Justice, and others)	41	205,557	1.7
Restoration Hardware	5	180,227	1.5
Abercrombie & Fitch (Abercrombie & Fitch, Hollister, and others)	25	177,556	1.5

Competition

There are numerous shopping facilities that compete with our properties in attracting retailers to lease space. We compete with other major real estate investors with significant capital for attractive investment opportunities. We also compete with online retailers as they draw sales away from our tenants or reduce sales attributed to their stores in our centers, which impacts rental rates. See "Risk Factors" for further details of our competitive business.

Seasonality

The shopping center industry in the U.S. is seasonal in nature, with mall tenant sales highest in the fourth quarter due to the Christmas season, and with lesser, though still significant, sales fluctuations associated with the Easter holiday and back-to-school period. See "MD&A – Seasonality" for further discussion.

Environmental Matters

See "Risk Factors" regarding discussion of environmental matters.

Personnel

The Manager provides real estate management, acquisition, development, leasing, and administrative services required by us and our properties in the United States, and employs all of our U.S. employees, including our executive officers. Taubman Asia Management Limited (TAM) and certain other affiliates provide similar services for third parties in China and South Korea as well as Taubman Asia. The Manager is 99.8% beneficially owned by TRG and 0.2% owned by Taub-Co Holdings LLC (Taub-Co), which is 100% owned by members of the Taubman Family. The Manager receives fees from the shopping centers, TCO , TRG , and their respective affiliates and third parties in exchange for the performance of its services. Since TRG has an approximate 99.8% beneficial interest in the Manager, substantially all of these fees accrue to TRG , with a de minimis portion of the fees accruing to the benefit of Taub-Co through its 0.2% beneficial interest in the Manager. For more information about the Manager, see "Risk Factors - Members of the Taubman Family have the power to vote a significant number of the shares of Capital Stock entitled to vote and have contractual rights."

As of December 31, 2018 , the Manager, TAM, and certain other affiliates had 450 full time employees.

Available Information

TCO makes available free of charge through its website at www.taubman.com all reports it electronically files with, or furnishes to, the SEC, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as well as any amendments to those reports, as soon as reasonably practicable after those documents are filed with, or furnished to, the SEC. These filings are also accessible on the SEC’s website at www.sec.gov.

Item 1A. RISK FACTORS.

The following factors and other factors discussed in this Annual Report on Form 10-K could cause our actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or presented elsewhere in future Securities and Exchange Commission (SEC) reports or statements made by our management from time to time. These factors may have a material adverse effect on our business, financial condition, operating results and cash flows, and should be carefully considered. We may update these factors in our future periodic reports.

The economic performance and value of our shopping centers are dependent on many factors.

The economic performance and value of our shopping centers are dependent on various factors. Additionally, these same factors will influence our decision on whether to go forward on the development of new shopping centers, acquisitions and dispositions, and may also affect the ultimate economic performance and value of projects under construction and acquired shopping centers. Adverse changes in the economic performance and value of our shopping centers would also adversely affect our income and cash available to pay dividends.

Such factors include:

- changes in the global, national, regional, and/or local economic and geopolitical climates. Changes such as a global economic and financial market downturn may cause, among other things, a significant tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, lower consumer and business spending, and lower consumer confidence and net worth;
- changes in specific local economies, decreases in tourism, and/or other real estate conditions. These changes may have a more significant impact on our financial performance due to the geographic concentration of some of our shopping centers;
- changes in mall tenant sales performance of our shopping centers, which over the long term are the single most important determinant of revenues of the shopping centers because mall tenants (including temporary tenants and specialty retailers), provide approximately 90% of these revenues and because mall tenant sales determine the amount of rent, overage rent, and recoverable expenses that mall tenants can afford to pay. In times of stagnant or depressed sales, mall tenants may become less willing to pay traditional levels of rent;
- changes in business strategies of anchors and key tenants. Anchors and key tenants may adopt new or modify existing strategies in order to adapt to new challenges and shifts in the economic environment. Such strategies could include improving the overall in-store customer experience and creating a desired destination, which could impact the type of space anchors and key tenants desire in our shopping centers. Beyond changing the existing experience, other strategies could include consolidation, contraction, renegotiation of business arrangements, or closing;
- changes in consumer shopping behavior. Certain merchandise categories are experiencing lower growth in traditional shopping centers and technology has significantly impacted consumer spending habits;
- availability and cost of financing. Many forecasts suggest additional federal funds rate increases may occur during 2019, similar to those recently experienced;
- the public perception of the safety, convenience, and attractiveness of our shopping centers;
- legal liabilities;
- changes in government regulations; and
- changes in real estate zoning and tax laws.

These factors may ultimately impact the valuation of certain long-lived or intangible assets that are subject to impairment testing, potentially resulting in impairment charges, which may be material to our financial condition or results of operations. See "MD&A - Application of Critical Accounting Policies and New Accounting Pronouncements - Valuation of Shopping Centers" for additional information regarding impairment testing.

In addition, the value and performance of our shopping centers may be adversely affected by certain other factors discussed below including the state of the capital markets, expansion in Asia, unscheduled closings or bankruptcies of our anchors and tenants, competition, uninsured losses, the impact of technology on consumer spending, and environmental liabilities.

We are in a competitive business.

There are numerous shopping facilities that compete with our properties in attracting retailers to lease space. Our ability to attract tenants to our shopping centers and lease space is important to our success, and difficulties in doing so can materially impact our shopping centers' performance. The existence of competing shopping centers could have a material adverse impact on our ability to develop or operate shopping centers, lease space to desirable anchors and tenants, and on the level of rents that can be achieved. In addition, retailers at our properties face continued competition from shopping through various means and channels, including via the internet, lifestyle centers, value and outlet malls, wholesale and discount shopping clubs, and television shopping networks. Competition of this type could adversely affect our revenues and cash available for distribution to shareholder s.

As new technologies emerge, the relationship among customers, retailers, and shopping centers are evolving on a rapid basis and we may not be able to adapt to such new technologies and relationships on a timely basis. Our relative size may limit the capital and resources we are willing to allocate to invest in strategic technology to enhance the mall experience, which may make our shopping centers relatively less desirable to anchors, mall tenants, and consumers. Additionally, a small but increasing number of tenants utilize our shopping centers as showrooms or as part of an omni-channel strategy (allowing customers to shop seamlessly through various sales channels). As a result, customers may make purchases through other sales channels during or immediately after visiting our shopping centers, with such sales not being captured currently in our tenant sales figures or monetized in our minimum or overage rents.

We compete with other major real estate investors with significant capital for attractive investment opportunities. These competitors include other REITs, investment banking firms, and private and institutional investors, some of whom have greater financial resources or have different investment criteria than we do. In particular, there is competition to acquire, develop, or redevelop highly productive retail properties. This could become even more severe as competitors gain size and economies of scale as a result of merger and consolidation activity. This competition may impair our ability to acquire, develop, or redevelop suitable properties, and to attract key retailers, on favorable terms in the future.

Our real estate investments are relatively illiquid.

We may be limited in our ability to vary our portfolio in response to changes in economic, market, or other conditions by restrictions on transfer imposed by our partners or lenders. If we were unable to refinance our debt at a shopping center, we may be required to contribute capital to repay debt, fund capital spending, or other cash requirements. In addition, under TRG ’s partnership agreement, upon the sale of a center or TRG ’s interest in a center, TRG may be required to distribute to its partners all or a portion of the cash proceeds received by TRG from such sale (a special distribution). If TRG made such a distribution, the sale proceeds would not be available to finance TRG ’s activities, and the sale of a center may result in a decrease in funds generated by continuing operations and in distributions to TRG ’s partners, including us. Further, pursuant to TRG ’s partnership agreement, TRG may not dispose or encumber certain of its shopping centers or its interest in such shopping centers, specifically Beverly Center, Cherry Creek Shopping Center, Twelve Oaks Mall, The Mall at Short Hills, or Stamford Town Center, without the consent of a majority-in-interest of its partners other than TCO , which is currently held by members of the Taubman Family.

We may acquire or develop new properties and/or redevelop and expand our existing properties, and these activities are subject to various risks.

We pursue development, redevelopment, expansion, and acquisition activities as opportunities arise, and these activities are subject to the following risks:

- the pre-construction phase for a new project often extends over several years, and the time to obtain landowner, anchor, and tenant commitments, zoning and regulatory approvals, and financing can vary significantly from project to project;
- we may not be able to obtain the necessary zoning, governmental and other approvals, or anchor or tenant commitments for a project, or we may determine that the expected return on a project is not sufficient; if we abandon our development activities with respect to a particular project, we may incur a loss on our investment;
- construction and other project costs may exceed our original estimates because of increases in material and labor costs, delays, nonperformance of services by our contractors, increases in tenant allowances, costs to obtain anchor and tenant commitments, and other reasons;
- we may not be able to obtain financing or to refinance construction loans at desired loan-to-value ratios or at all, which are generally recourse to TRG ;
- we may be obligated to contribute funding for development, redevelopment, or expansion projects in excess of our ownership requirements if our partners are unable or are not required to fund their ownership share;
- equity issuances as a source of funds, directly as consideration for acquisitions or indirectly through capital market transactions, may become less financially favorable as affected by our stock price as well as general market conditions;
- occupancy rates and rents, as well as occupancy costs and expenses, at a completed project or an acquired property may not meet our projections at opening or stabilization, and the costs of development activities that we explore but ultimately abandon will, to some extent, diminish the overall return on our completed development projects; and
- competitive pressures in our targeted markets may negatively impact our ability to meet our leasing objectives.

Certain of our projects represent the retail portion of larger mixed-use projects. As a result, there may be certain additional risks associated with such projects, including:

- increased time to obtain necessary permits and approvals;
- increased uncertainty regarding shared infrastructure and common area costs; and
- impact on sales and performance of the retail center from delays in opening of other uses and or/the performance of such uses, or the inability to open or finance such other uses.

In addition, economic, market, and other conditions may reduce viable development and acquisition opportunities in the U.S. that meet our unlevered return requirements in the short to intermediate horizon. As a result, we anticipate focusing on strategic repurposing of shopping centers (including potential repurposing of certain anchor stores).

Clauses in leases with certain tenants of our development or redevelopment properties include inducements, such as reduced rent and tenant allowance payments, that can reduce our rents, Funds from Operations (FFO), and/or returns achieved. The leases for a number of the tenants that have opened stores at properties we have developed or redeveloped have reduced rent from co-tenancy clauses that allow those tenants to pay reduced rent until occupancy at the respective property reaches certain thresholds and/or certain named co-tenants open stores at the respective property. Additionally, some tenants may have rent abatement clauses that delay rent commencement for a prolonged period of time after initial occupancy. The effect of these clauses reduces our rents and FFO while they are applicable. We expect to continue to offer co-tenancy and rent abatement clauses in the future to attract tenants to our development and redevelopment properties. As a result, our current and future development and redevelopment properties are more likely to achieve lower returns during their stabilization periods than other projects of this nature historically have, which may adversely impact our investment in such developments, as well as our financial condition and results of operations.

Dispositions may not achieve anticipated results.

We actively maintain a strategy of recycling capital to achieve growth over time. At times this strategy may include strategically disposing of assets, or partial interests in assets, to improve the overall performance of our core mall portfolio, measured by: achieving improved portfolio metrics, demographics, and operating statistics, such as higher sales productivity and occupancy rates; accelerating future growth targets in our operating results and FFO; strengthening of our balance sheet; and creating increased net asset value for our shareholder s over time. However, we may not achieve some or all of the targeted results we originally anticipated at the time of disposition. If we are not successful at achieving the anticipated results from any disposition, there is potential for a significant adverse impact on our returns and our overall profitability. We may not be able to achieve certain desired cap rates related to dispositions of assets, or partial interests in assets, due to general economic reasons or, in cases of lower productivity malls, the perception of over-capacity of such malls in the U.S.

We hold investments in joint ventures in which we do not control all decisions, and we may have conflicts of interest with our joint venture partners.

Some of our shopping centers and shopping center projects are partially owned by non-affiliated partners through joint venture arrangements. As a result, we do not control all decisions regarding those shopping centers and may be required to take actions that are in the interest of the joint venture partners but not our best interests. Accordingly, we may not be able to favorably resolve any issues that arise with respect to such decisions, or we may have to provide financial or other inducements to our joint venture partners to obtain such resolution.

For our unconsolidated joint ventures, we do not necessarily control decisions as to the design or operation of internal controls over accounting and financial reporting, including those relating to maintenance of accounting records, authorization of receipts and disbursements, selection and application of accounting policies, reviews of period-end financial reporting, and safeguarding of assets. Therefore, we are exposed to increased risk that such controls may not be designed or operating effectively, which could ultimately affect the accuracy of financial information related to these joint ventures as prepared by our joint venture partners.

Various restrictive provisions and rights govern sales or transfers of interests in our joint ventures. These may work to our disadvantage because, among other things, we may be required to make decisions as to the purchase or sale of interests in our joint ventures at a time that is disadvantageous to us.

In our joint ventures, we may partner with entities with whom we do not have a historical business relationship and therefore there is additional risk in working through operational, financial, and other issues.

Investors are cautioned that deriving our beneficial interest in a joint venture as our ownership interest in individual financial statement items of that joint venture may not accurately depict the legal and economic implications of holding a noncontrolling interest in it.

Our business activities and pursuit of new opportunities in Asia may pose unique risks.

We have offices in Hong Kong, Seoul, Beijing, and Shanghai and we are pursuing and evaluating investment opportunities in various locations across Asia. We have invested in four joint ventures to develop and operate shopping centers in Asia and may invest in other shopping centers in the future. In addition, we provide management and advisory services for third parties. In addition to the general risks described in this report, our international activities are subject to unique risks, including:

- adverse effects of changes in exchange rates for foreign currencies and the risks of hedging related thereto;
- changes in and/or difficulties in operating in foreign political environments;
- difficulties in attracting new capital partners at existing projects due to risks specific to foreign investment;
- difficulties in operating with foreign vendors and joint venture and business partners;
- difficulties of complying with a wide variety of foreign laws including laws affecting funding and use of cash, corporate governance, property ownership restrictions, development activities, operations, anti-corruption, taxes, and litigation;
- changes in and/or requirements of complying with applicable laws and regulations in the U.S. that affect foreign operations, including the U.S. Foreign Corrupt Practices Act (FCPA);
- difficulties in managing international operations, including difficulties that arise from ambiguities in contracts written in foreign languages and difficulties that arise in enforcing such contracts;
- differing lending practices, including lower loan-to-value ratios and increased difficulty in obtaining construction loans or timing thereof;
- differing employment and labor issues;
- economic downturn in foreign countries or geographic regions where we have significant operations, such as in China and South Korea;
- economic tensions between governments and changes in international trade and investment policies, especially between the U.S. and China;
- obstacles to the repatriation of earnings and cash;
- obstacles to various government approval processes and other hurdles in funding our Chinese projects;
- lower initial investment returns than those generally experienced in the U.S.;
- obstacles to hiring and maintaining appropriately trained staff;
- differences in consumer retail behavior, including increased interest in retail brands in which we have no or limited prior relationships with in the U.S. and changes in seasonal consumer spending due to timing of certain national holidays;
- differences in cultures including adapting practices and strategies that have been successful in the U.S. mall business to retail needs and expectations in new markets; and
- labor discord, war, terrorism (including incidents targeting us), political instability and natural disasters.

In addition, any significant or prolonged deterioration in U.S.-China relations could adversely affect our China business. Certain risks and uncertainties of doing business in China are solely within the control of the Chinese government, and Chinese law regulates the scope of our foreign investments and business conducted within China.

In regards to foreign currency, our projects in China and South Korea require investments and have, and may in the future require debt financing denominated in foreign currencies, with the possibility that such investments will be greater than anticipated depending on changes in exchange rates. These projects could also generate returns on or of capital in foreign currencies that could ultimately be less than anticipated as a result of exchange rates. As part of investing in these projects, we are implementing appropriate risk management policies and practices, including the consideration of hedging of foreign currency risks. However, developing an effective foreign currency risk strategy is complex and may be costly, and no strategy can completely insulate us from risk associated with foreign currency fluctuations. Further, we cannot provide assurance that such policies and practices will be successful and/or that the applicable accounting for foreign currency hedges will be favorable to any particular period's results of operations.

As we expand our international activities and levels of investment, these risks could increase in significance and adversely affect our financial returns on international projects and services and overall financial condition. We have put in place policies, practices, and systems for mitigating some of these international risks, although we cannot provide assurance that we will be entirely successful in doing so.

We could be subject to liability, penalties and other sanctions and other adverse consequences arising out of non-compliance with the FCPA or foreign anti-corruption laws.

We are subject to the FCPA, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business, and which requires proper record keeping and characterization of payments we make in our reports filed with the SEC. Although we have policies and procedures designed to promote compliance with the FCPA and other anti-corruption laws, we cannot provide assurance that we will continue to be found to be operating in compliance with, or be able to detect violations of, any such laws or regulations. We cannot provide assurance that these policies and procedures will protect us from intentional, reckless or negligent acts committed by our employees, agents, partners, or others acting on our behalf. If our employees, agents, partners, or others acting on our behalf are found to have engaged in such practices, severe penalties and other consequences could be imposed. Those penalties and consequences that may be imposed against us or individuals in appropriate circumstances include, but are not limited to, injunctive relief, disgorgement, significant fines and penalties, and modifications to business practices and compliance programs. In addition, we cannot predict the nature, scope, or effect of future regulatory requirements or investigations to which our international operations might be subject, the manner in which existing laws might be administered or interpreted, or the potential that we may face regulatory sanctions. Any of these violations or remedial measures, if applicable to us, could have a material adverse impact on our business, reputation, results of operations, cash flow, financial condition, liquidity, ability to make distributions to our shareholder s, or the value of our investments.

Foreign companies, including some that may compete with us, may not be subject to the FCPA or other anti-corruption laws. Accordingly, such companies may be more likely to engage in activities prohibited by the FCPA or other anti-corruption laws, which could have a significant adverse impact on our returns or our ability to compete for business in such countries.

The bankruptcy, early termination, sales performance, or closing of our tenants and anchors could adversely affect us.

We could be adversely affected by the bankruptcy, early termination, sales performance, or closing of tenants and anchors. Certain of our lease agreements include co-tenancy and/or sales-based kick-out provisions which allow a tenant to pay a reduced rent amount and, in certain instances, terminate the lease, if we fail to maintain certain occupancy levels or retain specified named anchors, or if the tenant does not achieve certain specified sales targets. If occupancy or tenant sales do not meet or fall below certain thresholds, rents we are entitled to receive from our retail tenants could be reduced. The bankruptcy of a mall tenant could result in the termination of its lease, which would lower the amount of cash generated by that shopping mall. Replacing mall tenants with better performing, emerging retailers may take longer than our historical experience of re-tenanting due to their lack of infrastructure and limited experience in opening stores as well as the significant competition for such emerging brands, which may require us to pay significant tenant allowances or offer reduced rents as an inducement. In addition, if a department store operating as an anchor at one of our shopping centers were to cease operating, we may experience difficulty and delay and incur significant expense in replacing the anchor, re-tenanting, or otherwise re-merchandising the use of the anchor space. In addition, the anchor’s closing may lead to reduced customer traffic and lower mall tenant sales. As a result, we may also experience difficulty or delay in leasing spaces in areas adjacent to the vacant anchor space. The early termination or closing of mall tenants or anchors for reasons other than bankruptcy could have a similar impact on the operations of our shopping centers, although in the case of early terminations we may benefit in the short-term from lease cancellation income (See "MD&A – Rental Rates and Occupancy").

Most recently, certain traditional department stores have experienced challenges including, limited opportunities for new investment/openings, declining sales, and store closures. Department stores' market share is declining, and their ability to drive traffic has substantially decreased. Despite our shopping centers traditionally being driven by department store anchors, in the event of a need for replacement, it may be necessary to consider non-department store anchors. Certain of these non-department store anchors may demand higher allowances than a standard mall tenant due to the nature of the services/products they provide (for example, restaurants, entertainment, or luxury).

Capital markets may limit our sources of funds for financing activities.

Our ability to access the capital markets may be restricted at a time when we would like, or need, to access those markets. This could have an impact on our flexibility to react to changing economic and business conditions. A lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations and our ability to obtain and manage our liquidity. In addition, the cost of debt financing and the proceeds may be materially adversely impacted by such market conditions. Also, our ability to access equity markets as a source of funds may be affected by our stock price as well as general market conditions.

We are obligated to comply with financial and other covenants that could affect our operating activities.

Certain loan agreements contain various restrictive covenants, including the following corporate covenants on our primary unsecured revolving line of credit, as well as the $300 million and $250 million unsecured term loans and the loan on International Market Place: a minimum net worth requirement, a maximum total leverage ratio, a maximum secured leverage ratio, a minimum fixed charge coverage ratio, a maximum recourse secured debt ratio, and a maximum payout ratio. In addition, our primary unsecured revolving line of credit and unsecured term loans have unencumbered pool covenants, which currently apply to Beverly Center, Dolphin Mall, and The Gardens on El Paseo on a combined basis. These covenants include a minimum number and minimum value of eligible unencumbered assets, a maximum unencumbered leverage ratio, a minimum unencumbered interest coverage ratio, and a minimum unencumbered asset occupancy ratio. As of December 31, 2018 , the corporate total leverage ratio was the most restrictive covenant. These covenants may restrict our ability to pursue certain business initiatives or certain transactions that might otherwise be advantageous. In addition, these covenants may limit our ability to borrow up to the $1.1 billion facility on our primary unsecured revolving line of credit. Failure to meet certain of these financial covenants could cause an event of default under and/or accelerate some or all of such indebtedness which could have a material effect on us.

TRG *guarantees debt or otherwise provides support for a number of joint venture properties.*

Joint venture debt is the liability of the joint venture and the joint venture property is typically encumbered by a mortgage or construction financing. A default by a joint venture under its debt obligations may expose us to liability under a guaranty (see "Note 8 - Notes Payable, Net - Debt Covenants and Guarantees" to our consolidated financial statements for more details on loan guarantees). We may elect to fund cash needs of a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances, or partner loans, although these means of funding are not typically required contractually or otherwise.

Our hedging interest rate protection arrangements may not effectively limit our interest rate risk exposure.

We manage our exposure to interest rate risk through a combination of interest rate protection agreements to effectively fix or cap a portion of our variable rate debt. Our use of interest rate hedging arrangements to manage risk associated with interest rate volatility may expose us to additional risks, including that a counterparty to a hedging arrangement may fail to honor its obligations. We enter into swaps that are exempt from the requirements of central clearing and/or trading on a designated contract market or swap execution facility pursuant to the applicable regulations and rules, and thus there may be more counterparty risk relative to others who do not utilize such exemption. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. We might be subject to additional costs, such as transaction fees or breakage costs, if we terminate these arrangements.

We may be adversely affected by changes in LIBOR reporting practices or the method in which LIBOR is determined.

In July 2017, the Financial Conduct Authority, the authority that regulates LIBOR, announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee (ARRC) has proposed that the Secured Overnight Financing Rate (SOFR) is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR. There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or financing costs to borrowers. We have material contracts that are indexed to USD-LIBOR and is monitoring this activity and evaluating the related risks.

Our investments are subject to credit and market risk.

We occasionally extend credit to third parties in connection with the sale of land or other transactions. We also have occasionally made investments in marketable and other equity securities. We are exposed to risk in the event the values of our investments and/or our loans decrease due to overall market conditions, business failure, and/or other nonperformance by the investees or counterparties.

Inflation may adversely affect our financial condition and results of operations.

Inflationary price increases could have an adverse effect on consumer spending, which could impact our tenants' sales and, in turn, our tenants' business operations. This could affect the amount of rent these tenants pay, in particular if their leases provide for overage rent or percentage of sales rent, and their ability to pay rent. Also, inflation could cause increases in operating expenses, which could increase occupancy costs for tenants and, to the extent that we are unable to recover operating expenses from tenants, could increase operating expenses for us. In addition, if the rate of inflation exceeds the scheduled rent increases included in our leases, then our profitability and our Net Operating Income would decrease. As of December 31, 2018 , approximately 58% of our gross leasable and occupied area included clauses in leases for rent increases based on changes in the Consumer Price Index, although we are attempting to reduce our exposure to such variable rentals as leases are negotiated or renewed.

The occurrence of cyber incidents, a deficiency in our cyber security, or a data breach could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results .

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupting data, or stealing confidential information. We rely upon information technology networks and systems, some of which are managed by third-parties, to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Primary risks that could directly result from the occurrence of a cyber incident include, but are not limited to, operational interruption, damage to our tenant relationships, private data exposure (including personally identifiable information, or proprietary and confidential information, of ours and our employees, as well as third parties), and potentially significant response costs. Any such incidents could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, and reduce the benefits of our advanced technologies. We carry cyber liability insurance; however a loss could exceed the limits of the policy. We have implemented processes, procedures and controls to help mitigate these risks, but these measures, our increased awareness of a risk of a cyber incident, and our insurance coverage, do not guarantee that our financial results will not be negatively impacted by such an incident.

Some of our potential losses may not be covered by insurance.

We carry liability, fire, flood, earthquake, extended coverage, and rental loss insurance on each of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, some types of losses, including information technology system failures, punitive damages (in certain states), and lease and other contract claims, which generally are not insured. If an uninsured liability claim or a liability claim in excess of insured limits is made, we may have to make a payment to satisfy such claim. In addition, if an uninsured property loss or a property loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. If this happens, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

In November 2002, Congress passed the "Terrorism Risk Insurance Act of 2002" (TRIA), which required insurance companies to offer terrorism coverage to all existing insured companies for an additional cost. As a result, our property insurance policies are currently provided without a sub-limit for terrorism, eliminating the need for separate terrorism insurance policies.

In January 2015, Congress passed the "Terrorism Risk Insurance Program Authorization Act of 2015", which extended the termination date of the Terrorism Insurance Program established under the TRIA through December 31, 2020. There are specific provisions in our loans that address terrorism insurance. Simply stated, in most loans, we are obligated to maintain terrorism insurance, but there are limits on the amounts we are required to spend to obtain such coverage. If a terrorist event occurs, the cost of terrorism insurance coverage would be likely to increase, which could result in having less coverage than we have currently. Our inability to obtain such coverage, or to do so only at greatly increased costs, may also negatively impact the availability and cost of future financings.

Some of our properties are at a higher risk for potential natural or other disasters.

A number of our properties are located in areas with a higher risk of natural disasters such as earthquakes, hurricanes, or tsunamis. The occurrence of natural disasters can adversely impact operations, redevelopment, or development at our shopping centers and projects, increase investment costs to repair or replace damaged properties, increase future property insurance costs, and negatively impact the tenant demand for lease space. In addition, many of our properties are located in coastal regions, and would therefore be affected by any future increases in sea levels. If insurance is unavailable to us or is unavailable on acceptable terms, or our insurance is not adequate to cover losses from these events, our financial condition and results of operations could be adversely affected.

During September 2017, Puerto Rico was struck by Hurricane Maria, which significantly impacted local infrastructure, residents, and the prospects for tourism. The Mall of San Juan experienced damage and interruption of operations. We are subject to all of the aforementioned risks of natural disasters in relation to The Mall of San Juan and the impact of Hurricane Maria.

While we anticipate that a portion of the adverse impact to the future operations of the shopping center may be mitigated through business interruption insurance, it may not offset the full extent of revenue losses and insurance recoveries may not be received on a timely basis. In addition, certain losses may not be fully covered by insurance. The timing for the recovery of business in Puerto Rico will depend on successful rebuilding and recovery efforts and in turn the availability of workers and materials, which may be scarce for periods of time. The local economy is highly dependent on tourism and declines could continue to adversely impact the center for an extended period of time. Although overall foot traffic and tenant sales at the shopping center have improved recently, the profitability of tenant operations continue to be affected. Future occupancy and profitability of the shopping center may be impacted by (1) tenants or anchors who, despite contractual requirements, are unable or refuse to reopen, (2) the ability of tenants or anchors to pay current rent obligations in light of the decrease in sales and mall foot traffic, and (3) tenant or anchor rent, operating, and other lease obligations that are dependent on maintaining specified occupancy levels at the mall. If a major tenant or anchor does not reopen, it may adversely impact our ability to re-lease space in the future to desirable tenants or at profitable rates and maintain the overall mall merchandising plan.

We may be subject to liabilities for environmental matters.

We are subject to a variety of local, state, and federal laws concerning the protection of public health and the environment. Such environmental laws may vary according to the location and environmental condition of the site and the present and former uses of the site. Before acquiring a site, we generally engage independent environmental consultants to evaluate land for the potential presence of adverse environmental conditions, and all of the shopping centers that we presently own (not including option interests in certain pre-development projects) have been subject to such environmental assessments. We are not aware of any environmental liability relating to these shopping centers or to any other property that we have owned or operated that would have a reasonable likelihood of resulting in a material adverse effect on our business, assets, or results of operations. No assurances can be given, however, that (1) all environmental liabilities have been identified, (2) no prior owner or operator of our properties, or any occupant of our properties has not created an environmental condition not known to us, (3) future laws, ordinances, or regulations will not impose any material environmental liability, or (4) the current environmental condition of our shopping centers will not be affected by tenants or other occupants of the shopping centers, by the environmental condition of properties in the vicinity of the shopping centers (such as the presence of underground storage tanks), or by third parties unrelated to us. Environmental liability may be imposed without regard to fault, and under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation. In addition, the presence of, or failure to remediate, adverse environmental conditions may adversely affect our ability to sell, rent, or collateralize any property.

The bankruptcy or financial difficulties of our joint venture partners could adversely affect us.

The profitability of shopping centers held in a joint venture could be adversely affected by the bankruptcy of one of the joint venture partners if, because of certain provisions of the bankruptcy laws, we were unable to make important decisions in a timely fashion or became subject to additional liabilities. In addition, if our joint venture partners are not able to fund required contributions, it may be necessary for us to contribute equity in excess of our ownership share to fund initial development, capital, and/or operating costs.

We may not be able to maintain our status as a REIT.

We may not be able to maintain our status as a REIT for federal income tax purposes with the result that the income distributed to shareholder s would not be deductible in computing taxable income and instead would be subject to tax at regular corporate rates. Any such corporate tax liability would be significant and would reduce the amount of cash available for distribution to our shareholder s which, in turn, could have a material adverse impact on the value of, or trading price for, our shares. Although we believe we are organized and operate in a manner to maintain our REIT qualification, many of the REIT requirements of the Internal Revenue Code are complex and have limited judicial or administrative interpretations. Changes in tax laws or regulations or new administrative interpretations and court decisions may also affect our ability to maintain REIT status in the future. If we do not maintain our REIT status in any year, we may be unable to elect to be treated as a REIT for the next four taxable years.

Although we currently intend to maintain our status as a REIT, future economic, market, legal, tax, or other considerations may cause us to determine that it would be in our and our shareholder s' best interests to revoke our REIT election. If we revoke our REIT election, we will not be able to elect REIT status for the next four taxable years.

We may be subject to taxes even if we qualify as a REIT.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state, local, and foreign taxes on our income and property. For example, we will be subject to federal income tax to the extent we distribute less than 100% of our REIT taxable income, including capital gains. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale is a prohibited transaction depends on the facts and circumstances related to that sale. We cannot guarantee that sales of our properties would not be prohibited transactions unless we comply with certain statutory safe-harbor provisions. The need to avoid prohibited transactions could cause us to forego or defer sales of assets that non-REITs otherwise would have sold or that might otherwise be in our best interest to sell.

In addition, any net taxable income earned directly by our taxable REIT subsidiaries will be subject to federal, state, and local corporate income tax, and to the extent there are foreign operations certain foreign taxes. Several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. To that end, we will be subject to a 100% penalty tax on the amount of any rents, deductions, service income or excess interest if the economic arrangements among us, our tenants, and our taxable REIT subsidiaries are not comparable to similar arrangements among unrelated parties.

Also, some state, local, and foreign jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income, because not all states, localities, and foreign jurisdictions follow the federal income tax treatment of REITs. Finally, there may be changes in the federal tax law and laws of states, localities, and foreign jurisdictions that may increase the taxes we pay. To the extent that we and our affiliates are required to pay federal, state, local, and/or foreign taxes, we will have less cash available for distributions to our shareholder s.

The lower tax rate on certain dividends from non-REIT 'C' corporations may cause investors to prefer to hold stock in non-REIT 'C' corporations.

The maximum tax rate (including the net investment income tax of 3.8%) on certain corporate dividends received by individuals is 23.8%, which is less than the maximum income tax rate enacted by the Tax Cuts and Jobs Act of 2017 (the 2017 Act) of 37% applicable to ordinary income. This rate differential continues to substantially reduce the so-called "double taxation" (that is, taxation at both the corporate and shareholder levels) that applies to non-REIT 'C' corporations but does not generally apply to REITs. Dividends from a REIT do not qualify for the favorable tax rate applicable to dividends from non-REIT 'C' corporations unless the dividends are attributable to income that has already been subjected to the corporate income tax, such as income from a prior year that the REIT did not distribute and dividend income received by the REIT from a taxable REIT subsidiary or other fully taxable 'C' corporation. Under the 2017 Act, however, provided that the shareholder meets certain holding period requirements, ordinary dividends from a REIT are eligible for the 20% deduction as "qualified business income" and thus taxed at a maximum rate of 29.6% plus the 3.8% tax on net investment income. The 20% deduction and the maximum individual rate of 37%, unless extended, are scheduled to expire after 2025. Although REITs, unlike non-REIT 'C' corporations, have the ability to designate certain dividends as capital gain dividends subject to the favorable rates applicable to capital gain, the application of reduced dividend rates to non-REIT 'C' corporation dividends may still cause individual investors to view stock in non-REIT 'C' corporations as more attractive than shares in REITs, which may negatively affect the value of our shares. Future changes to tax laws could potentially adversely affect the taxation of the REIT, its subsidiaries, or its shareholder s, possibly having a negative effect on the value of our shares.

Net interest limitation in the 2017 Act may adversely impact us.

The 2017 Act imposed a limit on net interest expense deductions that exceed 30% of adjusted taxable income, which is generally taxable income excluding net interest expense and for taxable years beginning before January 1, 2022, deductions for depreciation and amortization. If our net interest expense is so limited, as a REIT, we may elect out of the new limitation provided we adopt longer recovery periods for depreciation of our property. If the interest expense limitation applies and we do not elect longer depreciation periods, then the limitation on our interest expense deduction will increase our taxable income and require us to make greater distributions to our shareholder s to avoid our paying federal income tax and to ensure we meet the distribution requirements for qualification as a REIT. Alternatively, if we do elect out of the limitation in a taxable year, the reduced deprecation would likewise increase our taxable income and require us to make greater distributions to our shareholder s to avoid our paying federal income tax and to ensure compliance with the distribution requirements.

Members of the Taubman Family have the power to vote a significant number of the shares of Capital Stock entitled to vote and have contractual rights.

Based on information contained in filings made with the SEC, as of December 31, 2018 , members of the Taubman Family have the power to vote approximately 30% of the outstanding voting shares of TCO (consisting of our common stock and our Series B Preferred Shares). The Taubman Family members' ownership of Series B Preferred Shares (representing an approximate 28% voting interest in TCO) corresponds with the Taubman Family members' economic ownership in TRG . Our shares of common stock and our Series B Preferred Shares vote together as a single class on all matters submitted to a vote of our shareholders.

Based on their current ownership of the Series B Preferred Shares, the holders of the Series B Preferred Shares (97% of which are held by members of the Taubman Family) have the right to nominate up to four individuals for election to our Board of Directors and certain other class voting rights. Like all director nominees, the Series B nominees are voted on by shareholders at TCO 's annual meeting. For so long as the holders of our Series B Preferred Shares are entitled to nominate individuals for election to the Board of Directors, the Board of Directors is required to consist of nine directors (other than as a result of any vacancy caused by death, resignation or removal of a director), and a majority of our directors must be independent. Of our current nine directors, only one, Mr. Robert S. Taubman, was initially nominated by the holders of the Series B Preferred Shares. He was subsequently nominated, and recommended for election, by our Board of Directors. None of our eight other directors was nominated by the holders of the Series B Preferred Shares.

As a result of their ownership of our voting stock (common shares and Series B Preferred Shares), members of the Taubman Family may exercise significant influence with respect to the election of our Board of Directors and the outcome of matters submitted to our shareholders for approval. Our governing documents provide that any matter submitted to our shareholders for approval, including any merger, consolidation or sale of all or substantially all of our assets, requires the affirmative vote of holders owning not less than two-thirds of the outstanding shares of Capital Stock (which term refers to the common stock, preferred stock, and Excess Stock, as defined below) entitled to vote on such matter (except the election of directors, which is subject to a plurality vote coupled with a majority vote resignation policy, and the adjournment of meetings).

TRG 's partnership agreement provides that, for so long as members of the Taubman Family own 5% or more of TRG units, without the prior written consent of a majority-in-interest of the Other Partners (currently held by members of the Taubman Family), TRG may not, among other things, enter into certain business combination transactions, issue additional TRG units (other than to TCO in certain circumstances) to a person or entity that, together with such person's or entity's affiliates, would own more than 5% of TRG units, dispose or encumber all or substantially all of TRG's assets, or dispose or encumber specified shopping centers (specifically Beverly Center, Cherry Creek, Twelve Oaks, Short Hills or Stamford Town Center, which were contributed to TRG in 1985). The partnership agreement had specified two additional shopping centers for which the Other Partners' consent was required for a disposition. TCO elected to sell these two shopping centers in 2014, and the Other Partners provided their consent to such disposition.

The Manager is 99.8% beneficially owned by TRG and 0.2% beneficially owned by Taub-Co, which is 100% owned by members of the Taubman Family. The Manager provides certain administrative, management, accounting, shareholder relations and other services relative to the operations and administration of TCO pursuant to a corporate services agreement between TCO and the Manager (Corporate Services Agreement) and certain management, leasing, development, acquisition and administrative services pursuant to a management services agreement between TRG and the Manager (Master Services Agreement). At the time of TCO's initial public offering in 1992, TCO and TRG entered into the Corporate Services Agreement and the Master Services Agreement, respectively, and an entity controlled by members of the Taubman Family served as sole general partner of the Manager. In 2001, the Manager converted to a Delaware limited liability company and Taub-Co became sole managing member of the Manager, preserving the management rights of the Taubman Family members in the Manager. In 2006, although Taub-Co was sole managing member of the Manager, Taub-Co granted TRG the right to unilaterally act on behalf of Taub-Co as the managing member of the Manager, with Taub-Co having the right to revoke this authority at any time. In 2010, to formalize TRG's management rights in the Manager, TRG became a co-managing member of the Manager with the authority to act unilaterally on behalf of the Manager and was designated as the sole tax matters member, which co-management organizational structure of the Manager remains in place today. Under the Manager's operating agreement, although TRG has been acting on behalf of the Manager as the managing member and Taub-Co has not exercised its rights as co-managing member, Taub-Co may revoke the authority of TRG to act unilaterally on behalf of the Manager, in which event the Manager's actions would require approval by both co-managing members.

TCO has the unilateral right to terminate the Corporate Services Agreement and, in addition, TCO , as the sole managing general partner of TRG , has the unilateral right to terminate the Master Services Agreement. If the Master Services Agreement is terminated, TRG may terminate the property service agreements between the Manager and our subsidiaries pursuant to which the Manager provides services to our shopping centers, *provided* that the termination of certain property service agreements may require the consent of our joint venture partners or other third parties. In addition, if the Management Services Agreement is terminated, Taub-Co has the right to purchase all of the membership interests in the Manager that it does not already own for a purchase price based on the net book value of the Manager. TCO may terminate either the Corporate Services Agreement or the Master Services Agreement without terminating the other.

As a result of these voting and contractual rights, it would be difficult, as a practical matter, for there to be a change in control of TCO without the affirmative vote of members of the Taubman Family.

Partnership tax audit rules could have a material adverse effect on us.

The Bipartisan Budget Act of 2015 changed the rules applicable to U.S. federal income tax audits of partnerships. Under the rules, effective for taxable years beginning in 2018, among other changes and subject to certain exceptions, any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and a partner's allocable share thereof) is determined, and taxes, interest, and penalties attributable thereto are assessed and collected, at the partnership level. Unless the partnership makes an election permitted under the new law or takes certain steps to require the partners to pay their tax on their allocable shares of the adjustment, it is possible that partnerships in which we directly or indirectly invest would be required to pay additional taxes, interest, and penalties as a result of an audit adjustment. We, as a direct or indirect partner of these partnerships, could be required to bear the economic burden of those taxes, interest, and penalties even though TCO , as a REIT, may not otherwise have been required to pay additional corporate-level taxes had we owned the assets of the partnership directly. The partnership tax audit rules apply to TRG and its subsidiaries that are classified as partnerships for U.S. federal income tax purposes. The changes created by these rules are significant for collecting tax in partnership audits and, accordingly, there can be no assurance that these rules will not have a material adverse effect on us.

Our Ownership Limit and other provisions of our Articles and Amended and Restated Bylaws generally prohibit the acquisition of more than 8.23% of the value of our Capital Stock and may hinder any attempt to acquire us.

Various provisions of our Articles and Amended and Restated Bylaws could have the effect of discouraging a third party from accumulating a large block of our stock and making offers to acquire us and of inhibiting a change in control, all of which could adversely affect our shareholder s' ability to receive a premium for their shares in connection with such a transaction. In addition to customary anti-takeover provisions, as detailed below, our Articles contain REIT-specific restrictions on the ownership and transfer of our capital stock, which also serve similar anti-takeover purposes.

Under our Articles, in general, no shareholder may own more than 8.23% (the Ownership Limit) in value of our Capital Stock. Our Board of Directors has the authority to allow a "look through entity" to own up to 9.9% in value of the Capital Stock (Look Through Entity Limit), provided that, after application of certain constructive ownership rules under the Code and rules regarding beneficial ownership under the Michigan Business Corporation Act, no individual would constructively or beneficially own more than the Ownership Limit. A look through entity is any entity other than a qualified trust under Section 401(a) of the Code, certain other tax-exempt entities described in the Articles, or an entity that actually or constructively owns 10% or more of the equity of any tenant from which we or TRG directly or indirectly receives or accrues rent from real property.

The Articles provide that if the transfer of any shares of Capital Stock or a change in our capital structure would cause any person (Purported Transferee) to own Capital Stock in excess of the Ownership Limit or the Look Through Entity Limit, then the transfer is invalid from the outset, and the shares in excess of the applicable ownership limit automatically acquire the status of Excess Stock. A Purported Transferee of Excess Stock acquires no rights to shares of Excess Stock. Rather, all rights associated with the ownership of those shares (with the exception of the right to be reimbursed for the original purchase price of those shares) immediately vest in one or more charitable organizations designated from time to time by our Board of Directors (each, a Designated Charity). An agent designated from time to time by the Board of Directors (each, a Designated Agent) will act as attorney-in-fact for the Designated Charity to vote the shares of Excess Stock. The Designated Agent will sell the Excess Stock, and any increase in value of the Excess Stock between the date it became Excess Stock and the date of sale will inure to the benefit of the Designated Charity.

These ownership limitations will not be automatically removed even if the REIT requirements are changed so as to no longer contain any ownership limitation or if an ownership limitation is increased because, in addition to preserving our status as a REIT, the effect of the ownership limitations is to prevent any person from acquiring control of us. Changes in the ownership limitations cannot be made solely by our Board of Directors and would require an amendment to our Articles. Amendments to our Articles require the approval of our Board of Directors and the affirmative vote of shareholder s owning not less than two-thirds of the outstanding shares of Capital Stock entitled to vote.

Members of the Taubman Family, collectively, own approximately 30% of our Capital Stock as of December 31, 2018 . The combined Taubman Family members' ownership of our Capital Stock includes 24,128,305 shares of the 24,862,994 shares of Series B Preferred Shares outstanding or 97% of the total outstanding and 1,748,477 shares of the 61,069,108 shares of common stock outstanding or 2.86% of the total outstanding as of December 31, 2018 . The Series B Preferred Shares are convertible into shares of common stock at a ratio of 14,000 Series B Preferred Shares to one share of common stock, and therefore one Series B Preferred Share has a value of 1/14,000ths of the value of one share of common stock. Accordingly, the foregoing ownership of Capital Stock by members of the Taubman Family does not violate the Ownership Limit set forth in our Articles.

Our success depends, in part, on our ability to attract and retain talented employees, and the loss of any one of our key personnel could adversely impact our business.

The success of our business depends, in part, on the leadership and performance of our executive management team and key employees, and our ability to attract, retain, and motivate talented employees could significantly impact our future performance. Competition for these individuals is intense, and we cannot assure you that we will retain our executive management team and key employees or that we will be able to attract and retain other highly qualified individuals for these positions in the future. Losing any one or more of these persons could have a material adverse effect on our results of operations, financial condition, and cash flows.

Our cost savings and restructuring initiatives may be disruptive to our workforce and operations and adversely affect our financial results.

In response to the completion of another major development cycle and the current near-term challenges facing the U.S. mall industry, we have been undergoing a restructuring to reduce our workforce and reorganize various areas of the organization. To the extent such initiatives involve workforce changes, such changes may temporarily reduce workforce productivity, impact employee morale, and affect our ability to attract and retain talented employees, which could be disruptive to our business and adversely affect our results of operations. In addition, we may not achieve or sustain the expected cost savings or other benefits of our restructuring plans, or do so within the expected time frame.

The market price of our common stock may fluctuate significantly.

The market price of our common stock may fluctuate significantly in response to many factors, including:

- general market and economic conditions;
- actual or anticipated variations in our operating results, FFO, cash flows, liquidity or distributions (including special distributions);
- changes in our earnings estimates or those of analysts;
- publication of research reports about us, the real estate industry generally or the mall industry, and recommendations by financial analysts with respect to us or other REITs;
- the amount of our outstanding debt at any time, the amount of our maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof or our plans to incur additional debt in the future;
- the ability of our tenants to pay rent to us and meet their other obligations to us under current lease terms and our ability to re-lease space as leases expire;
- increases in market interest rates that lead purchasers of our common stock to demand a higher dividend yield;
- changes in market valuations of similar companies;
- mergers and acquisitions activity in the retail real estate sector;
- any securities we may issue or additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional shareholder s;
- business disruptions, increased costs or other adverse impacts relating to actual or potential actions by activist shareholder s;
- adverse impacts relating to court or administrative decisions;
- perceived strength of our corporate governance;
- perceived risks in connection with our international development strategy;
- risks we are taking in relation to, and the public announcement of, proposed acquisitions and dispositions, developments and redevelopments and the consummation thereof, including related capital uses;
- speculation in the press or investment community;
- continuing high levels of volatility in the capital and credit markets; and
- the occurrence of any of the other risk factors included in, or incorporated by reference in, this report.

Many of the factors listed above are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our financial performance and condition and prospects. It is impossible to provide any assurance that the market price of our common stock will not fall in the future, and it may be difficult for holders to resell shares of our common stock at prices they find attractive, or at all.

Our shareholder s will experience dilution as a result of equity offerings and they may experience further dilution if we issue additional common equity.

We have previously issued common equity, both common shares and TRG Units, which had a dilutive effect on our earnings per diluted share and FFO per diluted share. TRG Units have also been issued from time to time in connection with acquisitions of real estate, which once tendered, have had a similar dilution impact. In addition, we have previously issued additional shares of preferred stock which adversely affected the earnings per share available to our common shareholder s. We are not restricted from issuing additional shares of our common equity or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. Any additional future issuances of common equity will reduce the percentage of our common equity owned by investors who do not participate in future issuances. In most circumstances, shareholder s will not be entitled to vote on whether or not we issue additional common equity. In addition, depending on the terms and pricing of an additional offering of our common equity and the value of our properties, our shareholder s may experience dilution in both the book value and fair value of their interests. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after an offering or the perception that such sales could occur, and this could materially and adversely affect our ability to raise capital through future offerings of equity or equity-related securities.

Our ability to pay dividends on our stock may be limited.

Because we conduct all of our operations through TRG or its subsidiaries, our ability to pay dividends on our stock will depend almost entirely on payments and distributions received on our interests in TRG . Additionally, the terms of some of the debt to which TRG is a party limits its ability to make some types of payments and other distributions to us. This in turn limits our ability to make some types of payments, including payment of dividends on our stock, unless we meet certain financial tests or such payments or dividends are required to maintain our qualification as a REIT. As a result, if we are unable to meet the applicable financial tests, we may not be able to pay dividends on our stock in one or more periods beyond what is required for REIT purposes.

Our ability to pay dividends is further limited by the requirements of Michigan law.

Our ability to pay dividends on our stock is further limited by the laws of Michigan. Under the Michigan Business Corporation Act, a Michigan corporation may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholder s whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on our stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of any shares of our preferred stock then outstanding.

We may incur additional indebtedness, which may adversely affect our earnings and harm our financial position and cash flow and potentially impact our ability to pay dividends on our stock.

Our governing documents do not limit us from incurring additional indebtedness and other liabilities; however, certain loan covenants include certain restrictions regarding future indebtedness. As of December 31, 2018 , we had $3.8 billion of consolidated indebtedness outstanding, and our beneficial interest in both our consolidated debt and the debt of our unconsolidated joint ventures was $5.0 billion . We may incur additional indebtedness and become more highly leveraged, requiring us to pay increased levels of interest, which could adversely affect our earnings and harm our financial position and potentially limit our cash available to pay dividends.

We may change the distribution policy for our common stock in the future.

The decision to declare and pay dividends on our common stock in the future, as well as the timing, amount, and composition of any such future dividends, will be at the sole discretion of our Board of Directors and will depend on our earnings, FFO, liquidity, financial condition, capital requirements, contractual prohibitions, or other limitations under our indebtedness and preferred shares, the annual dividend requirements under the REIT provisions of the Code, state law and such other factors as our Board of Directors deems relevant. Further, we have regularly issued new shares of common equity as compensation to our employees, and we have periodically issued new shares of capital stock pursuant to public offerings or acquisitions. Any future issuances may substantially increase the cash required to pay dividends at current or higher levels. Our actual dividend payable will be determined by our Board of Directors based upon the circumstances at the time of declaration. Although we have regularly paid dividends on a quarterly basis on our common and preferred stock in the past, and since we went public in 1992 we have never reduced our regular common dividend and have increased it 21 times, we do not guarantee we will continue to do so in the future. Any change in our dividend policy could have a material adverse effect on the market price of our common stock.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

In order for us to qualify to be taxed as a REIT, and assuming that certain other requirements are also satisfied, we generally must distribute at least 90% of REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to our shareholder s each year. To this point, we have historically distributed at least 100% of our taxable income and thereby avoided income tax altogether. To the extent we satisfy this distribution requirement and qualify for taxation as a REIT, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income and could be subject to a 4% nondeductible excise tax if the actual amount that is distributed to shareholder s in a calendar year is less than “the required minimum distribution amount” specified under U.S. federal income tax laws. We intend to make distributions to our shareholder s to comply with the REIT requirements of the Code.

From time to time, we might generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash, the effect of nondeductible capital expenditures, the creation of reserves, required debt or amortization payments, or income inclusions of foreign earnings as to which cash has not been repatriated to us by distributions from our foreign entities. If we do not have other funds available in these situations, we could be required to access capital on unfavorable terms (the receipt of which cannot be assured), sell assets at disadvantageous prices, distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or make taxable distributions of capital stock or debt securities to make distributions sufficient to pay out enough REIT taxable income to satisfy the REIT distribution requirement and avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase costs or reduce our equity. Further, amounts distributed will not be available to fund the growth of our business. Thus, compliance with the REIT requirements may adversely affect our liquidity and our ability to execute our business plan.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

Ownership

The following table sets forth certain information about each of our shopping centers. The table includes only shopping centers in operation at December 31, 2018 . Shopping centers are owned in fee other than Beverly Center, Cherry Creek Shopping Center, City Creek Center, The Mall at Green Hills, International Market Place, and International Plaza, which are held under ground leases expiring between 2042 and 2105. CityOn.Xi'an and CityOn.Zhengzhou use Chinese state-owned land and are subject to a property-use right, expiring in 2051 for both shopping centers.

Certain of the shopping centers are partially owned through joint ventures. Generally, our joint venture partners have ongoing rights with regard to the disposition of our interest in the joint ventures, as well as the approval of certain major matters.

Shopping Center	Anchors	Sq. Ft of GLA/ Mall GLA as of 12/31/18		Year Opened/ Expanded	Year Acquired	Ownership % as of 12/31/18
Consolidated Businesses:						
Beverly Center	Bloomingdale's, Macy's	828,000		1982		100%
Los Angeles, CA		504,000				
Cherry Creek Shopping Center	Macy's, Neiman Marcus, Nordstrom	1,031,000		1990/1998/		50%
Denver, CO		628,000		2015		
City Creek Center	Macy's, Nordstrom	621,000		2012		100%
Salt Lake City, UT		340,000				
Dolphin Mall	Bass Pro Shops Outdoor World,	1,431,000		2001/2007/		100%
Miami, FL	Bloomingdale's Outlet, Burlington Coat Factory	702,000		2015		
	Cobb Theatres, Dave & Buster's,					
	Marshalls, Neiman Marcus-Last Call,					
	Polo Ralph Lauren Factory Store, Saks Off 5th					
The Gardens on El Paseo	Saks Fifth Avenue	236,000		1998/2010	2011	100%
Palm Desert, CA		186,000				
Great Lakes Crossing Outlets	AMC Theatres, Bass Pro Shops Outdoor World,	1,355,000		1998		100%
Auburn Hills, MI	Burlington Coat Factory, Legoland,	533,000				
(Detroit Metropolitan Area)	Lord & Taylor Outlet, Planet Fitness,					
	Round 1 Bowling and Amusement, Sea Life					
The Mall at Green Hills	Dillard's, Macy's, Nordstrom	864,000	(1)	1955/2011	2011	100%
Nashville, TN		359,000				
International Market Place	Saks Fifth Avenue	342,000		2016		93.5%
Waikiki, Honolulu, HI		262,000				
The Mall of San Juan	Nordstrom, Saks Fifth Avenue (2)	626,000		2015		95%
San Juan, PR		388,000				
The Mall at Short Hills	Bloomingdale's, Macy's, Neiman Marcus,	1,443,000	(3)	1980/1994/		100%
Short Hills, NJ	Nordstrom	607,000		1995/2011		
Twelve Oaks Mall	JCPenney, Lord & Taylor, Macy's,	1,520,000	(4)	1977/1978/		100%
Novi, MI	Nordstrom, Sears	551,000		2007/2008		
(Detroit Metropolitan Area)						
	Total GLA	10,297,000				
	Total Mall GLA	5,060,000				
	TRG% of Total GLA	9,728,000				
	TRG% of Total Mall GLA	4,710,000				

(1) GLA does not reflect the total incremental GLA to be added in connection with the redevelopment project currently ongoing at the center.
(2) In September 2017, Saks Fifth Avenue closed as a result of significant damage experienced during Hurricane Maria. There is currently no timeline for reopening. See "Item 3 - Legal Proceedings" for more information regarding our ongoing litigation with Saks Fifth Avenue Puerto Rico, Inc. and Saks Incorporated to compel them to immediately remediate, repair, and reopen the Saks Fifth Avenue store.
(3) GLA includes the former Saks Fifth Avenue store, which closed in September 2016. A portion of this space opened as Mall GLA in 2018, while the remainder of the space is currently under redevelopment.
(4) In December 2018, Sears announced that it plans to close its store in March 2019.

Shopping Center	Anchors	Sq. Ft of GLA/ Mall GLA as of 12/31/18	Year Opened/ Expanded	Year Acquired	Ownership % as of 12/31/18
Unconsolidated Joint Ventures:					
CityOn.Xi'an	Wangfujing	998,000	2016		50% (5)
Xi'an, China		696,000			
CityOn.Zhengzhou	G-Super, Wangfujing	919,000	2017		49% (5)
Zhengzhou, China		621,000			
Country Club Plaza	(6)	1,003,000 (7)	1922/1977/	2016	50%
Kansas City, MO		784,000	2000/2015		
Fair Oaks	JCPenney, Lord & Taylor,	1,557,000 (8)	1980/1987/		50%
Fairfax, VA	Macy's (two locations)	561,000	1988/2000		
(Washington, DC Metropolitan Area)					
International Plaza	Dillard's, Life Time Athletic, Neiman Marcus,	1,253,000	2001/2015		50.1%
Tampa, FL	Nordstrom	617,000			
The Mall at Millenia	Bloomingdale's, Macy's, Neiman Marcus	1,114,000	2002		50%
Orlando, FL		514,000			
Stamford Town Center	Macy's, Saks Off 5th	761,000	1982/2007		50%
Stamford, CT		438,000			
Starfield Hanam	PK Market, Shinsegae, Traders	1,701,000	2016		34.3% (5)
Hanam, South Korea		971,000			
Sunvalley	JCPenney, Macy's (two locations), Sears	1,321,000	1967/1981	2002	50%
Concord, CA		481,000			
(San Francisco Metropolitan Area)					
The Mall at University Town Center	Dillard's, Macy's, Saks Fifth Avenue	860,000	2014		50%
Sarasota, FL		438,000			
Waterside Shops	Nordstrom, Saks Fifth Avenue	341,000	1992/2006/	2003	50%
Naples, FL		201,000	2008		
Westfarms	JCPenney, Lord & Taylor,	1,267,000	1974/1983/		79%
West Hartford, CT	Macy's (two locations), Nordstrom	497,000	1997		
	Total GLA	13,095,000			
	Total Mall GLA	6,819,000			
	TRG% of Total GLA	6,640,000			
	TRG% of Total Mall GLA	3,396,000			
	Grand Total GLA	**23,392,000**			
	Grand Total Mall GLA	**11,879,000**			
	TRG% of Total GLA	**16,368,000**			
	TRG% of Total Mall GLA	**8,106,000**			

(5) On February 14, 2019, we announced agreements to sell 50 percent of our ownership interests in Starfield Hanam, CityOn.Xi'an, and CityOn.Zhengzhou to funds managed by Blackstone. Upon closing, we will retain a 17.15%, 25%, and 24.5% ownership interest in Starfield Hanam, CityOn.Xi'an, and CityOn.Zhengzhou, respectively. The transactions are subject to customary closing conditions and are expected to close throughout 2019.
(6) In 2018, Nordstrom announced plans to relocate a store to the center. The new, approximately 116,000-square-foot store is expected to open in 2021.
(7) GLA includes 220,000 square feet of office property.
(8) GLA includes approximately 210,000 square feet of GLA related to the former Sears space, which is now closed.

Anchors

The following table summarizes certain information regarding the anchors at the operating centers (excluding value and outlet centers) as of December 31, 2018 :

Name	Number of Anchor Stores	GLA (in thousands of square feet)	% of GLA
Macy's			
Bloomingdale's [1]	3	641	
Macy's	12	2,539	
Macy's Men's Store/Furniture Gallery	3	489	
Total	18	3,669	17.8%
Nordstrom	9	1,302	6.3%
Hudson's Bay Company			
Lord & Taylor [2]	3	392	
Saks Fifth Avenue [3]	5	375	
Saks Off Fifth [4]	1	78	
Total	9	845	4.1%
JCPenney	4	745	3.6%
Dillard's	3	600	2.9%
Wangfujing	2	565	2.7%
Shinsegae			
PK Market	1	63	
Shinsegae	1	484	
Total	2	547	2.7%
Sears [5]	2	469	2.3%
Neiman Marcus [6]	4	402	2.0%
Traders	1	183	0.9%
Life Time Athletic	1	56	0.3%
G-Super	1	36	0.2%
Total	56	9,419	45.7% [7]

(1) Excludes one Bloomingdale's Outlet store at a value center.
(2) Excludes one Lord & Taylor Outlet store at an outlet center.
(3) Includes Saks Fifth Avenue at The Mall of San Juan, which in September 2017 closed as a result of significant damage experienced during Hurricane Maria. There is currently no timeline for reopening. See "Item 3 - Legal Proceedings" for more information regarding our ongoing litigation with Saks Fifth Avenue Puerto Rico, Inc. and Saks Incorporated to compel them to immediately remediate, repair, and reopen the Saks Fifth Avenue store.
(4) Excludes one Saks Off 5th store at a value center.
(5) In December 2018, Sears announced that it plans to close its store at Twelve Oaks Mall in March 2019.
(6) Excludes one Neiman Marcus-Last Call store at a value center.
(7) Percentages may not add due to rounding.

Mortgage Debt and Construction Financings

The following table sets forth certain information regarding the mortgages and construction financings encumbering the centers as of December 31, 2018 . All mortgage debt and construction financings in the table below are non-recourse to TRG except for the TRG $65 million revolving credit facility and the debt encumbering International Market Place. TRG has provided limited guarantees regarding the mortgage debt encumbering City Creek Center. In addition, the entities that own Beverly Center, Dolphin Mall, and The Gardens on El Paseo are guarantors under our $250 million and $300 million unsecured term loans and $1.1 billion primary unsecured revolving line of credit. See "Note 8 - Notes Payable, Net - Debt Covenants and Guarantees" to our consolidated financial statements for more information on loan guarantees.

Centers Consolidated in TCO's Financial Statements/ TRG's % Ownership if less than 100%	Maximum Loan Amount (thousands)	Stated Interest Rate as of 12/31/18	12/31/18 Balance (thousands)	Available to Draw (thousands)	Amortization	Annual Debt Service (Principal and Interest) (thousands)	Maturity Date	Number of One-Year Extension Options	Interest Rates	Earliest Prepayment Date	Prepay via Defeasance or Yield Maintenance	Earliest Date Allowed to Prepay without Penalty
Cherry Creek Shopping Center (50%)		3.85%	$ 550,000			Interest only	6/1/2028		Fixed Rate	At any time	Greater of Yield Maintenance or 1% Principal Prepaid	12/1/2027
City Creek Center		4.37%	77,068		Amortizing, 30 years	$ 5,090	8/1/2023		Fixed Rate	At any time	Greater of Yield Maintenance or 0.5% Principal Prepaid /Defeasance	5/1/2023
Great Lakes Crossing Outlets		3.60%	198,625		Amortizing, 30 years	12,277	1/6/2023		Fixed Rate	At any time	Defeasance	9/6/2022
The Mall at Green Hills		3.95%	150,000			Interest only	12/1/2019	1	LIBOR + 1.60%. LIBOR capped at 4.25% to maturity (1)	At any time	NA	At any time
International Market Place (93.5%)		4.50%	250,000		(2)	Interest only (2)	8/9/2021	2	LIBOR + 2.15%. Rate decreases to LIBOR + 1.85% upon achieving certain performance measures	At any time	NA	At any time
The Mall at Short Hills		3.48%	1,000,000			Interest only	10/1/2027		Fixed Rate	At any time	Greater of Yield Maintenance or 1% Principal Prepaid	4/1/2027
Twelve Oaks Mall		4.85%	296,815		Amortizing, 30 years	18,995	3/6/2028		Fixed Rate	2/28/2021	Defeasance	12/6/2027
Other Consolidated Secured Debt												
TRG $65M Revolving Credit Facility	65,000	3.90%	34,675	25,774		Interest only	4/27/2019		LIBOR + 1.40%	At any time	NA	
U.S. Headquarters		3.49%	12,000			Interest only	3/1/2024		LIBOR + 1.40%, swapped to maturity	At any time	NA	
Centers Owned by Unconsolidated Joint Ventures/TRG's % Ownership												
CityOn.Zhengzhou (49%) (3)		6.37%	81,057	(4)	Full amortizing	10,816	12/1/2026		130% of the RMB PBOC base lending rate for a loan term > 5 years. Rate resets Jan each year	At any time	NA	
Country Club Plaza (50%)		3.85%	320,000		Amortization begins 5/1/2019, 30 years	Interest only until 5/1/2019	4/1/2026		Fixed Rate	4/1/2021	Greater of Yield Maintenance or 1% Principal Prepaid	1/2/2026
Fair Oaks (50%)		5.32%	258,067		Amortizing, 30 years	17,360	5/10/2023		Fixed Rate	4/27/2022	Defeasance	2/10/2023
International Plaza (50.1%)		4.85%	303,781		Amortizing, 30 years	20,580	12/1/2021		Fixed Rate	At any time	Greater of Yield Maintenance or 1% Principal Prepaid	9/2/2021
International Plaza (50.1%)		3.58%	162,194		Amortizing, 30 years	8,710	12/1/2021		LIBOR + 1.75%, swapped to maturity	At any time	0.5% Principal Prepaid	12/1/2019
The Mall at Millenia (50%)		4.00%	350,000			Interest only	10/15/2024		Fixed Rate	At any time	Greater of Modified Yield Maintenance or 1% Principal Prepaid	7/17/2024
The Mall at Millenia (50%)		3.75%	100,000			Interest only	10/15/2024		Fixed Rate	At any time	Greater of Modified Yield Maintenance or 1% Principal Prepaid	7/17/2024
Starfield Hanam (34.3%) (3)	52,065	3.12%	52,065			Interest only	11/8/2020		3-month LIBOR + 1.60%, swapped to 9/8/2020	9/8/2020	NA	9/8/2020
Starfield Hanam (34.3%) (3)		2.58%	279,996	(5)		Interest only	11/25/2020		KDB 5 Year Bond Yield + 1.06%	9/8/2020	0.5%-1.0% Principal Prepaid	9/8/2020
Sunvalley (50%)		4.44%	168,998		Amortizing, 30 years	11,471	9/1/2022		Fixed Rate	At any time	Defeasance	6/1/2022
Taubman Land Associates (50%)		3.84%	21,164		Amortizing, 30 years	1,349	11/1/2022		Fixed Rate	At any time	Defeasance	6/1/2022
The Mall at University Town Center (50%)		3.40%	280,000		Amortization begins 12/1/2022, 30 years	Interest only until 12/1/2022	11/1/2026		Fixed Rate	11/1/2019	Greater of Yield Maintenance or 1% Principal Prepaid	8/3/2026
Waterside Shops (50%)		3.86%	165,000		(6)	Interest only (6)	4/15/2026		Fixed Rate	At any time	Greater of Yield Maintenance or 1% Principal Prepaid	1/15/2026
Westfarms (79%)		4.50%	282,464		Amortizing, 30 years	19,457	7/1/2022		Fixed Rate	At any time	Greater of Yield Maintenance or 1% Principal Prepaid	4/2/2022

(1) During the remaining extension period, if the option is exercised, the spread over LIBOR is lender's then current spread and an interest rate cap is required but may be waived if 12-month LIBOR is elected.
(2) During the extension periods, if the options are exercised, principal payments are required based on a 30-year amortization and a rate of the greater of (a) one-month LIBOR plus spread on the loan at the relevant maturity date, (b) 10-year treasury rate plus 1.75% or (c) 6%.
(3) On February 14, 2019, we announced agreements to sell 50 percent of our ownership interests in Starfield Hanam, CityOn.Xi'an, and CityOn.Zhengzhou to funds managed by Blackstone. Upon closing, we will retain a 17.15%, 25%, and 24.5% ownership interest in Starfield Hanam, CityOn.Xi'an, and CityOn.Zhengzhou, respectively. The transactions are subject to customary closing conditions and are expected to close throughout 2019.
(4) No draws were allowed after December 31, 2017.
(5) No draws were allowed after December 31, 2016. A letter of credit totaling $53.2 million USD is outstanding on this loan as security for the Starfield Hanam USD loan.
(6) The Waterside Shops loan is interest-only for the term of the loan. However, if net operating income available for debt service as defined in the loan agreement is less than a certain amount for calendar year 2020, the lender may require the loan to amortize based on a 30-year amortization period beginning May 2021.

For additional information regarding the shopping centers and their operations, see the responses to Item 1 of this report.

Item 3. LEGAL PROCEEDINGS.

On October 17, 2017, Plaza Internacional Puerto Rico LLC (Plaza Internacional), the owner of The Mall of San Juan (the Mall), filed a civil action in the Commonwealth of Puerto Rico Court of First Instance, San Juan Judicial Center, Superior Court, Civil No. SJ2017CV02094 (503), against Saks Fifth Avenue Puerto Rico, Inc. (Saks PR), and Saks Incorporated (Saks Inc.). The lawsuit asks the court to compel Saks PR and Saks Inc. to immediately remediate and repair the Saks Fifth Avenue store (the Store) that was damaged by Hurricane Maria on September 20, 2017, to reopen the Store on the completion of the reconstruction, and to operate the Store in accordance with the Operating Covenant contained in the Construction, Operation and Reciprocal Easement Agreement among Plaza Internacional, Saks PR, and Nordstrom Puerto Rico LLC (Nordstrom PR) made as of April 23, 2013 (the REA). In response, Saks PR and Saks Inc. filed a Counterclaim, alleging that they have no obligation to repair, remediate, reconstruct, or reopen the Store, asserting various alleged breaches of the REA and other operating agreements. Plaza Internacional filed a motion for a preliminary injunction directing Saks PR to repair, reopen, and operate the Store, but, on March 28, 2018, the Court of First Instance denied Plaza Internacional's motion, and, on September 12, 2018, the Court of Appeals of Puerto Rico affirmed that ruling, each without prejudging the merits of the substantive claims. Should Saks PR prevail in the action, Nordstrom PR and other mall tenants may then have the right to terminate their own operating covenants or leases. Plaza Internacional is vigorously prosecuting its claims and defending the Counterclaim. The outcome of the action cannot be predicted, and, at this time, we are unable to estimate the amount of loss that could result from an unfavorable outcome. An unfavorable outcome may have a material and adverse effect on our business and our financial statements.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

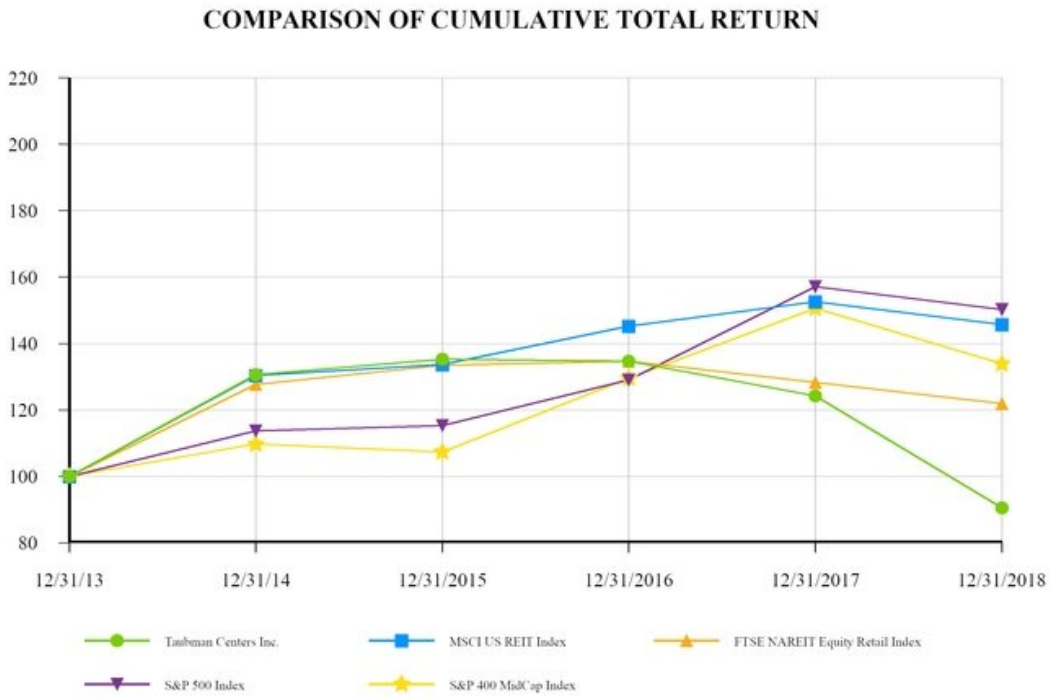
PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

The common stock of Taubman Centers, Inc. is listed and traded on the New York Stock Exchange (Symbol: TCO). As of February 27, 2019 , the 61,122,292 outstanding shares of common stock were held by 375 holders of record. A substantially greater number of holders are beneficial owners whose shares are held of record by banks, brokers, and other financial institutions. The closing price per share of the common stock on the New York Stock Exchange on February 27, 2019 was $52.82 . The restrictions on our ability to pay dividends on our common stock are set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Dividends."

Shareholder Return Performance Graph

The following line graph sets forth the cumulative total returns on a $100 investment in each of our common stock, the MSCI US REIT Index, the FTSE NAREIT Equity Retail Index, the S&P 500 Index, and the S&P 400 MidCap Index for the period December 31, 2013 through December 31, 2018 (assuming in all cases, the reinvestment of dividends):



	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Taubman Centers Inc.	$ 100.00	$ 130.68	$ 135.31	$ 134.68	$ 124.24	$ 90.48
MSCI US REIT Index	100.00	130.38	133.67	145.16	152.61	145.73
FTSE NAREIT Equity Retail Index	100.00	127.62	133.44	134.71	128.28	121.92
S&P 500 Index	100.00	113.68	115.25	129.00	157.16	150.26
S&P 400 MidCap Index	100.00	109.74	107.35	129.57	150.59	133.88

Note: The stock performance shown on the graph above is not necessarily indicative of future price performance.

Item 6. SELECTED FINANCIAL DATA.

The following table sets forth selected financial data and should be read in conjunction with the financial statements and notes thereto and MD&A included in this report.

	Year Ended December 31				
	2018	2017	2016	2015	2014
	(in thousands, except per share amounts, per square foot amounts, and shares outstanding)				
STATEMENT OF OPERATIONS DATA:					
Rents, recoveries, and other shopping center revenues	$ 640,870	$ 629,165	$ 612,557	$ 557,172	$ 679,129
Net income [1]	115,742	112,757	188,151	192,557	1,278,122
Net income attributable to noncontrolling interests	(32,256)	(32,052)	(55,538)	(58,430)	(385,109)
Distributions to participating securities of TRG	(2,396)	(2,300)	(2,117)	(1,969)	(6,018)
Preferred dividends	(23,138)	(23,138)	(23,138)	(23,138)	(23,138)
Net income attributable to Taubman Centers, Inc. common shareholders	57,952	55,267	107,358	109,020	863,857
Net income per common share – diluted [1]	0.95	0.91	1.77	1.76	13.47
Dividends declared per common share [2]	2.62	2.50	2.38	2.26	2.16
Weighted average number of common shares outstanding – basic	60,994,444	60,675,129	60,363,416	61,389,113	63,267,800
Weighted average number of common shares outstanding – diluted	61,277,715	61,040,495	60,829,555	62,161,334	64,921,064
Number of common shares outstanding at end of period	61,069,108	60,832,918	60,430,613	60,233,561	63,324,409
Ownership percentage of TRG at end of period	71%	71%	71%	71%	72%
BALANCE SHEET DATA:					
Real estate before accumulated depreciation	4,717,569	4,461,045	4,173,954	3,713,215	3,262,505
Total assets	4,344,106	4,214,592	4,010,912	3,546,510	3,214,901
Total debt, net	3,830,195	3,555,228	3,255,512	2,627,088	2,025,505
SUPPLEMENTAL INFORMATION:					
Funds from Operations attributable to TCO's common shareholders [1][3]	229,046	215,786	239,963	207,084	200,356
Mall tenant sales - all centers [4]	6,832,524	6,327,787	5,773,614	5,177,988	4,969,462
Sales per square foot [4][5]	824	759	792	785	792
Number of shopping centers at end of period	23	24	23	19	18
Ending Mall GLA in thousands of square feet	11,879	12,066	11,722	8,804	8,332
Leased space - all centers [6][7]	96.2%	95.9%	95.6%	96.1%	96.0%
Ending occupancy - all centers [6]	94.6%	94.8%	93.9%	94.2%	94.1%
Average base rent per square foot [6][8] :					
Consolidated businesses	$ 71.24	$ 69.25	$ 63.83	$ 61.37	$ 59.48
Unconsolidated Joint Ventures	49.00	47.02	58.10	57.28	58.65
Combined	57.51	55.36	61.07	59.41	59.14

(1) In 2018, net income and FFO include a $0.6 million restructuring charge, $12.5 million of costs associated with shareholder activism, $2.8 million of income due to the fluctuation in the fair value of equity securities, and a $0.4 million charge recognized in connection to the write-off of deferred financing costs related to the early payoff of our $475 million unsecured term loan. In 2017, net income and FFO include a $13.8 million restructuring charge, $14.5 million of costs associated with shareholder activism, an $11.6 million gain recognized at the time of conversion of our remaining investment in Simon Property Group Limited Partnership units (SPG LP Units) to common shares of Simon Property Group (SPG), and a $0.4 million charge recognized in connection with the partial write-off of deferred financing costs related to an amendment of our primary unsecured revolving line of credit in February 2017. In 2016, net income and FFO include a lump sum payment of $21.7 million we received in connection with the termination of our third party leasing agreement at The Shops at Crystals, $3.0 million of costs associated with shareholder activism, and an $11.1 million gain and $0.5 million of income tax expense recognized at the time of conversion of a portion of our investment in SPG LP Units to common shares of SPG. In 2015, net income and FFO include an impairment charge of $11.8 million related to the pre-development of The Mall at Miami Worldcenter and the net reversal of $2.0 million of prior period share-based compensation expenses recognized upon the announcement of an executive management transition. In 2014, net income includes a $629.7 million gain on the dispositions of the seven centers to Starwood and a $476.9 million gain, net of tax, from the dispositions of interests in International Plaza, Arizona Mills, and land in Syosset, New York related to the former Oyster Bay project. In 2014, net income and FFO include expenses related to the sale of seven centers to Starwood completed in October 2014. Specifically, these measures reflect charges of $36.4 million ($36.0 million at our beneficial share) related to the loss on extinguishment of debt of certain of these centers; charges of $7.8 million ($7.4 million at our beneficial share) related to the discontinuation of hedge accounting on the interest rate swap previously designated to hedge the MacArthur Center note payable; and a restructuring charge of $3.7 million and disposition costs of $3.3 million incurred related to the sale. FFO is defined and discussed in "MD&A – Non-GAAP Measures - Use of Non-GAAP Measures."

(2) Amount excludes a special dividend of $4.75 per share in 2014, which was declared as a result of the sale of seven centers to Starwood.

(3) Reconciliations of net income attributable to TCO common shareholder s to FFO for 2018 , 2017 , and 2016 are provided in "MD&A - Non-GAAP Measures - Reconciliation of Non-GAAP Measures." For 2015, net income attributable to TCO common shareholder s of $109.0 million, subtracting our beneficial share of gain on disposition of $0.4 million, adding back depreciation and amortization of $134.0 million, TCO's additional income tax expense of $0.1 million, noncontrolling interests of $47.2 million, and distributions to participating securities of $2.0 million arrives at TRG's FFO of $291.9 million, of which TCO's share was $207.1 million. For 2014, net income attributable to TCO common shareholder s of $863.9 million, subtracting our beneficial share of gain on disposition of $1.1 billion, adding back depreciation and amortization of $142.5 million, TCO's additional income tax expense of $0.4 million, noncontrolling interests of $350.9 million, and distributions to participating securities of $6.0 million arrives at TRG's FFO of $280.5 million, of which TCO's share was $200.4 million.

(4) Based on reports of sales furnished by mall tenants.

(5) For all periods presented, this amount represents sales per square foot of comparable centers, which are generally defined as centers that were owned and open for the entire current and preceding period, excluding centers impacted by significant redevelopment activity. The Mall of San Juan has been excluded from "comparable center" statistics as a result of Hurricane Maria and the expectation that the center's performance will be materially impacted for the foreseeable future.

(6) See "MD&A – Rental Rates and Occupancy" for information regarding this statistic.

(7) Leased space comprises both occupied space and space that is leased but not yet occupied.

(8) Amounts exclude spaces greater than 10,000 square feet.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations or beliefs concerning future events and performance. Actual results may differ materially from those expected because of various risks and uncertainties. The forward-looking statements included in this report are made as of the date hereof or the date specified herein. Except as required by law, we assume no obligation to update these forward looking statements, even if new information becomes available in the future. The following discussion should be read in conjunction with the accompanying consolidated financial statements of Taubman Centers, Inc. and the notes thereto, as well as "Risk Factors" elsewhere in this report.

General Background and Performance Measurement

Taubman Centers, Inc. (TCO) is a Michigan corporation that operates as a self-administered and self-managed real estate investment trust (REIT). The Taubman Realty Group Limited Partnership (TRG) is a majority-owned partnership subsidiary of TCO that owns direct or indirect interests in all of our real estate properties. In this report, the terms "we", "us", and "our" refer to TCO , TRG , and/or TRG's subsidiaries as the context may require. We own, manage, lease, acquire, dispose of, develop, and expand retail shopping centers and interests therein. The Consolidated Businesses consist of shopping centers and entities that are controlled by ownership or contractual agreements, The Taubman Company LLC (Manager), and Taubman Properties Asia LLC and its subsidiaries and affiliates (Taubman Asia). Shopping centers owned through joint ventures that are not controlled by us but over which we have significant influence (Unconsolidated Joint Ventures) are accounted for under the equity method.

References in this discussion to "beneficial interest" refer to our ownership or pro-rata share of the item being discussed. Investors are cautioned that deriving our beneficial interest as our ownership interest in individual financial statement items may not accurately depict the legal and economic implications of holding a noncontrolling interest in an investee.

The comparability of information used in measuring performance is affected by the redevelopment agreement for Taubman Prestige Outlets Chesterfield in May 2018 (see "Results of Operations - Redevelopment Agreement for Taubman Prestige Outlets Chesterfield"), the openings of CityOn.Zhengzhou in March 2017, Starfield Hanam in September 2016, CityOn.Xi'an in April 2016 (see "Results of Operations - Taubman Asia"), and International Market Place in August 2016 (see "Results of Operations - U.S. Development"), the acquisition of Country Club Plaza in March 2016 (see "Results of Operations - Acquisition - Country Club Plaza"), and the redevelopment of Beverly Center beginning in 2016 (see "Liquidity and Capital Resources - Capital Spending - Redevelopments"). Additional "comparable center" statistics that exclude the centers noted above are provided to present the performance of comparable centers. Comparable centers are generally defined as centers that were owned and open for the entire current and preceding period presented, excluding centers impacted by significant redevelopment activity. Comparable center statistics for 2017 have been restated to include comparable centers to 2018. This affects the comparability of our operating results period over period. Additionally, The Mall of San Juan has been excluded from "comparable center" statistics as a result of Hurricane Maria, which occurred in 2017, and the expectation that the center's performance will be materially impacted for the foreseeable future (see "Results of Operations - Hurricane Maria and The Mall of San Juan").

Overall Summary of Management's Discussion and Analysis of Financial Condition and Results of Operations

Our primary source of revenue is from the leasing of space in our shopping centers. Generally these leases are long term, with our average lease term of new leases at approximately seven years during both 2018 and 2017 , excluding temporary in-line tenants (TILs). Where appropriate, we are making decisions as we re-tenant space to use some shorter leases in order to maintain occupancy, merchandising, and preserve cash flow when possible. Therefore general economic trends most directly impact our mall tenants' sales and consequently their ability to perform under their existing lease agreements and expand into new locations as well as our ability to find new tenants for our shopping centers and increase rent per square foot.

For the fourth quarter of 2018 , comparable mall tenant sales per square foot increased 10.1% from the corresponding period in 2017 . For the year ended 2018 , comparable mall tenant sales per square foot were $ 824 , an 8.6% increase from 2017 .

Ending occupancy was 94.7% for comparable centers at December 31, 2018 , down 1.0% from 2017 . The rents we are able to achieve are affected by economic trends and tenants' expectations thereof, as described under "Rental Rates and Occupancy." The spread between rents on openings and closings may not be indicative of future periods, as this statistic is not computed on comparable tenant spaces, and can vary significantly from period to period depending on the total amount, location, and average size of tenant space opening and closing in the period; the use of some shorter leases, as noted above, has had a significant impact on our releasing spread in recent years. Mall tenant sales, occupancy levels, and our resulting revenues are seasonal in nature (see "Seasonality").

Our analysis of our financial results begins under "Results of Operations" and we provide information about transactions that affected the periods presented or will affect operations in the future.

In September 2017, Hurricane Maria adversely impacted The Mall of San Juan (see "Results of Operations - Hurricane Maria and The Mall of San Juan").

In March 2016, a joint venture we formed with The Macerich Company acquired Country Club Plaza, a mixed-use retail and office property in Kansas City, Missouri (see "Results of Operations - Acquisition - Country Club Plaza").

In August 2016, International Market Place opened in Waikiki, Honolulu, Hawaii (see "Results of Operations - U.S. Development").

We have incurred charges related to ongoing shareholder activism campaigns as well as restructuring in 2017 and 2018 (see "Results of Operations - Shareholder Activism" and "Results of Operations - Restructuring").

We also describe our growth activities in Asia including the openings of CityOn.Zhengzhou in March 2017, Starfield Hanam in September 2016, and CityOn.Xi'an in April 2016, our investment in a development project in Starfield Anseong, our third party service contracts to provide management and advisory services to customers in Asia, and our agreements to sell 50% of our interests in Starfield Hanam, CityOn.Xi'an, and CityOn.Zhengzhou (see "Results of Operations – Taubman Asia").

In April 2016, our third party leasing agreement for The Shops at Crystals (Crystals) was terminated in connection with a change in ownership of the center (see "Results of Operations - The Shops at Crystals").

We have certain additional sources of income beyond our rental revenues, recoveries from tenants, and revenue from management, leasing, and development services. We disclose our share of these sources of income under "Results of Operations – Other Income." We also disclose detail of our nonoperating income and expenses under "Results of Operations – Nonoperating Income, Net."

We have completed multiple financings during the three-year period ended December 31, 2018 (see "Results of Operations – Debt Transactions").

We have experienced, and will continue to experience, an increase in interest expense primarily due to our sizeable development and redevelopment pipelines in recent years, the associated borrowings and spending, and the mechanics of capitalized interest, as well as the recent increase in the LIBOR rate (see "Results of Operations – Interest Expense").

In May 2018, we closed on a redevelopment agreement for Taubman Prestige Outlets Chesterfield resulting in all operations at the center, as well as the building and improvements, being transferred to The Staenberg Group (see "Results of Operations – Redevelopment Agreement for Taubman Prestige Outlets Chesterfield").

With all the preceding information as background, we then provide insight and explanations for variances in our financial results for 2018 , 2017 , and 2016 under "Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017 " and "Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016 ."

We provide a discussion of results of center operations (see "Results of Operations - Comparable and Non-Comparable Center Operations").

Our discussion of sources and uses of capital resources under "Liquidity and Capital Resources" begins with an overview of our financial position as of December 31, 2018 . After that, analysis of specific operating, investing, and financing activities is provided in more detail.

Analysis of our fixed and floating rates and periods of interest rate risk exposure is provided under "Liquidity and Capital Resources – Beneficial Interest in Debt." Completing our analysis of our exposure to rates are the effects of changes in interest rates on our cash flows and fair values of debt contained under "Liquidity and Capital Resources – Sensitivity Analysis." Also see "Liquidity and Capital Resources – Loan Commitments and Guarantees" for a discussion of compliance with debt covenants.

In conducting our business, we enter into various contractual obligations, including those for debt, operating leases for land and office space, purchase obligations, and other long-term commitments. Detail of these obligations, including expected settlement periods, is contained under "Liquidity and Capital Resources – Contractual Obligations." Property-level debt represents the largest single class of obligations. Described under "Liquidity and Capital Resources – Loan Commitments and Guarantees" and "Liquidity and Capital Resources – Cash Tender Agreement" are our significant guarantees and commitments.

We substantially completed our redevelopment project at Beverly Center in November 2018 and have an ongoing redevelopment project at The Mall at Green Hills (see "Liquidity and Capital Resources - Capital Spending - Redevelopments"). We also provide information on our capital spending in 2018 and 2017 , as well as planned capital spending for 2019 (see "Liquidity and Capital Resources - Capital Spending").

Dividends and distributions are also significant uses of our capital resources. The factors considered when determining the amount of our dividends, including requirements arising because of our status as a REIT, are described under "Liquidity and Capital Resources – Dividends."

We then discuss our application of critical accounting policies and consideration of new accounting pronouncements.

Finally, we describe the reasons for our use of non-GAAP measures, Net Operating Income (NOI) and Funds from Operations (FFO), and provide reconciliations from net income and net income allocable to common shareholder s to such measures in "Non-GAAP Measures" following "Liquidity and Capital Resources."

Mall Tenant Sales and Center Revenues

The U.S. shopping center industry has been challenged in recent years and is currently facing choppiness as it continues to evolve rapidly alongside retail. Across the industry, department store sales have weakened and their ability to drive traffic has substantially decreased, resulting in increased store closures, with mature mall tenants and anchors rationalizing square footage and being highly selective in opening new stores. There has been some stabilization of the retail landscape recently, including comparatively strong sales performance during 2018. However, the retail headwinds still have the potential to be prolonged and ultimately may still result in many centers incurring lost or reduced rent, paying higher tenant allowances, and/or experiencing unscheduled terminations. Where appropriate, we are making decisions as we re-tenant space to use some shorter leases in order to maintain occupancy, merchandising, and preserve cash flow when possible; this activity can have a material impact on our releasing spread for an applicable period.

We have begun to see the emergence of a new tenant pool offering additional entertainment alternatives within the mall, as well as investment in brick-and-mortar locations by digitally native tenants. Despite recent retail challenges, our recently opened new developments, including those in Asia, have provided growth and are contributing positively to our portfolio. Over time we believe high-quality mall portfolios such as ours will continue to gain market share of tenant sales and rents.

Tenant Sales and Occupancy Costs

Our comparable mall tenants reported a 10.1% increase in mall tenant sales per square foot in the fourth quarter of 2018 compared to the corresponding period in 2017 . For the year ended 2018 , our comparable mall tenant sales increased 8.6% over 2017 to $824 per square foot.

Over the long term, the level of mall tenant sales remains the single most important determinant of revenues of the shopping centers because mall tenants provide approximately 90% of these revenues and mall tenant sales determine the amount of rent, overage rent, and recoverable expenses, excluding utilities (together, total occupancy costs) that mall tenants can afford to pay. However, levels of mall tenant sales can be considerably more volatile in the short run than total occupancy costs, and may be impacted significantly, either positively or negatively, by the success or lack of success of a small number of tenants or even a single tenant.

We believe that because most mall tenants sell goods at profitable margins and have certain fixed operating expenses, the occupancy costs that they can afford to pay and still be profitable are higher as sales per square foot increase.

Mall tenant sales directly impact the amount of overage rents certain tenants and certain anchors pay. The effects of increases or declines in mall tenant sales on our operations are moderated by the relatively minor share of total rents that overage rents represent. Overage rent is very difficult to predict as it is highly dependent upon the sales performance of specific mall tenants in specific centers, and is typically paid by a small number of our tenants in any given period. Over the last five years, overage rent as a share of total rent has ranged from 5% to 6%.

In negotiating lease renewals, we generally intend to maximize the minimum rents we achieve. As a result, a tenant will generally pay a higher amount of minimum rent and an initially lower amount of overage rent upon renewal.

While mall tenant sales are critical over the long term, the high-quality mall business has generally been a very stable business model with its diversity of income from thousands of tenants, its staggered lease maturities, and high proportion of fixed rent. However, a sustained trend in mall tenant sales does impact, either negatively or positively, our ability to lease vacancies and sign lease renewals, negotiate rents at advantageous rates, and collect amounts contractually due.

The following table summarizes mall tenant occupancy costs (the sum of minimum rents, overage rents, and expense recoveries, excluding utilities) as a percentage of sales:

	2018 (1)	2017 (1)	2016 (1)
Mall tenant sales - all centers (in thousands)	$ 6,832,524	$ 6,327,787	$ 5,773,614
Mall tenant sales - comparable (in thousands)	6,289,107	5,867,140	
Sales per square foot (2)	824	759	792
Consolidated Businesses: (3)			
Minimum rents	9.4%	9.8%	9.4%
Overage rents	0.4	0.4	0.5
Expense recoveries	4.5	5.0	4.7
Mall tenant occupancy costs as a percentage of mall tenant sales	14.3%	15.2%	14.6%
Unconsolidated Joint Ventures: (3)			
Minimum rents	8.4%	8.9%	9.2%
Overage rents	0.8	0.7	0.5
Expense recoveries	3.6	4.1	4.5
Mall tenant occupancy costs as a percentage of mall tenant sales	12.9%	13.7%	14.2%
Combined: (3)			
Minimum rents	8.9%	9.3%	9.3%
Overage rents	0.6	0.6	0.5
Expense recoveries	4.1	4.5	4.6
Mall tenant occupancy costs as a percentage of mall tenant sales	13.6%	14.4%	14.4%

(1) Based on reports of sales furnished by mall tenants.
(2) Sales per square foot excludes non-comparable centers and spaces greater than or equal to 10,000 square feet for all periods presented. Comparable center statistics for 2016 include Taubman Prestige Outlets Chesterfield and exclude Starfield Hanam, CityOn.Xi'an, International Market Place, and Country Club Plaza.
(3) Occupancy costs as a percentage of sales statistics are based on mall tenants sales of all centers reported during that period.
(4) Amounts in this table may not add due to rounding.

Rental Rates and Occupancy

Average and Base Rent Per Square Foot

As leases have expired in the centers, we have generally been able to rent the available space, either to the existing tenant or a new tenant, at rental rates that are higher than those of the expired leases. Generally, center revenues have increased as older leases rolled over or were terminated early and replaced with new leases negotiated at current rental rates that were usually higher than the average rates for existing leases. In periods of increasing sales, rents on new leases will generally tend to rise. In periods of declining sales or slower growth, rents on new leases will generally grow more slowly or will decline for the opposite reason, as tenants' expectations of future growth become less optimistic. Average and base rent per square foot statistics are computed using contractual rentals per the tenant lease agreements, which reflect any lease modifications, including those for rental concessions. Rental information for comparable centers in our Consolidated Businesses and Unconsolidated Joint Ventures follows:

	2018 (1) (2)	2017 (1) (2)	2016 (1) (2)
Average rent per square foot:			
Consolidated Businesses	$ 71.24	$ 69.25	$ 63.83
Unconsolidated Joint Ventures	49.00	47.02	58.10
Combined	57.51	55.36	61.07
Opening base rent per square foot:			
Consolidated Businesses	$ 70.56	$ 72.96	$ 85.86
Unconsolidated Joint Ventures	42.43	44.13	57.80
Combined	56.39	60.37	72.68
Square feet of GLA opened:			
Consolidated Businesses	572,367	549,423	422,752
Unconsolidated Joint Ventures	581,477	426,413	374,119
Combined	1,153,844	975,836	796,871
Closing base rent per square foot:			
Consolidated Businesses	$ 67.60	$ 64.26	$ 72.60
Unconsolidated Joint Ventures	43.33	44.32	47.85
Combined	54.27	54.77	61.19
Square feet of GLA closed:			
Consolidated Businesses	507,610	511,010	409,088
Unconsolidated Joint Ventures	618,815	464,293	350,060
Combined	1,126,425	975,303	759,148
Releasing spread per square foot:			
Consolidated Businesses	$ 2.96	$ 8.70	$ 13.26
Unconsolidated Joint Ventures	(0.90)	(0.19)	9.95
Combined	2.12	5.60	11.49
Releasing spread per square foot growth:			
Consolidated Businesses	4.4 %	13.5 %	18.3%
Unconsolidated Joint Ventures	(2.1)%	(0.4)%	20.8%
Combined	3.9 %	10.2 %	18.8%

(1) Statistics exclude non-comparable centers. Comparable center statistics for 2016 include Taubman Prestige Outlets Chesterfield and exclude Starfield Hanam, CityOn.Xi'an, International Market Place, and Country Club Plaza.
(2) Opening and closing statistics exclude spaces greater than or equal to 10,000 square feet.

The spread between rents on openings and closings may not be indicative of future periods, as this statistic is not computed on comparable tenant spaces, and can vary significantly from period to period depending on the total amount, location, and average size of tenant space opening and closing in the period. Broadly, the lower releasing spread reflects the recently decelerating environment for retail, as demonstrated by lower rent growth.

Occupancy and Leased Space

Mall tenant ending occupancy and leased space statistics are as follows:

	2018 [1]	2017 [1]	2016 [1]
Ending occupancy - all centers	94.6%	94.8%	93.9%
Ending occupancy - comparable centers	94.7	95.7	
Leased space - all centers	96.2	95.9	95.6
Leased space - comparable centers	96.3	96.6	

(1) Occupancy and leased space statistics include TILs and anchor spaces at value and outlet centers (Dolphin Mall, Great Lakes Crossing Outlets, and Taubman Prestige Outlets Chesterfield).

Tenant bankruptcy filings as a percentage of the total number of tenant leases were 1.6% in 2018 , compared to 3.1% in 2017 , and 0.8% in 2016 . However, many bankruptcies do not ultimately impact our occupancy; historically less than half of bankrupt tenants actually close.

See "Seasonality" for further information on occupancy and leased space statistics.

Seasonality

The U.S. shopping center industry is seasonal in nature, with mall tenant sales highest in the fourth quarter due to the Christmas season, and with lesser, though still significant, sales fluctuations associated with the Easter holiday and back-to-school period. While minimum rents and recoveries are generally not subject to seasonal factors, most leases are scheduled to expire in the first quarter, and the majority of new stores open in the second half of the year in anticipation of the Christmas selling season. Additionally, most overage rents are recorded in the fourth quarter. Accordingly, revenues and occupancy levels are generally highest in the fourth quarter. Further, gains on sales of peripheral land and lease cancellation income may vary significantly from quarter to quarter.

	2018				
	Total	4th quarter	3rd quarter	2nd quarter	1st quarter
	(in thousands, except occupancy and leased space data)				
Mall tenant sales: [1]					
Comparable	$ 6,289,107	$ 1,997,745	$ 1,414,070	$ 1,422,293	$ 1,454,999
All Centers	6,832,524	2,158,927	1,541,559	1,549,356	1,582,682
Revenues and nonoperating income, net-					
Consolidated Businesses	$ 655,584	$ 168,345	$ 167,820	$ 165,070	$ 154,349
Ending occupancy:					
Comparable	94.7%	94.7%	92.9%	92.2%	92.8%
All Centers	94.6	94.6	92.9	92.3	92.2
Leased Space:					
Comparable	96.3%	96.3%	95.6%	94.9%	95.0%
All centers	96.2	96.2	95.5	94.8	94.5

(1) Based on reports of sales furnished by mall tenants.

Results of Operations

In addition to the results and trends in our operations discussed in the preceding sections, the following sections discuss certain transactions that affected operations in 2018 , 2017 , and 2016 , or are expected to affect operations in the future.

Hurricane Maria and The Mall of San Juan

The Mall of San Juan incurred significant damage from Hurricane Maria in 2017. We have substantial insurance to cover hurricane and flood damage, as well as business and service interruption. The business interruption coverage commences at time of loss and continues for one year after the damage is fully repaired. Our hurricane coverage includes a single deductible of $2 million and policy limits of $900 million, all subject to various terms and conditions. However, insurance proceeds have been lagging and are not being received in the same period the losses are being incurred. As of December 31, 2018 , we have not yet received insurance proceeds related to our business interruption claim. We have submitted a preliminary claim to our insurer and are currently in discussions related to the amount to be received and timing of payment. During the years ended December 31, 2018 and 2017 , we recorded $1.2 million and $1.1 million, respectively, of insurance recoveries related to reimbursement of expensed costs within Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income. Additionally, during the year ended December 31, 2018 , we recognized a reduction of $4.9 million of depreciation expense relating to insurance proceeds received for property damage for which we took write-offs in 2017. During the year ended December 31, 2017, we recognized an estimated expense of $7.0 million relating to property damage, included within depreciation expense. See "Note 15 - Commitments and Contingencies - Hurricane Maria and The Mall of San Juan" to our consolidated financial statements for more information regarding our ongoing litigation with Saks Fifth Avenue Puerto Rico, Inc. and Saks Incorporated to compel them to immediately remediate and repair the Saks Fifth Avenue store.

Acquisition - Country Club Plaza

In March 2016, a joint venture we formed with The Macerich Company acquired Country Club Plaza, a mixed-use retail and office property in Kansas City, Missouri, from Highwood Properties for $660 million ($330 million at TRG’s beneficial share) in cash, excluding transaction costs. We have a 50% ownership interest in the center, which is jointly managed by both companies. Our ownership interest in the center is accounted for as an Unconsolidated Joint Venture under the equity method. Also in March 2016, our joint venture completed a 10-year, $320 million ($160 million at TRG’s beneficial share) non-recourse financing on Country Club Plaza. See "Liquidity and Capital Resources - Acquisition" for more information on this financing.

In March 2017, the joint venture sold the Valencia Place office tower at Country Club Plaza, which was a component of the mixed-use property acquired, for $75.2 million ($37.6 million at TRG’s beneficial share). The joint venture recognized a gain on the sale of the Valencia Place office tower, of which TRG's beneficial share, net of tax, was $2.1 million.

U.S. Development

In August 2016, International Market Place opened in Waikiki, Honolulu, Hawaii. We have a 93.5% controlling interest in the center.

Shareholder Activism

During the years ended December 31, 2018, 2017, and 2016, we incurred $12.5 million , $14.5 million, and $3.0 million, respectively, of expense associated with activities related to shareholder activism, largely legal and advisory services. Also included in these costs is a retention program for certain employees. Given the uncertainties associated with shareholder activism and to ensure the retention of our top talent in key positions, certain key employees were provided certain incentive benefits in the form of cash and/or equity retention awards. We, along with our Board of Directors, believe these benefits are instrumental in ensuring our continued success.

Restructuring

We incurred $13.8 million of expenses during 2017, related to a restructuring effort to reduce our workforce and reorganize various areas of the organization in response to the completion of another major development cycle and the current near-term challenges facing the U.S. mall industry. During the year ended December 31, 2018 , we incurred additional expense, partially offset by a change in estimate to previously recognized charges resulting in expense of $0.6 million .

Taubman Asia

Through a joint venture with Wangfujing Group Co., Ltd (Wangfujing), one of China's largest department store chains, we own an interest in a shopping center, CityOn.Xi'an, located at Xi'an Saigao City Plaza in Xi'an, China, which opened in April 2016. We also have a joint venture with Wangfujing that owns an interest in a shopping center, CityOn.Zhengzhou, in Zhengzhou, China, which opened in March 2017. As of December 31, 2018, we had a 50% and 49% interest in CityOn.Xi'an and CityOn.Zhengzhou, respectively.

Through a joint venture with Shinsegae Group (Shinsegae), one of South Korea's largest retailers, we have an interest in a shopping center, Starfield Hanam, in Hanam, South Korea, which opened in September 2016. As of December 31, 2018, we had a 34.3% interest in the center.

In February 2019, we announced agreements to sell 50% of our interests in Starfield Hanam, CityOn.Xi’an, and CityOn.Zhengzhou to funds managed by The Blackstone Group L.P. (Blackstone). Following the transactions, which are subject to customary closing conditions and are expected to close throughout 2019, we will retain a 17.15% ownership interest in Starfield Hanam, a 25% ownership interest in CityOn.Xi'an, and a 24.5% ownership interest in CityOn.Zhengzhou. We will remain the partner responsible for the joint management of the three shopping centers, with Blackstone paying a property service fee. The interests to be sold are valued at $480 million, with net cash proceeds expected to be about $315 million, after transaction costs and the allocation to Blackstone of its share of third-party debt. Also, we may receive up to an additional $50 million of consideration based on the 2019 performance of the three assets.

Also, we have invested in a development project, Starfield Anseong, in South Korea for which we have formed an additional joint venture with Shinsegae. (See "Liquidity and Capital Resources - Capital Spending - New Developments")

As part of our Asia strategy, we look to mitigate our operating costs through property management fees and third-party service contracts when possible. Through third-party service contracts, we currently provide management and advisory services to customers in Asia.

The Shops at Crystals

In April 2016, our third party leasing agreement for Crystals was terminated in connection with a change in ownership of the center. As a result, we recognized management, leasing, and development services revenue for the lump sum payment of $21.7 million we received in May 2016 in connection with the termination.

Other Income

We have certain additional sources of income beyond our rental revenues, recoveries from tenants, and revenues from management, leasing, and development services, as summarized in the following table. Shopping center and other operational revenues include parking, sponsorship, and miscellaneous income. Lease cancellation income is primarily dependent on the overall economy and performance of particular retailers in specific locations and can vary significantly from year-to-year. In 2018 , our share of lease cancellation income of our consolidated and unconsolidated properties was $16.6 million, an increase of $4.6 million from 2017 . Our share of lease cancellation income of our consolidated and unconsolidated properties over the last five years ranged from 2016's $4.6 million to 2018's $16.6 million.

We have formed a joint venture with the Michael Mina restaurant group to own and operate restaurants at International Market Place and Beverly Center. Revenues from the food and beverage operations are included within Shopping center and other operational revenues in the table below.

The following table provides a summary of the significant components of our consolidated other income:

	2018	2017	2016
	(TRG's share in millions)		
Other income:			
Shopping center and other operational revenues	$ 35.7	$ 30.5	$ 22.0
Lease cancellation income	13.5	9.1	3.3
	$ 49.2	$ 39.5	$ 25.3

(1) Amounts in this table may not add due to rounding.

Nonoperating Income, Net

The following table provides a summary of the significant components of our consolidated nonoperating income, net:

	2018	2017	2016
	(TRG's share in millions)		
Nonoperating income, net:			
Fluctuation in fair value of equity securities [1]	$ 2.8		
Gains on Simon Property Group (SPG) common share conversions [2]		$ 11.6	$ 11.1
Gains on sales of peripheral land	1.0	0.9	1.8
Dividend income	4.1	4.2	3.8
Interest income	5.4	5.8	5.7
Insurance recoveries - The Mall of San Juan	1.2	1.0	
Other nonoperating income	—	0.1	0.4
	$ 14.5	$ 23.7	$ 22.9

(1) In connection with the adoption of Accounting Standards Update (ASU) No. 2016-01 on January 1, 2018, we now measure our investments in equity securities at fair value with changes in value recorded through nonoperating income, net.
(2) Represents the gains recognized upon the conversions in both 2017 and 2016 of our investment in Simon Property Group Limited Partnership units to SPG common shares. See "Liquidity and Capital Resources - SPG Common Shares Investment" for further discussion of our investment.
(3) Amounts in this table may not add due to rounding.

Debt Transactions

A series of debt financings were completed in the three-year period ended December 31, 2018 as follows:

	Date	Initial Loan Balance/Facility Amount	Stated Interest Rate	Maturity Date [1]
		(in millions)		
International Market Place	August 2018	$250	LIBOR + 2.15% [2]	August 2021 [2]
TRG secondary revolving credit facility	April 2018	65	LIBOR + 1.40%	April 2019
Fair Oaks Mall	April 2018	260	5.32%	May 2023
TRG $250 million unsecured term loan	March 2018	250 [3]	[4]	March 2023
Twelve Oaks Mall	February 2018	300	4.85%	March 2028
TRG secondary revolving credit facility	April 2017	65	LIBOR + 1.40%	April 2018
TRG $300 million unsecured term loan	February 2017	300 [5]	[6]	February 2022
TRG primary unsecured revolving credit facility	February 2017	1,100 [5]	[7]	February 2021 [7]
The Mall at Millenia	December 2016	50 [8]	3.75%	October 2024
The Mall at University Town Center	October 2016	280	3.40%	November 2026
Cherry Creek Shopping Center	May 2016	550	3.85%	June 2028
Waterside Shops	April 2016	165	3.86%	April 2026
TRG secondary revolving credit facility	April 2016	65	LIBOR + 1.40%	April 2017
Country Club Plaza	March 2016	320	3.85%	April 2026

(1) Excludes any options to extend the maturities (see the notes to our consolidated financial statements regarding extension options).
(2) The interest rate may be reduced to LIBOR plus 1.85% upon the achievement of certain performance measures. Two, one-year extension options are available.
(3) The loan includes an accordion feature which would increase our borrowing capacity to as much as $400 million if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.
(4) The loan bears interest at a range of LIBOR plus 1.25% to 1.90% based on our total leverage ratio. Our existing swaps on our previous $475 million unsecured term loan were applied to other unsecured debt, including the new $250 million unsecured term loan, resulting in an effective interest rate on the new term loan in the range of 2.89% to 3.54% through the remaining swap period ending in February 2019. In October 2018, we entered into additional forward starting swaps to fix the LIBOR rate to 3.02% on the $250 million unsecured term loan, effective in March 2019 through maturity, which will result in an effective interest rate in the range of 4.27% to 4.92%.
(5) These facilities include an accordion feature which would increase the maximum aggregate total commitment to as much as $2.0 billion between the two facilities, if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018 , we could not fully utilize the accordion feature unless additional assets were added to our unencumbered asset pool.
(6) The loan bears interest at a range of LIBOR plus 1.25% to 1.90% based on our total leverage ratio. The LIBOR rate is swapped beginning January 2018 through maturity to a fixed rate of 2.14%, which results in an effective interest rate in the range of 3.39% to 4.04%.
(7) The primary unsecured revolving credit facility bears interest at a range of LIBOR plus 1.15% to 1.70% based on our total leverage ratio. As of December 31, 2018 , the LIBOR rate is swapped to 1.65% through February 2019 on $225 million of the $1.1 billion unsecured facility Two, six-month extension options are available.
(8) Proceeds of $50 million were received in December 2016. An additional $50 million of proceeds were received in February 2017, bringing the total loan amount to $100 million.

In November 2018, we exercised the first of our two, one-year extension options to extend The Mall at Green Hills loan maturity date to December 2019.

In March 2018, proceeds from both the $250 million unsecured term loan and the Twelve Oaks Mall loan (see above) were used to pay off our existing $475 million unsecured term loan.

In July 2017, we obtained an additional one-year extension option to The Mall at Green Hills loan, providing the option to extend the maturity date to December 2020.

In March 2017, we repaid the outstanding balance of $302.4 million on the construction facility for The Mall of San Juan, which was scheduled to mature in April 2017. We funded the repayment using our revolving lines of credit.

In April 2016, we repaid the $81.5 million, 6.10% stated fixed rate loan on The Gardens on El Paseo, which was scheduled to mature in June 2016.

Interest Expense

For several years our interest expense has been impacted in large part by our sizeable development and redevelopment pipelines, the associated borrowings and spending, and the mechanics of capitalized interest. Recently the LIBOR rate has risen, which impacts our beneficial interest in debt that floats month to month (about 20% of our beneficial interest in debt as of December 31, 2018). We expect the LIBOR rate will continue to rise and have a greater impact due to the spending for our development and redevelopment projects previously noted. In addition, in October 2018, we entered into forward starting swaps to fix the LIBOR rate to 3.02% on the $250 million unsecured term loan, effective from March 2019 through maturity, which will result in an effective interest rate in the range of 4.27% to 4.92%. This loan is currently swapped through February 2019 to an effective interest rate of 2.89% to 3.54%. Also, the LIBOR rate on $225 million of our $1.1 billion unsecured facility is swapped to 1.65% through February 2019 and will float at the current LIBOR rate upon maturity.

Our interest expense is impacted by the capitalization of interest on the costs of our U.S. and Asia development and redevelopment projects. We capitalize interest on our consolidated project costs and our equity contributions to Unconsolidated Joint Ventures under development using our average consolidated borrowing rate, which does not reflect the specific source of funds for the costs and is generally greater than our incremental borrowing rate. Any excess of the capitalization rate over our incremental borrowing rate positively impacts our results of operations during the construction phase of our development and redevelopment projects. This positive impact will affect our results until the overall level of construction spending decreases. As these projects are completed, interest capitalization generally ends and we begin recognizing interest expense. We have experienced, and will continue to experience, an increase in interest expense primarily due to the opening of four ground-up development and redevelopment projects.

Redevelopment Agreement for Taubman Prestige Outlets Chesterfield

In May 2018, we closed on a redevelopment agreement for Taubman Prestige Outlets Chesterfield. As of May 1, 2018, all operations at the center, as well as the building and improvements, were transferred to The Staenberg Group (TSG). TSG leases the land from us through a long-term, participating ground lease and we receive ground lease payments and a share of the property’s revenues above a specified level. TSG is planning a significant redevelopment of the property, which will transform it into a unique entertainment, shopping and dining destination. We have no future capital obligation related to the redevelopment of the property. Both we and TSG have the ability to terminate the ground lease in the event that the redevelopment has not begun within five years, with the buildings and improvements reverting to us upon termination. Taubman Prestige Outlet Chesterfield's historic contribution to our results of operations has been immaterial. We will defer recognition of a sale of the building and improvements and maintain the property on our Consolidated Balance Sheet until the foregoing termination right is no longer available to the parties, with this right ceasing upon TSG commencing the redevelopment.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

The following is a comparison of our results for the years ended December 31, 2018 and 2017 , as disclosed in our Consolidated Statement of Operations and Comprehensive Income.

Total revenues for the year ended December 31, 2018 were $ 640.9 million , an $11.7 million or 1.9% increase from 2017 . Minimum rents, expense recoveries, and other income all increased partially due to the improved performance at Beverly Center as disruption related to the ongoing redevelopment has begun to abate.

In addition to improved performance at Beverly Center, the following also impacted total revenues:

- the increase in minimum rents was further attributable to an increase in average rent per square foot;
- the decrease in expense recoveries was primarily attributable to decreases in recoverable property tax and promotion expenses;
- the decrease in management, leasing, and development services was primarily due to services provided in 2017 for IFC Mall in Yeouido, Seoul, South Korea, which were terminated in connection with a change in ownership of the center; and
- the increase in other income was primarily attributable to increases in lease cancellation income and food and beverage revenues of our restaurant joint venture.

Total expenses for the year ended December 31, 2018 were $609.5 million, a $2.0 million or 0.3% increase from 2017 . The following impacted total expenses:

- the decrease in maintenance, taxes, utilities, and promotion expense was primarily attributable to decreases in common area maintenance and promotion expense, partially offset by promotional expenses related to Beverly Center's Grand Reveal;
- the decrease in other operating expense was primarily due to a reduction in bad debt expense and cost saving initiatives enacted in response to the completion of another major development cycle and current near-term challenges facing the U.S. mall industry, partially offset by an increase in food and beverage expenses of our restaurant joint venture;
- the decrease in general and administrative expense was also primarily due to the aforementioned cost saving initiatives, partially offset by an increase in senior executive compensation and bonus expense compared to 2017. A significant restructuring charge was incurred in the prior year related to reductions in our workforce and the reorganization of various areas of the organization, which were also undertaken due to our cost savings initiatives. In 2018, we incurred an additional restructuring charge that was significantly lower than the charge in 2017, partially offset by a change in estimate to charges recognized in 2017;
- a decrease in costs associated with shareholder activism;
- the increase in interest expense was attributable to increased levels of debt, an increase in LIBOR, reduced capitalization of interest on developments and redevelopments, and our recently completed financing for Twelve Oaks Mall; and
- the increase in depreciation and amortization expense was primarily attributable to the disposal of previously existing assets that were not yet fully depreciated, as well as new assets being placed into service at Beverly Center in connection with our redevelopment project at the center, which was substantially completed in November 2018, Further, the increase was partially due to changes in depreciable lives of tenant allowances in connection with early terminations, partially offset by depreciation and amortization expenses at The Mall of San Juan incurred in 2017 relating to property damage from Hurricane Maria.

Nonoperating income, net decreased primarily due to a gain recognized in 2017 upon the conversion of our remaining investment in Simon Property Group Limited Partnership units (SPG LP Units) to SPG common shares, partially offset by the fluctuation in the fair value of equity securities in 2018 (see "Results of Operations - Nonoperating Income, Net").

Equity in Income of the Unconsolidated Joint Ventures for the year ended December 31, 2018 increased by $2.0 million to $69.4 million from 2017 . The increase was primarily attributable to favorable operating results from the recently opened developments in Asia. The increase was partially offset by the gain recognized on the sale of the Valencia Place office tower at Country Club Plaza in March 2017 (see "Results of Operations - Acquisition - Country Club Plaza").

Net Income

Net income was $115.7 million for the year ended December 31, 2018 compared to $112.8 million for the year ended December 31, 2017 . After allocation of income to noncontrolling, preferred, and participating interests, the net income attributable to Taubman Centers, Inc. common shareholder s for the year ended December 31, 2018 was $58.0 million compared to $55.3 million in 2017 . Diluted earnings per common share was $0.95 for the year ended December 31, 2018 compared to $0.91 for the year ended December 31, 2017 .

FFO and FFO per Common Share

Our FFO attributable to partnership unitholders and participating securities of TRG was $322.5 million for the year ended December 31, 2018 compared to $304.1 million for the year ended December 31, 2017 . FFO per diluted common share was $3.71 for the year ended December 31, 2018 and $3.51 per diluted common share for the year ended December 31, 2017 . Adjusted FFO attributable to partnership unitholders and participating securities of TRG for the year ended December 31, 2018 , which excluded a restructuring charge, costs associated with shareholder activism, the fluctuation in the fair value of equity securities, and a charge recognized in connection to the write-off of deferred financing costs related to the early payoff of our $475 million unsecured term loan, was $333.2 million. Adjusted FFO attributable to partnership unitholders and participating securities of TRG for the year ended December 31, 2017 , which excluded costs associated with shareholder activism, a restructuring charge, and a gain recognized upon the conversion of our remaining investment in SPG LP Units to common shares of SPG, was $321.3 million. Adjusted FFO per diluted common share was $3.83 for the year ended December 31, 2018 and $3.70 for the year ended December 31, 2017 . See "Non-GAAP Measures - Use of Non-GAAP Measures" for the definition of FFO and "Non-GAAP Measures - Reconciliation of Non-GAAP Measures" for the reconciliation of Net Income Attributable to Taubman Centers, Inc. Common Shareholder s to Funds from Operations and Adjusted Funds from Operations.

Comparable and Non-Comparable Center Operations

In 2018 , the consolidated non-comparable centers contributed total operating revenues of $90.0 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $46.9 million. In 2017 , the consolidated non-comparable centers contributed total operating revenues of $90.6 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $49.9 million.

See "Non-GAAP Measures - Use of Non-GAAP Measures" for the definition and discussion of NOI and for the reconciliation of Net Income to NOI. For the year ended December 31, 2018 , comparable center NOI excluding lease cancellation income was up 3.8% from 2017 . For the year ended December 31, 2018 , comparable center NOI including lease cancellation income was up 4.4% from 2017 .

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

The following is a comparison of our results for the years ended December 31, 2017 and 2016, as disclosed in our Consolidated Statement of Operations and Comprehensive Income.

Total revenues for the year ended December 31, 2017 were $629.2 million, a $16.6 million or 2.7% increase from 2016. Minimum rents, expense recoveries, and other income all increased partially due to the opening of International Market Place in August 2016, and decreased partially due to the disruption resulting from the ongoing redevelopment project at Beverly Center.

In addition to the opening of International Market Place and the redevelopment project at Beverly Center, the following also impacted total revenues:

- the increase in minimum rents was further attributable to increases in average rent per square foot;
- the decrease in overage rents was primarily attributable to certain favorable post-closing adjustments in the prior year relating to the portfolio of centers sold to Starwood in 2014;
- the increase in expense recoveries was also due to increases in property tax expenses and fixed common area maintenance, partially offset by certain favorable post-closing adjustments in the prior year relating to the portfolio of centers sold to Starwood in 2014;
- the decrease in management, leasing, and development services was primarily due to revenue for the lump sum payment we received in May 2016 in connection with the termination of our third party leasing agreement for Crystals; and
- the increase in other income was mainly attributable to increases in food and beverage operations of our new restaurant joint venture and in lease cancellation income.

Total expenses for the year ended December 31, 2017 were $607.5 million, a $92.7 million or 18.0% increase from 2016. Maintenance, taxes, utilities, and promotion expense, other operating expense, interest expense, and depreciation and amortization expense all increased partially due to the opening of International Market Place in August 2016.

In addition to the opening of International Market Place, the following also impacted total expenses:

- the increase in maintenance, taxes, utilities, and promotion expense was further attributable to increases in property tax and common area maintenance expense;
- the increase in other operating expense was also due to food and beverage operations of our new restaurant joint venture and increased bad debt expenses, partially offset by cost saving initiatives enacted throughout the year in response to the completion of another major redevelopment cycle and current near-term challenges facing the U.S. mall industry. 2016 also included a charge for a center-related legal matter that did not reoccur in 2017;
- the decrease in general and administrative expense was primarily due to the aforementioned cost saving initiatives. A restructuring charge was incurred related to reductions in our workforce and the reorganization of various areas of the organization, which were also undertaken for similar reasons;
- an increase in costs associated with shareholder activism;
- the increase in interest expense was further attributable to the reduction of interest capitalization as well as the refinancings of Cherry Creek Shopping Center and our primary unsecured revolving line of credit, partially offset by continuing capitalization of interest on major redevelopment projects; and
- the increase in depreciation and amortization expense was further attributable to changes in depreciable lives of tenant allowances in connection with early terminations, and an estimated expense of $7 million relating to property damage from Hurricane Maria at The Mall of San Juan.

Equity in Income of the Unconsolidated Joint Ventures for the year ended December 31, 2017 decreased by $2.3 million to $67.4 million from 2016. The decrease was primarily attributable to unfavorable operating results, which included depreciation expense, of newly acquired or opened centers, and a one-time development success fee in Asia recognized in 2016, partially offset by the gain recognized on the sale of the Valencia Place office tower at Country Club Plaza in 2017 (see "Results of Operations - Acquisition - Country Club Plaza").

Net Income

Net income was $112.8 million for the year ended December 31, 2017 compared to $188.2 million for the year ended December 31, 2016. After allocation of income to noncontrolling, preferred, and participating interests, the net income attributable to Taubman Centers, Inc. common shareholder s for the year ended December 31, 2017 was $55.3 million compared to $107.4 million in 2016. Diluted earnings per common share was $0.91 for the year ended December 31, 2017 compared to $1.77 for the year ended December 31, 2016.

FFO and FFO per Common Share

Our FFO attributable to partnership unitholders and participating securities of TRG was $304.1 million for the year ended December 31, 2017 compared to $340.2 million for the year ended December 31, 2016. FFO per diluted common share was $3.51 for the year ended December 31, 2017 and $3.91 per diluted common share for the year ended December 31, 2016. Adjusted FFO attributable to partnership unitholders and participating securities of TRG for the year ended December 31, 2017, which excluded costs associated with shareholder activism, a restructuring charge, and a gain recognized upon the conversion of our remaining investment in SPG LP Units to common shares of SPG, was $321.3 million. Adjusted FFO attributable to partnership unitholders and participating securities of TRG for the year ended December 31, 2016, which excluded income related to the lump sum payment received for the termination of the leasing agreement at Crystals, costs with shareholder activism, and the gain, net of tax, recognized upon the conversion of a portion of our investment in SPG LP Units to common shares of SPG, was $310.4 million. Adjusted FFO per diluted common share was $3.70 for the year ended December 31, 2017 and $3.58 for the year ended December 31, 2016. See "Non-GAAP Measures - Use of Non-GAAP Measures" for the definition of FFO and "Non-GAAP Measures - Reconciliation of Non-GAAP Measures" for the reconciliation of Net Income Attributable to Taubman Centers, Inc. Common Shareholder s to Funds from Operations and Adjusted Funds from Operations.

Comparable and Non-Comparable Center Operations

In 2017, the consolidated non-comparable centers contributed total operating revenues of $115.3 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $66.9 million. In 2016, the consolidated non-comparable centers contributed total operating revenues of $96.4 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $49.1 million.

See "Non-GAAP Measures - Use of Non-GAAP Measures" for the definition and discussion of NOI and for the reconciliation of Net Income to NOI. For the year ended December 31, 2017, comparable center NOI excluding lease cancellation income was up 0.7% from 2016. For the year ended December 31, 2017, comparable center NOI including lease cancellation income was up 1.7% from 2016.

Liquidity and Capital Resources

General

Our internally generated funds and distributions from operating centers and other investing activities, augmented by use of our existing revolving lines of credit, provide resources to maintain our current operations and assets, pay dividends, and fund a portion of our major capital investments. We pursue an overall strategy of creating value and recycling capital using long-term fixed rate financing on the centers upon stabilization. Excess proceeds from refinancings are used to reinvest in our business. Generally, our need to access the capital markets is limited to refinancing debt obligations at or near maturity and funding major capital investments. From time to time, we also may access the equity markets or sell interests in operating properties to raise additional funds or refinance existing obligations on a strategic basis, including using any excess proceeds therefrom.

Property Encumbrances

We are primarily financed with property-specific secured debt and currently have five unencumbered shopping center properties. The entities that own Beverly Center, Dolphin Mall, and The Gardens on El Paseo are guarantors under our primary unsecured revolving credit facility, $250 million unsecured term loan, and $300 million unsecured term loan, and are unencumbered assets under such facility and term loans. Under the related debt agreements, we are required to have a minimum of three eligible unencumbered assets with a minimum unencumbered asset value. Therefore, while any of the assets may be removed from the unencumbered asset pool and encumbered upon notice to lender, provided that there is no default and the required covenant calculations are met on a pro forma basis, a replacement eligible unencumbered asset would need to be added to the unencumbered asset pool. Besides the three centers previously noted, The Mall of San Juan and Stamford Town Center, a 50% owned Unconsolidated Joint Venture property, are unencumbered.

Cash and Revolving Lines of Credit

As of December 31, 2018 , we had a consolidated cash balance of $ 48.4 million. We also have an unsecured revolving line of credit of $1.1 billion and a secured revolving line of credit of $65 million. The availability under these facilities as of December 31, 2018 , after considering the outstanding balances, the outstanding letters of credit, and the current values of the unencumbered asset pool, was $316.4 million. Fourteen banks participate in our $1.1 billion revolving line of credit and the failure of one bank to fund a draw on our line does not negate the obligation of the other banks to fund their pro-rata shares. The $1.1 billion unsecured facility matures in February 2021 with two six-month extension options available, and bears interest at a range based on our total leverage ratio. As of December 31, 2018 , the total leverage ratio resulted in a rate of LIBOR plus 1.45% with a 0.225% facility fee. As of December 31, 2018 , the LIBOR rate was swapped to 1.65% through February 2019 on $225 million of the $1.1 billion unsecured facility. The primary unsecured revolving line of credit includes an accordion feature, which in combination with our $300 million unsecured term loan would increase our borrowing capacity to as much as $2.0 billion in aggregate between the two facilities if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.

Other Financing Arrangements for China Projects

In addition to the revolving lines of credit described above, we have other financing arrangements outstanding for our recently opened shopping centers in China. As a foreign investor, we are subject to various government approval processes and other hurdles in funding the construction of our Chinese projects. These hurdles have required our Xi'an and Zhengzhou ventures to obtain other financing arrangements, in the form of loans from partners or fully cash collateralized bank loans, to meet certain construction funding commitments in local currency. As of December 31, 2018 , our share of such loans was approximately $125 million. These loans have fixed interest rates that range from 2.5% to 6.5%. These loans are collateralized with restricted deposits on our Consolidated Balance Sheet.

In February 2019, we announced agreements to sell 50% of our interests in Starfield Hanam, CityOn.Xi’an, and CityOn.Zhengzhou to funds managed by Blackstone (see "Results of Operations - Taubman Asia"). In connection with the transactions, we expect to refinance our existing partner loans and fully cash collateralized bank loans on our Chinese assets with mortgage debt, which is expected to result in approximately $140 million being returned to us after the refinancings. In addition, net proceeds from the Blackstone sale are expected to be about $315 million, after transaction costs and the allocation to Blackstone of its share of third-party debt, which in total will result in approximately $455 million of increased liquidity. Also, we may receive up to an additional $50 million of consideration based on the 2019 performance of the three assets. The increased liquidity is expected to be used to pay down our revolving lines of credit.

Term Loans

In March 2018, we completed a $250 million unsecured term loan that matures in March 2023. The unsecured term loan bears interest at a range of LIBOR plus 1.25% to 1.90% based on our total leverage ratio. As of December 31, 2018 , the total leverage ratio resulted in an interest rate of LIBOR plus 1.60%. The proceeds from this financing, in conjunction with the proceeds from the financing for Twelve Oaks Mall and borrowings on our revolving lines of credit, were used to pay off our existing $475 million unsecured term loan. Our existing swaps on the $475 million unsecured term loan were applied to other unsecured debt, including the new $250 million unsecured term loan, resulting in an effective interest rate on the new term loan in the range of 2.89% to 3.54% through the remaining swap period ending in February 2019. In October 2018, we entered into additional forward starting swaps to fix the LIBOR rate to 3.02% on the $250 million unsecured term loan, effective in March 2019 through maturity, which will result in an effective interest rate in the range of 4.27% to 4.92%. The loan includes an accordion feature which would increase our borrowing capacity to as much as $400 million if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.

We have a $300 million unsecured term loan that matures in February 2022. The unsecured term loan bears interest at a range of LIBOR plus 1.25% to 1.90% based on our total leverage ratio. As of December 31, 2018 , the total leverage ratio resulted in an interest rate of LIBOR plus 1.60%. The LIBOR rate is swapped beginning January 2018 through maturity to a fixed rate of 2.14%, which results in an effective interest rate in the range of 3.39% to 4.04%. The loan includes an accordion feature which in combination with our $1.1 billion unsecured revolving line of credit (see "Liquidity and Capital Resources - Cash and Revolving Lines of Credit") would increase our borrowing capacity to as much as $2.0 billion in aggregate between the two facilities if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.

Upcoming Maturity

The loan for The Mall at Green Hills matures in December 2019. We expect to exercise our second one-year extension option upon maturity.

Acquisition

In March 2016, a joint venture we formed with The Macerich Company acquired Country Club Plaza, a mixed-use retail and office property in Kansas City, Missouri, from Highwood Properties for $660 million ($330 million at TRG’s beneficial share) in cash, excluding transaction costs. Also in March 2016, our joint venture completed a 10-year, $320 million ($160 million at TRG’s beneficial share) non-recourse financing on Country Club Plaza. The payments on the loan, which bears interest at an all-in fixed interest rate of 3.88%, are interest only until May 2019, and then amortizes principal based on 30 years. In March 2017, the joint venture sold the Valencia Place office tower at Country Club Plaza for $75.2 million ($37.6 million at TRG's share), which was a component of the mixed-use property acquired.

SPG Common Shares Investment

As of December 31, 2018 , we had an investment of 290,124 SPG common shares. During 2018, we sold 300,000 SPG common shares at an average price of $182.37 per share. In January 2019, all of our remaining 290,124 SPG common shares were sold at an average price of $179.52 per share. Proceeds from each sale were used to pay down our revolving lines of credit.

Summaries of 2018 Capital, Debt, and Equity Activities and Transactions

See "Results of Operations - Debt Transactions" for a summary of debt financings in 2018 . Also see our Consolidated Statement of Cash Flows for additional capital, debt, and equity transactions.

Operating Activities

Our net cash provided by operating activities was $293.8 million in 2018 , compared to $ 278.4 million in 2017 , and $ 305.6 million in 2016 . See "Results of Operations" for descriptions of 2018 , 2017 , and 2016 transactions affecting operating cash flow.

Investing Activities

Net cash used in investing activities was $325.5 million in 2018 compared to $314.9 million in 2017 , and $655.5 million in 2016 . Additions to properties in 2018 , 2017 , and 2016 related primarily to the costs of new centers under development as well as capital and tenant improvements at existing centers. A tabular presentation of 2018 and 2017 capital spending is shown in "Capital Spending." Net cash proceeds from the sales of peripheral land were $1.3 million in both 2018 and 2017 , compared to $11.3 million in 2016 . Proceeds from the sale of equity securities were $54.7 million in 2018 and related to the sale of 300,000 SPG common shares. Insurance proceeds received for capital items at The Mall of San Juan were $5.8 million in 2018 , and related to property damage for which we took write-offs in 2017.

Contributions to Unconsolidated Joint Ventures in 2018 , 2017 , and 2016 of $ 95.3 million , $33.0 million , and $80.0 million respectively, primarily related to the funding of Taubman Asia project costs. Additionally, in 2016, we contributed $314.2 million to an Unconsolidated Joint Venture in connection with the acquisition of Country Club Plaza. Distributions in excess of income from Unconsolidated Joint Ventures were $(2.2) million in 2018 . In 2017 , distributions in excess of income from Unconsolidated Joint Ventures were $ 70.0 million , which is primarily attributable to the proceeds from the financing for The Mall at Millenia, and the sale of the Valencia office tower at Country Club Plaza, and in 2016 , distributions in excess of income from Unconsolidated Joint Ventures were $232.2 million , which is primarily attributable to the proceeds from the financings for Country Club Plaza, The Mall at Millenia, and The Mall at University Town Center.

Financing Activities

Net cash provided by financing activities was $ 15.5 million in 2018 compared to $ 45.7 million in 2017 , and $ 251.5 million in 2016 . Proceeds from the issuance of debt, net of payments and issuance costs in 2018 , 2017 , and 2016 were $271.4 million , $291.4 million, and $624.5 million, respectively.

In 2018 , $2.4 million was paid in connection with incentive plans, compared to $6.3 million and $1.8 million received in 2017 and 2016 , respectively. Total dividends and distributions paid were $ 253.4 million , $ 251.9 million , and $ 376.9 million in 2018 , 2017 , and 2016 , respectively. In 2016, total dividends and distributions paid included a $135.0 million distribution related to the excess proceeds from the refinancing of Cherry Creek Shopping Center to our joint venture partner. Distributions in 2016 also included $7.2 million in connection with the acquisition of half of the former Taubman Asia President's ownership interest in Taubman Asia. In 2016, the former President of Taubman Asia, a noncontrolling partner in Taubman Asia, contributed $2.0 million to Taubman Asia. There were no contributions from noncontrolling interests made in 2018 or 2017. Refer to "Note 9 - Noncontrolling Interests" in the consolidated financial statements for further discussion of this contribution.

Effect of Exchange Rate Fluctuations

In 2018 , net decreases in cash, cash equivalents, and restricted cash related to exchange rate fluctuations were $5.3 million , compared to net increases of $2.3 million and $1.4 million in 2017 and 2016 , respectively. The fluctuations are related to our restricted cash denominated in foreign currencies held as collateral for financing arrangements related to our Asia investments. See "Note 18 - Cash Flow Disclosures and Non-Cash Investing and Financing Activities" to our consolidated financial statements for more information regarding our restricted cash related to our Asia investments.

Beneficial Interest in Debt

At December 31, 2018 , TRG's debt and its beneficial interest in the debt of its Consolidated Businesses and Unconsolidated Joint Ventures totaled $4,977.0 million, with an average interest rate of 3.88% excluding amortization of debt issuance costs and interest rate hedging costs, if any. These costs are reported as interest expense in the results of operations. Interest expense includes non-cash amortization of premiums relating to acquisitions, if any. As of December 31, 2018 , there were no unamortized premiums and no interest rate hedging costs being amortized. Beneficial interest in debt includes debt used to fund development and expansion costs. Beneficial interest in construction work in progress totaled $250.3 million as of December 31, 2018 , which includes $216.2 million of assets on which interest is being capitalized. The following table presents information about our beneficial interest in debt as of December 31, 2018 :

	Amount	Interest Rate Including Spread
	(in millions)	
Fixed rate debt	$ 3,150.3	3.94% (1)
Floating rate debt swapped to fixed rate:		
Swap maturing in February 2019	250.0 (2)	3.24% (2)
Swap maturing in February 2019	225.0	3.10%
Swap maturing in September 2020	17.9	3.12%
Swap maturing in December 2021	81.3	3.58%
Swap maturing in February 2022	300.0	3.74%
Swap maturing in March 2024	12.0	3.49%
	$ 886.1	3.40% (1)
Floating month to month	958.1 (3)	4.10% (1) (3)
Total floating rate debt	$ 1,844.3	3.77% (1)
Total beneficial interest in debt	$ 4,994.6	3.88% (1)
Total beneficial interest in deferred financing costs, net	$ (17.6)	
Net beneficial interest in debt	$ 4,977.0	
Amortization of deferred financing costs (4)		0.19%
Average all-in rate		4.07%

(1) Represents weighted average interest rate before amortization of deferred financing costs.
(2) Beginning March 2019 through March 2023, forward starting swaps fix the LIBOR rate to 3.02% on the $250M unsecured term loan, which will result in an effective interest rate in the range of 4.27% to 4.92%.
(3) The LIBOR rate is capped at 4.25% until Dec 2019, resulting in a maximum interest rate of 5.85%, on $150M of this debt.
(4) Deferred financing costs include debt issuance costs including amortization of deferred financing costs from revolving lines of credit and other fees not listed above.
(5) Amounts in table may not add due to rounding.

Sensitivity Analysis

We have exposure to interest rate risk on our debt obligations and interest rate instruments. We use derivative instruments primarily to manage exposure to interest rate risks inherent in variable rate debt and refinancings. We routinely use cap, swap, and treasury lock agreements to meet these objectives. Based on TRG's beneficial interest in floating rate debt in effect at December 31, 2018 , a one percent increase in interest rates on this floating rate debt would decrease cash flows by $9.6 million, and due to the effect of capitalized interest, decrease annual earnings by $9.0 million. A one percent decrease in interest rates would increase cash flows by $9.6 million, and due to the effect of capitalized interest, increase annual earnings by $9.0 million. Based on our consolidated debt and interest rates in effect at December 31, 2018 , a one percent increase in interest rates would decrease the fair value of debt by $137.2 million, while a one percent decrease in interest rates would increase the fair value of debt by $149.0 million.

Contractual Obligations

In conducting our business, we enter into various contractual obligations, including those for debt, operating leases for land and office space, purchase obligations (primarily for construction), and other long-term commitments. Detail of these obligations as of December 31, 2018 for our consolidated businesses, including expected settlement periods, is contained below:

	Payments due by period				
	Total	Less than 1 year (2019)	1-3 years (2020-2021)	3-5 years (2022-2023)	More than 5 years (2024+)
	(in millions)				
Debt [1]	$ 3,844.2	$ 196.0	$ 999.1	$ 815.1	$ 1,834.0
Interest payments [1]	861.8	151.6	259.2	168.0	283.0
Operating leases	792.3	14.7	26.4	28.1	723.1
Purchase obligations:					
Planned capital spending [2]	221.1	221.1			
Other purchase obligations [3]	0.4	0.3	0.2		
Other long-term liabilities and commitments [4]	43.8	3.6	12.2	14.5	13.5
Total	$ 5,763.7	$ 587.3	$ 1,297.1	$ 1,025.7	$ 2,853.5

(1) The settlement periods for debt do not consider extension options. Except for the $250 million unsecured term loan, which was swapped to a new fixed rate beginning March 2019, amounts relating to interest on floating rate debt are calculated based on the debt balances and interest rates as of December 31, 2018 . Debt excludes $14.0 million of deferred financing costs.
(2) This disclosure includes planned capital spending related to our consolidated businesses only. We have investments in Unconsolidated Joint Ventures through which construction activities will be occurring. Refer to "Capital Spending - New Developments" for discussion of those projects.
(3) Excludes purchase agreements with cancellation provisions of 90 days or less.
(4) Other long-term liabilities consist of various accrued liabilities, most significantly assessment bond obligations.
(5) Amounts in this table may not add due to rounding.

Loan Commitments and Guarantees

Certain loan agreements contain various restrictive covenants, including the following corporate covenants on our unsecured primary unsecured revolving line of credit, as well as our $300 million and $250 million unsecured term loans, and the loan on International Market Place: a minimum net worth requirement, a maximum total leverage ratio, a maximum secured leverage ratio, a minimum fixed charge coverage ratio, a maximum recourse secured debt ratio, and a maximum payout ratio. In addition, our primary unsecured revolving line of credit and unsecured term loans have unencumbered pool covenants, which currently apply to Beverly Center, Dolphin Mall, and The Gardens on El Paseo on a combined basis. These covenants include a minimum number and minimum value of eligible unencumbered assets, a maximum unencumbered leverage ratio, a minimum unencumbered interest coverage ratio and a minimum unencumbered asset occupancy ratio. As of December 31, 2018 , the corporate total leverage ratio was the most restrictive covenant. We were in compliance with all of our loan covenants and obligations as of December 31, 2018 . The maximum payout ratio covenant limits the payment of distributions generally to 95% of funds from operations, as defined in the loan agreements, except as required to maintain our tax status, pay preferred distributions, and for distributions related to the sale of certain assets. See "Note 8 - Notes Payable, Net - Debt Covenants and Guarantees" to our consolidated financial statements for more details on loan guarantees.

Cash Tender Agreement

The A. Alfred Taubman Restated Revocable Trust, Taubman Ventures Group LLC, and other specified entities have the right to tender TRG Units and cause us to purchase the tendered interests at a purchase price based on a market valuation of TCO on the trading date immediately preceding the date of the tender. See "Note 15 – Commitments and Contingencies – Cash Tender" to our consolidated financial statements for more details.

Capital Spending

Internally generated funds and excess proceeds from refinancings of maturing debt obligations, as well as borrowings under our revolving lines of credit would be sufficient to finance the anticipated remaining costs of our developments and redevelopments, but we also expect additional proceeds from our other financing arrangements (see "Liquidity and Capital Resources - Other Financing Arrangements for China Projects" above).

New Developments

We have partnered with Shinsegae to build, lease, and manage Starfield Anseong, an approximately 1.1 million square foot shopping center, in Anseong, Gyeonggi Province, South Korea. We expect to beneficially own a 24.5% interest in the project; however we currently own and are funding 49% of the project until an additional capital partner is admitted. The center is scheduled to open in late 2020. As of December 31, 2018 , we had invested $97.1 million in the project, after cumulative currency translation adjustments. Our total anticipated investment, including capitalized interest, will be about $140 million to $150 million for our expected 24.5% equity interest in the project, excluding fluctuations in foreign currency exchange rates. We are expecting a 6.25% to 6.75% unlevered after-tax return at stabilization. Our investment is being accounted for on the equity method as an Unconsolidated Joint Venture.

CityOn.Zhengzhou, which was developed with our joint venture partner Wangfujing, is located in Zhengzhou, China, and opened in March 2017.

Redevelopments

We substantially completed our redevelopment project at Beverly Center in November 2018, although we expect some capital spending to continue into 2019 as certain costs are incurred subsequent to the project's completion, including construction on certain tenant spaces.

We have an ongoing redevelopment project at The Mall at Green Hills that will add approximately 170,000 square feet of incremental GLA that we expect to be completed in 2019. The project will cost approximately $200 million, and we expect a return of 6.5% to 7.5% at stabilization. As of December 31, 2018 , we had capitalized costs of $144.5 million related to this redevelopment project.

2018 and 2017 Capital Spending

Capital spending for routine maintenance of the shopping centers is generally recovered from tenants. Capital spending during 2018 is summarized in the following table:

	2018 [1]			
	Consolidated Businesses	Beneficial Interest in Consolidated Businesses	Unconsolidated Joint Ventures	Beneficial Interest in Unconsolidated Joint Ventures
	(in millions)			
New development projects - Asia [2] [3]			$ 89.8	$ 93.7
Existing centers:				
Projects with incremental GLA or anchor replacement [4]	$ 48.9	$ 48.9	1.6	0.8
Projects with no incremental GLA and other [5]	158.3	152.5	23.2	11.1
Mall tenant allowances	46.7	39.4	20.2	10.5
Asset replacement costs recoverable from tenants	42.4	41.3	10.9	6.1
Corporate office improvements, technology, equipment, and other	2.1	2.1		
Total	$ 298.4	$ 284.2	$ 145.8	$ 122.2

(1) Costs are net of intercompany profits and are computed on an accrual basis.
(2) Includes costs related to Starfield Anseong. The amounts at beneficial interest exceed those at 100% due to the true-up of accruals for previously estimated capital spending at CityOn.Xi'an and CityOn.Zhengzhou. Asia spending for Starfield Anseong is included at our beneficial interest in both the Unconsolidated Joint Ventures at 100% and Unconsolidated Joint Ventures at beneficial interest columns.
(3) Asia balances exclude net fluctuations of total project costs due to changes in exchange rates during the period.
(4) Includes costs related to The Mall at Green Hills redevelopment.
(5) Includes costs related to the Beverly Center redevelopment.
(6) Amounts in this table may not add due to rounding.

The following table presents a reconciliation of the Consolidated Businesses' capital spending shown above (on an accrual basis) to additions to properties (on a cash basis) as presented in our Consolidated Statement of Cash Flows for the year ended December 31, 2018 :

	(in millions)
Consolidated Businesses' capital spending	$ 298.4
Other differences between cash and accrual basis	(8.5)
Additions to properties	$ 289.9

Capital spending during 2017 is summarized in the following table:

	2017 [1]			
	Consolidated Businesses	Beneficial Interest in Consolidated Businesses	Unconsolidated Joint Ventures	Beneficial Interest in Unconsolidated Joint Ventures
	(in millions)			
New development projects - U.S. [2]	$ 37.7	$ 35.7		
New development projects - Asia [3] [4]			$ 16.2	$ 8.2
Existing centers:				
Projects with incremental GLA or anchor replacement [5]	33.3	33.3		
Projects with no incremental GLA and other [6]	194.1	191.5	9.5	4.9
Mall tenant allowances	19.5	18.2	12.0	6.4
Asset replacement costs recoverable from tenants	13.0	12.6	12.1	6.5
Corporate office improvements, technology, equipment, and other	23.1	23.1		
Total	$ 320.7	$ 314.4	$ 49.9	$ 25.9

(1) Costs are net of intercompany profits and are computed on an accrual basis.
(2) Includes costs related to International Market Place.
(3) Includes costs related to CityOn.Xi'an, CityOn.Zhengzhou, and Starfield Hanam.
(4) Asia balances exclude net increases of total project costs due to changes in exchange rates during the period.
(5) Includes costs related to The Mall at Green Hills redevelopment.
(6) Includes costs related to the Beverly Center redevelopment.
(7) Amounts in this table may not add due to rounding.

Our share of mall tenant allowances per square foot leased, committed under contracts during the year, excluding new developments, significant redevelopments, and expansion space, was $47.26 in 2018 and $27.26 in 2017 . In the past five years, average tenant allowances per square foot have ranged from a low of $10.74 in 2014 and a high of $47.26 in 2018. Average tenant allowances per square foot can vary significantly from year to year due to the type, size, and location of tenants signed.

Our share of capitalized leasing and tenant coordination costs excluding new developments was $19.6 million in 2018 and $10.1 million in 2017 , or $18.82 and $11.23, in 2018 and 2017 , respectively, per square foot leased. Included within 2018 capitalized leasing and tenant coordination costs are the cumulative costs incurred during the redevelopment at Beverly Center, which was placed into service in 2018.

Planned Capital Spending

The following table summarizes planned capital spending for 2019 :

	2019 [1]			
	Consolidated Businesses	Beneficial Interest in Consolidated Businesses	Unconsolidated Joint Ventures	Beneficial Interest in Unconsolidated Joint Ventures
	(in millions)			
New development projects - Asia [2] [3]			$ 81.7	$ 81.7
Existing centers:				
Projects with incremental GLA or anchor replacement [4]	$ 50.2	$ 50.2	32.8	16.4
Projects with no incremental GLA and other [5]	110.4	107.1	28.4	14.1
Mall tenant allowances	36.7	30.8	21.7	11.4
Asset replacement costs recoverable from tenants	21.3	20.7	16.0	9.3
Corporate office improvements, technology, equipment, and other	2.6	2.6		
Total	$ 221.1	$ 211.4	$ 180.7	$ 133.0

(1) Costs are net of intercompany profits and are computed on an accrual basis.
(2) Includes costs related to Starfield Anseong assuming funding at 49% of the project costs. Asia spending for Starfield Anseong is included at our beneficial interest in both the Unconsolidated Joint Ventures at 100% and Unconsolidated Joint Ventures at beneficial interest columns.
(3) Asia balances exclude net fluctuations of total project costs due to changes in exchange rates during the period.
(4) Includes costs related to The Mall at Green Hills redevelopment.
(5) Includes costs related to the Beverly Center redevelopment related to certain costs to be incurred subsequent to the project's completion, including construction on certain tenant spaces.
(6) Amounts in this table may not add due to rounding.

We continue to expect spending related to mall tenant allowances to be higher than our historical averages. As our tenant mix continues to evolve to include tenants such as digitally native concepts, luxury, entertainment, restaurants, and fast fashion, increased tenant allowances are being provided to attract the best tenants to our centers. We believe bringing in great retailers will drive traffic and productivity to our centers, enhancing the long-term strategic position of each center.

Disclosures regarding planned capital spending, including estimates regarding timing of openings, capital expenditures, occupancy, and returns on new developments and redevelopments are forward-looking statements and certain significant factors could cause the actual results to differ materially, including but not limited to (1) actual results of negotiations with anchors, tenants, and contractors, (2) timing and outcome of litigation and entitlement processes, (3) changes in the scope, number, and valuation of projects, (4) cost overruns, (5) timing of expenditures, (6) availability of and cost of financing and other financing considerations, (7) actual time to start construction and complete projects, (8) changes in economic climate, (9) competition from others attracting tenants and customers, (10) increases in operating costs, (11) timing of tenant openings, (12) early lease terminations and bankruptcies, (13) fluctuations in foreign currency exchange rates, and (14) other risks included in "Risk Factors". In addition, estimates of capital spending will change as new projects are approved by our Board of Directors.

Dividends

We pay regular quarterly dividends to our common and preferred shareholder s and expect to continue to pay dividends for the foreseeable future. However, dividends to our common shareholder s are at the discretion of the Board of Directors and depend on the cash available to us, our financial condition, capital and other requirements, and such other factors as the Board of Directors deems relevant. To qualify as a REIT, we must distribute at least 90% of our REIT taxable income prior to net capital gains to our shareholder s, as well as meet certain other requirements. We must pay these distributions in the taxable year the income is recognized, or in the following taxable year if they are declared during the last three months of the taxable year, payable to shareholder s of record on a specified date during such period and paid during January of the following year. Such distributions are treated as paid by us and received by our shareholder s on December 31 of the year in which they are declared. In addition, at our election, a distribution for a taxable year may be declared in the following taxable year if it is declared before we timely file our tax return for such year and if paid on or before the first regular dividend payment after such declaration. These distributions qualify as dividends paid for the 90% REIT distribution test for the previous year and are taxable to holders of our capital stock in the year in which paid. Preferred dividends accrue regardless of whether earnings, cash availability, or contractual obligations were to prohibit the current payment of dividends.

The annual determination of our common dividends is based on anticipated FFO available after preferred dividends and our REIT taxable income, as well as assessments of annual capital spending, financing considerations, and other appropriate factors.

Any inability of TRG or its Joint Ventures to secure financing as required to fund maturing debts, capital expenditures and changes in working capital, including development activities and expansions, may require the utilization of cash to satisfy such obligations, thereby possibly reducing distributions to partners of TRG and funds available to us for the payment of dividends.

On December 6, 2018, we declared a quarterly dividend of $0.655 per common share, $0.40625 per share on our 6.5% Series J Preferred Stock, and $0.390625 per share on our 6.25% Series K Preferred Stock, all of which were payable on December 31, 2018 to shareholder s of record on December 17, 2018.

Application of Critical Accounting Policies and New Accounting Pronouncements

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the financial statements and disclosures. Some of these estimates and assumptions require application of difficult, subjective, and/or complex judgment, often about the effect of matters that are inherently uncertain and that may change in subsequent periods. We are required to make such estimates and assumptions when applying the following accounting policies.

Valuation of Shopping Centers

The viability of all projects under construction or development, including those owned by Unconsolidated Joint Ventures, are regularly evaluated under applicable accounting requirements, including requirements relating to abandonment of assets or changes in use. To the extent a project, or individual components of the project, are no longer considered to have value, the related capitalized costs are charged against operations. Additionally, all properties are reviewed for impairment on an individual basis whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment of a shopping center owned by consolidated entities is recognized when the sum of expected cash flows (undiscounted and without interest charges) is less than the carrying value of the property. Other than temporary impairment of an investment in an Unconsolidated Joint Venture is recognized when the carrying value is not considered recoverable based on evaluation of the severity and duration of the decline in value, including the results of discounted cash flow and other valuation techniques. The expected cash flows of a shopping center are dependent on estimates and other factors subject to change, including (1) changes in the national, regional, global, and/or local economic climates, (2) competition from other shopping centers, stores, clubs, mailings, and the internet, (3) increases in operating costs, (4) bankruptcy and/or other changes in the condition of third parties, including anchors and tenants, and (5) expected holding period. These factors could cause our expected future cash flows from a shopping center to change, and, as a result, an impairment could be considered to have occurred. Determination of the fair value of a shopping center for purposes of measuring impairment involves significant judgment. To the extent impairment has occurred, the excess carrying value of the asset over its estimated fair value is charged to income.

No impairment charges were recognized in 2018, 2017 or 2016. As of December 31, 2018 , the consolidated net book value of our properties was $ 3.3 billion , representing approximately 76% of our consolidated assets. We also have varying ownership percentages in the properties of Unconsolidated Joint Ventures with a total combined net book value of $ 2.9 billion . These amounts include certain development costs that are described in the policy that follows.

Capitalization of Development Costs

In developing shopping centers, we typically obtain land or land options, zoning and regulatory approvals, anchor commitments, and financing arrangements during a process that may take several years and during which we may incur significant costs. We capitalize all development costs once it is considered probable that a project will reach a successful conclusion. Prior to this time, we expense all costs relating to a potential development, including payroll, and include these costs in FFO (see "Non-GAAP Measures").

On an ongoing basis, we continue to assess the probability of a project going forward and whether the asset is impaired. In addition, we also assess whether there are sufficient substantive development activities in a given period to support the capitalization of carrying costs, including interest capitalization.

Direct and indirect costs that are clearly related to the acquisition, development, construction, and improvement of properties are capitalized. Compensation costs are allocated based on actual time spent on a project. Costs incurred on real estate for ground leases, property taxes, insurance, and interest costs for qualifying assets are capitalized during periods in which activities necessary to get the property ready for its intended use are in progress.

Many factors in the development of a shopping center are beyond our control, including (1) changes in the national, regional, global, and/or local economic climates, (2) competition from other shopping centers, stores, clubs, mailings, and the internet, (3) availability and cost of financing, (4) changes in regulations, laws, and zoning, and (5) decisions made by third parties, including anchors. These factors could cause our assessment of the probability of a development project reaching a successful conclusion to change. If a project subsequently was considered less than probable of reaching a successful conclusion, a charge against operations for previously capitalized development costs would occur.

As of December 31, 2018 , our beneficial interest in construction work in process was $250.3 million, primarily representing our share of capitalized project costs for our ongoing redevelopments at certain operating centers and our new development in Asia, Starfield Anseong (see "Liquidity and Capital Resources - Capital Spending").

Pre-development charges in 2018 , 2017 , and 2016 were $3.8 million, $5.6 million, and $5.0 million, respectively. Of these amounts, $0.7 million, $0.9 million, and $1.1 million related to projects with land under option in each of the respective periods.

We capitalized payroll costs of $3.0 million in connection with construction and development projects in 2018 , $5.0 million in 2017 , and $10.9 million in 2016 .

New Accounting Pronouncements

Refer to "Note 21 - New Accounting Pronouncements" in the consolidated financial statements, regarding our ongoing evaluation of ASU No. 2016-13, addressing credit losses for financial instruments, and ASU No. 2016-02 and ASU No. 2018-11, addressing leases.

Non-GAAP Measures

Use of Non-GAAP Measures

We use NOI as an alternative measure to evaluate the operating performance of centers, both on individual and stabilized portfolio bases. We define NOI as property-level operating revenues (includes rental income excluding straight-line adjustments of minimum rent) less maintenance, property taxes, utilities, promotion, ground rent (including straight-line adjustments), and other property operating expenses. Since NOI excludes general and administrative expenses, pre-development charges, interest income and expense, depreciation and amortization, impairment charges, restructuring charges, and gains from land and property dispositions, it provides a performance measure that, when compared period over period, reflects the revenues and expenses most directly associated with owning and operating rental properties, as well as the impact on their operations from trends in mall tenant sales, occupancy and rental rates, and operating costs. We also use NOI excluding lease cancellation income as an alternative measure because this income may vary significantly from period to period, which can affect comparability and trend analysis. We generally provide separate projections for expected NOI growth and our lease cancellation income.

The following reconciliations include the supplemental earnings measures of EBITDA and FFO. EBITDA represents earnings before interest, income taxes, and depreciation and amortization of our consolidated and unconsolidated businesses. We believe EBITDA generally provides a useful indicator of operating performance, as it is customary in the real estate and shopping center business to evaluate the performance of properties on a basis unaffected by capital structure.

The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from extraordinary items, sales of properties, and impairment write-downs of depreciable real estate, plus real estate related depreciation and after adjustments for unconsolidated partnerships and joint ventures. We believe that FFO is a useful supplemental measure of operating performance for REITs. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, we and most industry investors and analysts have considered presentations of operating results that exclude historical cost depreciation to be useful in evaluating the operating performance of REITs. We primarily use FFO in measuring performance and in formulating corporate goals and compensation.

We may also present adjusted versions of NOI and FFO when used by management to evaluate our operating performance when certain significant items have impacted our results that affect comparability with prior or future periods due to the nature or amounts of these items. In addition to the reasons noted above for each measure, we believe the disclosure of the adjusted items is similarly useful to investors and others to understand management's view on comparability of such measures between periods. In 2018, we adjusted FFO to exclude a restructuring charge, costs associated with shareholder activism, the fluctuation in the fair value of equity securities, and a charge recognized in connection with the write-off of deferred financing costs related to the early payoff of our $475 million unsecured term loan. In 2017, we adjusted FFO to exclude a restructuring charge, costs associated with shareholder activism, a charge recognized in connection with the partial write-off of deferred financing costs related to an amendment of our primary unsecured revolving line of credit in February 2017, and a gain recognized at the time of conversion of the remaining portion of our investment in SPG LP Units to common shares of SPG. In 2016, we adjusted FFO to exclude a lump sum payment we received in connection with the termination of our third party leasing agreement at Crystals, costs associated with shareholder activism, and a gain, net of tax, recognized at the time of conversion of a portion of our investment in SPG LP Units to common shares of SPG.

Our presentations of NOI, EBITDA, FFO, and adjusted versions of these measures, if any, are not necessarily comparable to the similarly titled measures of other REITs due to the fact that not all REITs use the same definitions. These measures should not be considered alternatives to net income or as an indicator of our operating performance. Additionally, these measures do not represent cash flows from operating, investing, or financing activities as defined by GAAP. Reconciliations of Net Income Attributable to Taubman Centers, Inc. Common Shareholder s to Funds from Operations and Adjusted Funds from Operations and Net Income to Net Operating Income are presented in the following section.

Reconciliation of Non-GAAP Measures

The following includes reconciliations of our non-GAAP financial measures: Net Income Attributable to Taubman Centers, Inc. Common Shareholder s to Funds from Operations and Adjusted Funds from Operations and Net Income to Net Operating Income.

Reconciliation of Net Income Attributable to Taubman Centers, Inc. Common Shareholder s to Funds from Operations and Adjusted Funds from Operations

	2018			2017			2016		
	Dollars in millions	Diluted Shares/ Units	Per Share/ Unit	Dollars in millions	Diluted Shares/ Units	Per Share/ Unit	Dollars in millions	Diluted Shares/ Units	Per Share/ Unit
Net income attributable to TCO common shareholders - basic	$ 58.0	60,994,444	$ 0.95	$ 55.3	60,675,129	$ 0.91	$ 107.4	60,363,416	$ 1.78
Add impact of share-based compensation	0.1	283,271		0.1	365,366		0.3	466,139	
Net income attributable to TCO common shareholders - diluted	$ 58.0	61,277,715	$ 0.95	$ 55.4	61,040,495	$ 0.91	$ 107.6	60,829,555	$ 1.77
Add depreciation of TCO's additional basis	6.5		0.11	6.5		0.11	6.5		0.11
Add (less) TCO's additional income tax (benefit) expense	(0.1)		(0.00)	(0.3)		(0.01)	0.4		0.01
Net income attributable to TCO common shareholders, excluding step-up depreciation and additional income tax (benefit) expense	$ 64.4	61,277,715	$ 1.05	$ 61.5	61,040,495	$ 1.02	$ 114.5	60,829,555	$ 1.88
Add:									
Noncontrolling share of income of TRG and other	26.3	24,932,870		25.3	24,965,157		47.4	25,055,654	
Distributions to participating securities of TRG	2.4	871,262		2.3	871,262		2.1	871,262	
Net income attributable to partnership unitholders and participating securities of TRG	$ 93.1	87,081,847	$ 1.07	$ 89.1	86,876,914	$ 1.03	$ 164.1	86,756,471	$ 1.89
Add (less) depreciation and amortization (1) :									
Consolidated businesses at 100%	179.3		2.06	167.8		1.93	138.1		1.59
Depreciation of TCO's additional basis	(6.5)		(0.07)	(6.5)		(0.07)	(6.5)		(0.07)
Noncontrolling partners in consolidated joint ventures	(7.6)		(0.09)	(7.5)		(0.09)	(5.8)		(0.07)
Share of Unconsolidated Joint Ventures	68.9		0.79	66.9		0.77	53.0		0.61
Non-real estate depreciation	(4.6)		(0.05)	(3.6)		(0.04)	(2.5)		(0.03)
Less beneficial share of gain on disposition, net of tax				(2.1)		(0.02)			
Less impact of share-based compensation	(0.1)		(0.00)	(0.1)		(0.00)	(0.3)		(0.00)
Funds from Operations attributable to partnership unitholders and participating securities of TRG	$ 322.5	87,081,847	$ 3.70	$ 304.1	86,876,914	$ 3.50	$ 340.2	86,756,471	$ 3.92
TCO's average ownership percentage of TRG - basic	71.0%			70.8%			70.7%		
Funds from Operations attributable to TCO's common shareholders, excluding additional income tax benefit (expense)	$ 228.9		$ 3.70	$ 215.5		$ 3.50	$ 240.4		$ 3.92
Add (less) TCO's additional income tax benefit (expense)	0.1		0.00	0.3		0.00	(0.4)		(0.01)
Funds from Operations attributable to TCO's common shareholders	$ 229.0		$ 3.71	$ 215.8		$ 3.51	$ 240.0		$ 3.91
Funds from Operations attributable to partnership unitholders and participating securities of TRG	$ 322.5	87,081,847	$ 3.70	$ 304.1	86,876,914	$ 3.50	$ 340.2	86,756,471	$ 3.91
Restructuring charge	0.6		0.01	13.8		0.16			
Costs associated with shareholder activism	12.5		0.14	14.5		0.17	3.0		0.03
Fluctuation in fair value of equity securities	(2.8)		(0.03)						
Gains on SPG common share conversions				(11.6)		(0.13)	(11.1)		(0.13)
Partial write-off of deferred financing costs	0.4		0.00	0.4		0.00			
Crystals lump sum payment for termination of leasing agreement							(21.7)		(0.25)
Adjusted Funds from Operations attributable to partnership unitholders and participating securities of TRG	$ 333.2	87,081,847	$ 3.83	$ 321.3	86,876,914	$ 3.70	$ 310.4	86,756,471	$ 3.58
TCO's average ownership percentage of TRG - basic	71.0%			70.8%			70.7%		
Adjusted Funds from Operations attributable to TCO's common shareholders, excluding additional income tax benefit (expense)	$ 236.5		$ 3.83	$ 227.6		$ 3.70	$ 219.4		$ 3.58
Add (less) TCO's additional income tax benefit (expense)							—		0.00
Adjusted Funds from Operations attributable to TCO's common shareholders	$ 236.5		$ 3.83	$ 227.6		$ 3.70	$ 219.4		$ 3.58

(1) Depreciation includes $18.4 million, $14.2 million, and $14.2 million of mall tenant allowance amortization for the 2018 , 2017 , and 2016 , respectively.
(2) Amounts in this table may not recalculate due to rounding.

Reconciliation of Net Income to Net Operating Income

	2018	2017	2016
		(in millions)	
Net income	$ 115.7	$ 112.8	$ 188.2
Add (less) depreciation and amortization:			
Consolidated businesses at 100%	179.3	167.8	138.1
Noncontrolling partners in consolidated joint ventures	(7.6)	(7.5)	(5.8)
Share of Unconsolidated Joint Ventures	68.9	66.9	53.0
Add (less) interest expense and income tax expense (benefit):			
Interest expense:			
Consolidated businesses at 100%	133.2	108.6	86.3
Noncontrolling partners in consolidated joint ventures	(12.0)	(11.9)	(10.3)
Share of Unconsolidated Joint Ventures	68.2	67.3	54.7
Share of income tax expense (benefit):			
Consolidated businesses at 100%	(0.2)	0.1	1.7
Noncontrolling partners in consolidated joint ventures	(0.2)	(0.1)	—
Share of Unconsolidated Joint Ventures	3.2	2.8	0.6
Share of income tax on disposition		0.7	
Income tax expense - SPG common share conversion			0.5
Less noncontrolling share of income of consolidated joint ventures	(6.3)	(6.8)	(8.1)
Add EBITDA attributable to outside partners:			
EBITDA attributable to noncontrolling partners in consolidated joint ventures	26.1	26.3	24.3
EBITDA attributable to outside partners in Unconsolidated Joint Ventures	194.4	184.5	140.2
EBITDA at 100%	$ 762.7	$ 711.6	$ 663.3
Add (less) items excluded from shopping center Net Operating Income:			
General and administrative expenses	37.2	39.0	48.1
Management, leasing, and development services, net	(1.8)	(2.2)	(24.0) (1)
Restructuring charge	0.6	13.8	
Costs associated with shareholder activism	12.5	14.5	3.0
Straight-line of rents	(12.4)	(10.7)	(7.6)
Fluctuation in fair value of equity securities	(2.8)		
Gains on SPG common stock conversions		(11.6)	(11.1)
Insurance recoveries - The Mall of San Juan	(1.2)	(1.1)	
Gain on disposition		(4.4)	
Gains on sales of peripheral land	(1.0)	(2.6)	(1.8)
Dividend income	(4.1)	(4.2)	(3.8)
Interest income	(7.8)	(7.3)	(6.5)
Other nonoperating expense (income)	0.3	—	(0.4)
Unallocated operating expenses and other	33.5	39.3	44.6
Net Operating Income at 100% - total portfolio	$ 815.6	$ 773.9	$ 703.7
Less - Net Operating Income of non-comparable centers	(57.8) (2)	(47.9) (2)	(90.2) (3)
Net Operating Income at 100% - comparable centers	$ 757.8	$ 726.1	$ 613.5
Lease cancellation income	(17.1)	(12.8)	(6.2)
Net Operating Income at 100% - comparable centers excluding lease cancellation income (4)	$ 740.7	$ 713.2	$ 607.3

(1) Amount includes the lump sum payment of $21.7 million received in May 2016 for the termination of our third party leasing agreement for Crystals due to a change in ownership of the center.
(2) Includes Beverly Center, CityOn.Zhengzhou, The Mall of San Juan, and Taubman Prestige Outlets Chesterfield.
(3) Includes Beverly Center, CityOn.Xi'an, Country Club Plaza, International Market Place, The Mall of San Juan, Starfield Hanam, and certain post-closing adjustments relating to the centers sold to Starwood.
(4) See "Non-GAAP Measures - Use of Non-GAAP Measures" above for a discussion of the use and utility of Net Operating Income excluding lease cancellation income as a performance measure.
(5) Amounts in this table may not add due to rounding.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information required by this Item is included in this report at Item 7 under the caption "Liquidity and Capital Resources."

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Financial Statements of Taubman Centers, Inc. and the Reports of Independent Registered Public Accounting Firm thereon are filed pursuant to this Item 8 and are included in this report at Item 15.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018 , our disclosure controls and procedures were effective to ensure the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods prescribed by the SEC, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Management’s Annual Report on Internal Control over Financial Reporting accompanies our financial statements included in Item 15 of this annual report.

Report of the Independent Registered Public Accounting Firm

The report issued by our independent registered public accounting firm, KPMG LLP, accompanies our financial statements included in Item 15 of this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with our fourth quarter 2018 evaluation of such internal control that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION.

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

The information required by this item is hereby incorporated by reference to the material appearing in the 2019 Proxy Statement under the captions "Proposal 1 – Election of Directors," "Board Matters – Committees of the Board," "Board Matters – Corporate Governance," "Executive Officers," and "Additional Information – Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. EXECUTIVE COMPENSATION.

The information required by this item is hereby incorporated by reference to the material appearing in the 2019 Proxy Statement under the captions "Board Matters – Director Compensation," "Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Compensation Committee Report," and "Named Executive Officer Compensation Tables."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding our current and prior equity compensation plans as of December 31, 2018 :

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuances Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
The Taubman Company 2018 Omnibus Long-Term Incentive Plan: [1]			2,305,741 [1]
Profits Units [2]	367,312		
Performance Share Units [3]	85,182	[4]	
Restricted Share Units	184,673	[4]	
	637,167		2,305,741
Equity compensation plan not approved by security holders -			
Non-Employee Directors' Deferred Compensation Plan [5]	91,036	[6]	[7]
	728,203	$ —	2,305,741

(1) Under The Taubman Company 2018 Omnibus Long-Term Incentive Plan (as amended), directors, officers, employees, and other service providers of TCO may receive restricted shares, restricted units of limited partnership in TRG (TRG Units), options to purchase common shares or TRG Units, share appreciation rights, performance share units, unrestricted shares or TRG Units, and other awards to acquire up to an aggregate of 8,900,000 shares of common stock or TRG Units. No further awards will be made under the 2008 Omnibus Plan or the 1992 Incentive Option Plan.

(2) The maximum number of performance-based Profits Units was issued at grant, eventually subject to a recovery and cancellation of previously granted amounts depending on actual performance against targeted measures of total shareholder return relative to that of a peer group and net operating income thresholds over a three-year period. See "Note 13 - Share-Based Compensation and Other Employee Plans - TRG Profits Units" to our consolidated financial statements for further discussion of these awards.

(3) Amount represents 28,394 performance share units at their maximum payout ratio of 300%. This amount may overstate dilution to the extent actual performance is different than such assumption. The actual number of performance share units that may ultimately vest will range from 0- 300% based on actual performance against targeted measures of total shareholder return relative to that of a peer group and net operating income thresholds over a three-year period.

(4) Excludes restricted stock units and performance share units issued under the Omnibus Plan because they are converted into common stock on a one-for-one basis at no additional cost.

(5) The Deferred Compensation Plan, which was approved by the Board of Directors in May 2005, gives each non-employee director of TCO the right to defer the receipt of all or a portion of his or her annual director retainer fee until the termination of such director's service on the Board of Directors and for such deferred amount to be denominated in restricted stock units. The number of restricted stock units received equals the amount of the deferred retainer fee divided by the fair market value of the common stock on the business day immediately before the date the director would otherwise have been entitled to receive the retainer fee. The restricted stock units represent the right to receive equivalent shares of common stock at the end of the deferral period. During the deferral period, when we pay cash dividends on the common stock, the directors' notional deferral accounts are credited with dividend equivalents on their deferred restricted stock units, payable in additional restricted stock units based on the fair market value of the common stock on the business day immediately before the record date of the applicable dividend payment. Each Director's notional account is 100% vested at all times.

(6) The restricted stock units are excluded because they are converted into common stock on a one-for-one basis at no additional cost.

(7) The number of securities available for future issuance is unlimited and will reflect whether non-employee directors elect to defer all or a portion of their annual retainers.

Additional information required by this item is hereby incorporated by reference to the information appearing in the Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management – Ownership Table."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is hereby incorporated by reference to the information appearing in the 2019 Proxy Statement under the caption "Related Person Transactions" and "Proposal 1 – Election of Directors – Director Independence."

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is hereby incorporated by reference to the material appearing in the 2019 Proxy Statement under the caption "Audit Committee Matters."

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

15(a)(1) The following financial statements of Taubman Centers, Inc. and the Reports of Independent Registered Public Accounting Firm thereon are filed with this report:

15(a)(2) The following is a list of the financial statement schedules required by Item 15(d):

15(a)(3)

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	Period Ending	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Articles of Incorporation of Taubman Centers, Inc.	8-K		3.1	March 15, 2013	
3.2	Amended and Restated By-Laws of Taubman Centers, Inc.	8-K		3.1	November 9, 2017	
4.1	Mortgage, Security Agreement and Fixture Filing, dated September 15, 2015, by Short Hills Associates L.L.C. in favor of Metropolitan Life Insurance Company, New York Life Insurance Company, and Pacific Life Insurance Company.	8-K		4.1	September 17, 2015	
4.2	Promissory Note A-1, dated September 15, 2015, by Short Hills Associates L.L.C. to Metropolitan Life Insurance Company.	8-K		4.2	September 17, 2015	
4.3	Promissory Note A-2, dated September 15, 2015, by Short Hills Associates L.L.C. to New York Life Insurance Company.	8-K		4.3	September 17, 2015	
4.4	Promissory Note A-3, dated September 15, 2015, by Short Hills Associates L.L.C. to Pacific Life Insurance Company.	8-K		4.4	September 17, 2015	
4.5	Assignment of Leases, dated September 15, 2015, by Short Hills Associates L.L.C. in favor of Metropolitan Life Insurance Company, New York Life Insurance Company, and Pacific Life Insurance Company.	8-K		4.5	September 17, 2015	
4.6	Guaranty Agreement, dated September 15, 2015, by Short Hills Associates L.L.C. in favor of Metropolitan Life Insurance Company, New York Life Insurance Company, and Pacific Life Insurance Company.	8.K		4.6	September 17, 2015	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Period Ending	Exhibit	Filing Date	
4.7	Revolving Credit Agreement, dated as of February 28, 2013, by and among The Taubman Realty Group Limited Partnership and JPMorgan Chase Bank N.A., as Administrative, and the various lenders and agents on the signature pages thereto.	8-K		4.1	March 1, 2013	
4.7.1	Amendment No. 1 to Revolving Credit Agreement, dated as of November 12, 2013, by and among The Taubman Realty Group Limited Partnership and JP Morgan Chase Bank N.A., as an Administrative Agent, and the various lenders and agents on the signatures pages thereto.	8-K		4.3	November 13, 2013	
4.7.2	Amendment No. 2 to the Revolving Credit Agreement, dated as of November 20, 2014, by and among The Taubman Realty Group Limited Partnership and JPMorgan Chase Bank N.A., as Administrative Agent, and the various lenders on the signatures pages thereto.	8-K		4.1	November 25, 2014	
4.7.3	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of February 1, 2017, by and among The Taubman Realty Group Limited Partnership and JPMorgan Chase Bank N.A., as Administrative Agent, and the various lenders and agents on the signatures pages thereto.	8-K		4.1	February 7, 2017	
4.8	Guaranty, dated as of February 28, 2013, by and among Dolphin Mall Associates LLC, Fairlane Town Center LLC, Twelve Oaks Mall, LLC, and Willow Bend Shopping Center Limited Partnership in favor of JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for the Lenders under the Revolving Credit Agreement.	8-K		4.2	March 1, 2013	
4.8.1	Guaranty, dated as of February 1, 2017, by and among Dolphin Mall Associates LLC, The Gardens on El Paseo LLC, Twelve Oaks Mall, LLC, and La Cienega Partners Limited Partnership in favor of JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for the lenders under the Amended and Restated Revolving Credit and Term Loan Agreement.	8-K		4.2	February 7, 2017	
4.9	Term Loan Agreement, dated as of November 12, 2013, by and among The Taubman Realty Group Limited Partnership and JPMorgan Chase Bank N.A., as Administrative Agent, and the various lenders and agents on the signatures pages thereto.	8-K		4.1	November 13, 2013	
4.9.1	Amendment No. 1 to the Term Loan Agreement, dated as of November 20, 2014, by and among The Taubman Realty Group Limited Partnership and JPMorgan Chase Bank N.A., as Administrative Agent, and the various lenders on the signatures pages thereto.	8-K		4.2	November 25, 2014	
4.9.2	Amendment No. 2 to Term Loan Agreement dated as of February 1, 2017, by and among The Taubman Realty Group Limited Partnership and JPMorgan Chase Bank N.A., as Administrative Agent, and the various lenders and agents on the signatures pages thereto.	8-K		4.3	February 7, 2017	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Period Ending	Exhibit	Filing Date	
4.10	Guaranty, dated as of November 12, 2013, by and among Dolphin Mall Associates LLC, Fairlane Town Center LLC, Twelve Oaks Mall, LLC, Willow Bend Shopping Center Limited Partnership, and La Cienega Partners Limited Partnership, in favor of JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for the Lenders under the Term Loan Agreement.	8-K		4.2	November 13, 2013	
4.10.1	Release of Guaranty, dated February 28, 2018, by and among The Taubman Realty Group Limited Partnership, Twelve Oaks Mall, LLC, and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for the Lenders under the Term Loan Agreement.	10-Q		4.1	April 27, 2018	
4.10.2	Release of Guaranty, dated February 28, 2018, by and among The Taubman Realty Group Limited Partnership, Twelve Oaks Mall, LLC, and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent for the Lenders under the Amended and Restated Revolving Credit and Term Loan Agreement.	10-Q		4.2	April 27, 2018	
4.10.3	Guaranty, dated as of February 1, 2017, by The Gardens on El Paseo LLC, in favor of JPMorgan Chase Bank N.A., as Administrative Agent for the lenders under the Term Loan Agreement.	8-K		4.4	February 7, 2017	
4.11	Guaranty Agreement, dated as of November 4, 2011, by The Taubman Realty Group Limited Partnership, in favor of Metropolitan Life Insurance Company.	8-K		4.3	November 9, 2011	
4.12	Form of certificate evidencing 6.500% Series J Cumulative Redeemable Preferred Stock, Liquidation Preference $25.00 Per Share.	8-A12B		4.1	August 13, 2012	
4.13	Form of certificate evidencing 6.25% Series K Cumulative Redeemable Preferred Stock, Liquidation Preference $25.00 Per Share.	8-A12B		4.1	March 14, 2013	
4.14	Leasehold Deed of Trust, Security Agreement and Fixture Filing, dated May 6, 2016, by Taubman Cherry Creek Shopping Center, L.L.C. to the Public Trustee of the City and County of Denver, Colorado for the benefit of Metropolitan Life Insurance Company and The Prudential Insurance Company of America.	8-K		4.1	May 10, 2016	
4.15	Promissory Note A-1, dated May 6, 2016, by Taubman Cherry Creek Shopping Center, L.L.C. to Metropolitan Life Insurance Company.	8-K		4.2	May 10, 2016	
4.16	Promissory Note A-2, dated May 6, 2016 by Taubman Cherry Creek Shopping Center, L.L.C. to the Prudential Insurance Company of America.	8-K		4.3	May 10, 2016	
4.17	Assignment of Leases, dated May 6, 2016, by Taubman Cherry Creek Shopping Center, L.L.C. in favor of Metropolitan Life Insurance Company and The Prudential Insurance Company of America.	8-K		4.4	May 10, 2016	
4.18	Guaranty Agreement, dated May 6, 2016, by the Taubman Realty Group Limited Partnership in favor of Metropolitan Life Insurance Company and The Prudential Insurance Company of America.	8-K		4.5	May 10, 2016	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Period Ending	Exhibit	Filing Date	
10.1	Master Services Agreement between The Taubman Realty Group Limited Partnership and The Taubman Company Limited Partnership, dated November 30, 1992.					X
10.1.1	First Amendment to the Master Services Agreement between The Taubman Realty Group Limited Partnership and the Manager, dated September 30, 1998.	10-K	December 31, 2008	10(au)		
10.1.2	Second Amendment to the Master Services Agreement between The Taubman Realty Group Limited Partnership and the Manager, dated December 23, 2008.	10-K	December 31, 2008	10(an)		
10.2	Corporate Services Agreement Between Taubman Centers, Inc. and The Taubman Company Limited Partnership, dated November 30, 1992.					X
10.2.1	First Amendment to Corporate Services Agreement Between The Taubman Centers, Inc. and The Taubman Company Limited Partnership, dated September 30, 1998.					X
10.2.2	Second Amendment to Corporate Services Agreement, dated December 23, 2008.					X
10.3	Amended and Restated Operating Agreement of The Taubman Company LLC, dated December 30, 2011.					X
10.3.1	First Amendment to Amended and Restated Operating Agreement of The Taubman Company LLC, dated December 21, 2018.					X
10.4	Amended and Restated Cash Tender Agreement among Taubman Centers, Inc., The Taubman Realty Group Limited Partnership, and A. Alfred Taubman, A. Alfred Taubman, acting not individually but as Trustee of the A. Alfred Taubman Restated Revocable Trust, and TRA Partners.	10-Q	June 30, 2000	10(a)		
*10.5	Supplemental Retirement Savings Plan.	10-K	December 31, 1994	10(i)		
*10.5.1	First Amendment to The Taubman Company Supplemental Retirement Savings Plan, dated December 12, 2008 (revised for Code Section 409A compliance).	10-K	December 31, 2008	10(aq)		
*10.6.1	Form of Amended and Restated Change of Control Employment Agreement, dated December 18, 2008 (revised for Code Section 409A compliance).	10-K	December 31, 2008	10(p)		
*10.6.2	Amendment to The Taubman Centers, Inc. Change of Control Severance Program, dated December 12, 2008 (revised for Code Section 409A compliance).	10-K	December 31, 2008	10(ar)		
*10.6.3	Form of Amendment to Change of Control Employment Agreement.	8-K		10.1	May 8, 2014	
10.7	Second Amended and Restated Continuing Offer, dated as of May 16, 2000.	10-Q	June 30, 2000	10(b)		
10.8	The Third Amendment and Restatement of Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership dated December 12, 2012.	S-3		10.3	December 27, 2012	
10.8.1	First Amendment to the Third Amendment and Restatement of Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership dated December 12, 2012.	8-K		10.2	June 7, 2016	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Period Ending	Exhibit	Filing Date	
10.8.2	Second Amendment to the Third Amendment and Restatement of Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership dated December 18, 2018.	10-K				X
*10.9	Subsequent Deferral Election under The Taubman Realty Group Limited Partnership and The Taubman Company LLC Election and Option Deferral Agreement, dated September 27, 2016.	10-K	December 31, 2016	10.8		
*10.9.1	The Taubman Realty Group Limited Partnership and The Taubman Company LLC Election and Option Deferral Agreement, as Amended and Restated Effective as of January 27, 2011.	10-Q	March 31, 2011	10(b)		
10.10	Operating Agreement of Taubman Land Associates, a Delaware Limited Liability Company, dated October 20, 2006.	10-K	December 31, 2006	10(ab)		
10.10.1	First Amendment to Operating Agreement of Taubman Land Associates, a Delaware Limited Liability Company, dated October 20, 2006.	10-Q	March 31, 2013	10		
10.11	Amended and Restated Agreement of Partnership of Sunvalley Associates, a California general partnership.	10-Q/A	June 30, 2002	10(a)		
10.11.1	First Amendment to Amended and Restated Agreement of Partnership of Sunvalley Associates, a California general partnership.	10-K	December 31, 2012	10.11.1		
*10.12	Summary of Compensation for the Board of Directors of Taubman Centers, Inc., effective January 1, 2017.	10-K	December 31, 2016	10.11.1		
*10.13	The Taubman Centers, Inc. Non-Employee Directors' Deferred Compensation Plan.	8-K		10.4	May 18, 2005	
*10.13.1	The Form of The Taubman Centers, Inc. Non-Employee Directors' Deferred Compensation Plan Deferral Election Form.	8-K		10.5	May 18, 2005	
*10.13.2	First Amendment to the Taubman Centers, Inc. Non-Employee Directors' Deferred Compensation Plan.	10-Q	June 30, 2008	10(c)		
*10.13.3	Form of Taubman Centers, Inc. Non-Employee Directors' Deferred Compensation Plan Amendment Agreement (revised for Code Section 409A compliance).	10-K	December 31, 2008	10(ap)		
*10.14	Fourth Amended and Restated Limited Liability Company Agreement of Taubman Properties Asia LLC dated April 30, 2014 by, between, and among Taubman Asia Management II LLC, René Tremblay, and Taubman Properties Asia LLC.	8-K		10.1	May 5, 2014	
*10.14.1	First Amendment to the Fourth Amended and Restated Limited Liability Company Agreement of Taubman Properties Asia LLC dated April 26, 2016, by, between, and among Taubman Asia Management II LLC, René Tremblay, and Taubman Properties Asia LLC.	8-K		10.1	April 29, 2016	
*10.15	The Taubman Company 2008 Omnibus Long-Term Incentive Plan, as amended and restated as of May 21, 2010.	DEF 14		A	March 31, 2010	
*10.15.1	Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Restricted Share Unit Award Agreement.	8-K		10(a)	March 10, 2009	
*10.15.2	Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Option Award Agreement.	8-K		10(b)	March 10, 2009	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Period Ending	Exhibit	Filing Date	
*10.15.3	Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Restricted and Performance Share Unit Award Agreement.	8-K		10(c)	March 10, 2009	
*10.15.4	Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Performance Share Unit Award Agreement (Five-Year Vesting).	10-Q	March 31, 2012	10		
*10.15.5	2015 Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Restricted Share Unit Award Agreement.	10-K	December 31, 2014	10.15.5		
*10.15.6	2015 Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Performance Share Unit Award Agreement.	10-K	December 31, 2014	10.15.6		
*10.15.7	2017 Form of The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan Performance Share Unit Award Agreement.	10-Q	March 31, 2017	10.4		
*10.15.8	Amendment to the Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan, as amended and restated as of May 21, 2010.	8-K		10.1	June 7, 2016	
*10.15.9	Form Certificate of Designation of Profits Units	8-K		10.3	June 7, 2016	
*10.15.10	Form of TRG Unit Award Agreement	8-K		10.4	June 7, 2016	
*10.16	Limited Liability Company Agreement of Taubman Properties Asia III LLC dated September 22, 2016 by, between, and among Taubman Asia Management II LLC, Peter John Sharp, and Taubman Properties Asia III LLC.	10-Q	March 31, 2017	10.2		
*10.17	Employment Agreement between Taubman Asia Management Limited and Peter John Sharp, effective January 1, 2017.	10-Q	March 31, 2017	10.3		
*10.18	Employment Agreement between The Taubman Company LLC and Paul Wright, effective April 1, 2017.	10-Q	June 30, 2017	10.1		
*10.19	Taubman Severance Plan for Senior Level Management	8-K		10.1	December 13, 2017	
*10.20	Home Sale Loss Protection Agreement between The Taubman Company LLC and Paul Wright, effective April 3, 2018.	10-Q	June 30, 2018	10.1		
*10.21	The Taubman Company 2018 Omnibus Long-Term Incentive Plan	DEFC 14A		App. B	April 30, 2018	
21	Subsidiaries of Taubman Centers, Inc.					X
23	Consent of Independent Registered Public Accounting Firm.					X
31.1	Certification of Chief Executive Officer pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 10A, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					***
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					***

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Period Ending	Exhibit	Filing Date	
99	Real Estate and Accumulated Depreciation Schedule of the Unconsolidated Joint Ventures of The Taubman Realty Group Limited Partnership.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
*	A management contract or compensatory plan or arrangement required to be filed.					
**	Certain exhibits and schedules to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibits or schedules will be furnished to the Securities and Exchange Commission upon request.					
***	Documents are furnished, not filed.					

Note: We have not filed certain instruments with respect to long-term debt that did not exceed 10% of our total assets on a consolidated basis. A copy of such instruments will be furnished to the Securities and Exchange Commission upon request.

TAUBMAN CENTERS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements and consolidated financial statement schedules are included in Item 8 of this Annual Report on Form 10-K:

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for the preparation and integrity of the financial statements and financial information reported herein. This responsibility includes the establishment and maintenance of adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that the financial records and accounting policies applied provide a reliable basis for the preparation of financial statements and financial information that are free of material misstatement.

We are required to assess the effectiveness of our internal control over financial reporting as of December 31, 2018 . We base this assessment of the effectiveness of our internal control on recognized control criteria, the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We have completed our assessment as of December 31, 2018 .

Based on our assessment, we believe that we maintained effective internal control over financial reporting as of December 31, 2018 . The independent registered public accounting firm, KPMG LLP, that audited the financial statements included in this annual report has issued their report on our system of internal control over financial reporting, also included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder s
Taubman Centers, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Taubman Centers, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedules listed in the index in Item 15(a)(2) (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2004.

Chicago, Illinois
February 28, 2019

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder s
Taubman Centers, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Taubman Centers, Inc.'s and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2) (collectively, the consolidated financial statements), and our report dated February 28, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chicago, Illinois
February 28, 2019

TAUBMAN CENTERS, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except share data)

	December 31 2018	2017
Assets:		
Properties (Notes 4 and 8)	$ 4,717,569	$ 4,461,045
Accumulated depreciation and amortization	(1,404,692)	(1,276,916)
	$ 3,312,877	$ 3,184,129
Investment in Unconsolidated Joint Ventures (Note 5)	673,616	605,629
Cash and cash equivalents	48,372	42,499
Restricted cash (Notes 1 and 18)	94,557	121,905
Accounts and notes receivable, less allowance for doubtful accounts of $10,360 and $10,237 in 2018 and 2017 (Note 6)	77,730	78,566
Accounts receivable from related parties (Note 12)	1,818	1,365
Deferred charges and other assets (Note 7)	135,136	180,499
Total Assets	$ 4,344,106	$ 4,214,592
Liabilities:		
Notes payable, net (Note 8)	$ 3,830,195	$ 3,555,228
Accounts payable and accrued liabilities	336,208	307,041
Distributions in excess of investments in and net income of Unconsolidated Joint Ventures (Note 5)	477,800	494,851
	$ 4,644,203	$ 4,357,120
Commitments and contingencies (Notes 8, 9, 10, 11, 13, and 15)		
Redeemable noncontrolling interests (Note 9)	$ 7,800	$ 7,500
Equity (Deficit):		
Taubman Centers, Inc. Shareholders' Equity (Note 14):		
Series B Non-Participating Convertible Preferred Stock, $0.001 par and liquidation value, 40,000,000 shares authorized, 24,862,994 and 24,938,114 shares issued and outstanding at December 31, 2018 and 2017	$ 25	$ 25
Series J Cumulative Redeemable Preferred Stock, 7,700,000 shares authorized, no par, $192.5 million liquidation preference, 7,700,000 shares issued and outstanding at both December 31, 2018 and 2017		
Series K Cumulative Redeemable Preferred Stock, 6,800,000 shares authorized, no par, $170.0 million liquidation preference, 6,800,000 shares issued and outstanding at both December 31, 2018 and 2017		
Common Stock, $0.01 par value, 250,000,000 shares authorized, 61,069,108 and 60,832,918 shares issued and outstanding at December 31, 2018 and 2017	611	608
Additional paid-in capital	676,097	675,333
Accumulated other comprehensive income (loss) (Notes 1, 10, and 19)	(25,376)	(6,919)
Dividends in excess of net income (Notes 1 and 10)	(744,230)	(646,807)
	$ (92,873)	$ 22,240
Noncontrolling interests (Note 9)	(215,024)	(172,268)
	$ (307,897)	$ (150,028)
Total Liabilities and Equity	$ 4,344,106	$ 4,214,592

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands, except share data)

	Year Ended December 31		
	2018	2017	2016
Revenues:			
Minimum rents	$ 353,226	$ 345,557	$ 333,325
Overage rents	16,670	16,923	20,020
Expense recoveries	205,514	211,625	202,467
Management, leasing, and development services (Note 2)	3,271	4,383	28,059
Other	62,189	50,677	28,686
	$ 640,870	$ 629,165	$ 612,557
Expenses:			
Maintenance, taxes, utilities, and promotion	$ 157,957	$ 167,091	$ 156,506
Other operating	87,308	94,513	78,794
Management, leasing, and development services	1,470	2,157	4,042
General and administrative (Note 13)	37,174	39,018	48,056
Restructuring charge (Note 1)	596	13,848	
Costs associated with shareholder activism (Note 1)	12,500	14,500	3,000
Interest expense	133,197	108,572	86,285
Depreciation and amortization	179,275	167,806	138,139
	$ 609,477	$ 607,505	$ 514,822
Nonoperating income, net (Notes 7, 10, and 15)	14,714	23,828	22,927
Income before income tax expense, and equity in income of Unconsolidated Joint Ventures	$ 46,107	$ 45,488	$ 120,662
Income tax benefit (expense) (Note 3)	231	(105)	(2,212)
Equity in income of Unconsolidated Joint Ventures (Note 5)	69,404	67,374	69,701
Net income	$ 115,742	$ 112,757	$ 188,151
Net income attributable to noncontrolling interests (Note 9)	(32,256)	(32,052)	(55,538)
Net income attributable to Taubman Centers, Inc.	$ 83,486	$ 80,705	$ 132,613
Distributions to participating securities of TRG (Note 13)	(2,396)	(2,300)	(2,117)
Preferred stock dividends (Note 14)	(23,138)	(23,138)	(23,138)
Net income attributable to Taubman Centers, Inc. common shareholders	$ 57,952	$ 55,267	$ 107,358
Net income	$ 115,742	$ 112,757	$ 188,151
Other comprehensive income (Note 19):			
Unrealized gain (loss) on interest rate instruments and other	(38)	57	(4,308)
Cumulative translation adjustment	(23,240)	33,303	(17,339)
Reclassification adjustment for amounts recognized in net income	(1,809)	7,564	9,339
	$ (25,087)	$ 40,924	$ (12,308)
Comprehensive income	$ 90,655	$ 153,681	$ 175,843
Comprehensive income attributable to noncontrolling interests	(24,994)	(43,956)	(51,927)
Comprehensive income attributable to Taubman Centers, Inc.	$ 65,661	$ 109,725	$ 123,916
Basic earnings per common share (Note 16)	$ 0.95	$ 0.91	$ 1.78
Diluted earnings per common share (Note 16)	$ 0.95	$ 0.91	$ 1.77
Weighted average number of common shares outstanding – basic	60,994,444	60,675,129	60,363,416

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2018 , 2017 , AND 2016
(in thousands, except share data)

	Taubman Centers, Inc. Shareholders' Equity								
	Preferred Stock		Common Stock			Accumulated Other Comprehensive Income (Loss)	Dividends in Excess of Net Income	Non-Redeemable Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Shares	Amount	Paid-In Capital				
Balance, January 1, 2016	39,544,939	$ 25	60,233,561	$ 602	$ 652,146	$ (27,220)	$ (512,746)	$ 8,004	$ 120,811
Issuance of stock pursuant to Continuing Offer (Notes 13, 14, and 15)	(15,880)		15,880						—
Share-based compensation under employee and director benefit plans (Note 13)			181,172	2	17,028				17,030
Former Taubman Asia President redeemable equity adjustment (Note 9)					(13,854)				(13,854)
Adjustments of noncontrolling interests (Note 9)					1,959	1		(2,616)	(656)
Dividends and distributions (excludes $7,150 of distributions attributable to redeemable noncontrolling interest) (Note 9)							(168,988)	(200,754)	(369,742)
Other					2		(793)		(791)
Net income (excludes $656 of net loss attributable to redeemable noncontrolling interest) (Note 9)							132,613	56,194	188,807
Other comprehensive income (Note 19):									
Unrealized loss on interest rate instruments and other						(3,044)		(1,264)	(4,308)
Cumulative translation adjustment						(12,251)		(5,088)	(17,339)
Reclassification adjustment for amounts recognized in net income						6,598		2,741	9,339
Balance, December 31, 2016	39,529,059	$ 25	60,430,613	$ 604	$ 657,281	$ (35,916)	$ (549,914)	$ (142,783)	$ (70,703)
Issuance of stock pursuant to Continuing Offer (Notes 13, 14, and 15)	(90,945)		90,950	1	(1)				—
Share-based compensation under employee and director benefit plans (Note 13)			311,355	3	18,046				18,049
Former Taubman Asia President redeemable equity adjustment (Note 9)					1,204				1,204
Adjustments of noncontrolling interests (Note 9)					(1,197)	(23)		296	(924)
Dividends and distributions							(177,266)	(74,661)	(251,927)
Other							(332)		(332)
Net income (excludes $924 of net loss attributable to redeemable noncontrolling interest) (Note 9)							80,705	32,976	113,681
Other comprehensive income (Note 19):									
Unrealized gain on interest rate instruments and other						41		16	57
Cumulative translation adjustment						23,615		9,688	33,303
Reclassification adjustment for amounts recognized in net income						5,364		2,200	7,564
Balance, December 31, 2017	39,438,114	$ 25	60,832,918	$ 608	$ 675,333	$ (6,919)	$ (646,807)	$ (172,268)	$ (150,028)

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2018 , 2017 , AND 2016
(in thousands, except share data)

	Taubman Centers, Inc. Shareholders' Equity								
	Preferred Stock		Common Stock						
	Shares	Amount	Shares	Amount	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Dividends in Excess of Net Income	Non-Redeemable Noncontrolling Interests	Total Equity (Deficit)
Balance, December 31, 2017	39,438,114	$ 25	60,832,918	$ 608	$ 675,333	$ (6,919)	$ (646,807)	$ (172,268)	$ (150,028)
Issuance of stock pursuant to Continuing Offer (Notes 13, 14, and 15)	(75,120)		77,584	1	(1)				—
Share-based compensation under employee and director benefit plans (Note 13)			158,606	2	6,066				6,068
Former Taubman Asia President redeemable equity adjustment (Note 9)					(300)				(300)
Adjustments of noncontrolling interests (Note 9)					(601)	47		274	(280)
Dividends and distributions							(185,392)	(68,028)	(253,420)
Other					(4,400)	(679)	4,483	(276)	(872)
Net income (excludes $280 of net loss attributable to redeemable noncontrolling interest) (Note 9)							83,486	32,536	116,022
Other comprehensive income (Note 19):									
Unrealized loss on interest rate instruments and other						(26)		(12)	(38)
Cumulative translation adjustment						(16,513)		(6,727)	(23,240)
Reclassification adjustment for amounts recognized in net income						(1,286)		(523)	(1,809)
Balance, December 31, 2018	39,362,994	$ 25	61,069,108	$ 611	$ 676,097	$ (25,376)	$ (744,230)	$ (215,024)	$ (307,897)

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended December 31		
	2018	2017	2016
Cash Flows From Operating Activities:			
Net income	$ 115,742	$ 112,757	$ 188,151
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	179,275	167,806	138,139
Provision for bad debts	3,728	11,025	4,047
Gains on sales of peripheral land	(1,034)	(945)	(1,827)
Gains on SPG common share conversions (Note 7)		(11,613)	(11,069)
Fluctuation in fair value of equity securities (Notes 1 and 7)	(2,801)		
Income (loss) from Unconsolidated Joint Ventures in excess of distributions	(1,429)	845	2,689
Other	14,730	17,285	18,925
Increase (decrease) in cash attributable to changes in assets and liabilities:			
Receivables, deferred charges, and other assets	(17,141)	(26,420)	(34,989)
Accounts payable and other liabilities	2,762	7,634	1,490
Net Cash Provided By Operating Activities	$ 293,832	$ 278,374	$ 305,556
Cash Flows From Investing Activities:			
Additions to properties	$ (289,854)	$ (353,322)	$ (504,864)
Proceeds from sales of peripheral land	1,260	1,300	11,258
Proceeds from sale of equity securities (Note 7)	54,703		
Insurance proceeds for capital items at The Mall of San Juan (Note 15)	5,768		
Contributions to Unconsolidated Joint Ventures	(95,329)	(32,990)	(79,976)
Contribution for acquisition of Country Club Plaza (Note 2)			(314,245)
Distributions from Unconsolidated Joint Ventures in excess of income (Note 2)	(2,173)	70,002	232,224
Other	89	86	81
Net Cash Used In Investing Activities	$ (325,536)	$ (314,924)	$ (655,522)
Cash Flows From Financing Activities:			
Proceeds from revolving lines of credit, net	$ 255,020	$ 269,955	$ 234,700
Debt proceeds	800,000	336,749	758,991
Debt payments	(778,549)	(308,673)	(367,527)
Debt issuance costs	(5,112)	(6,665)	(1,620)
Issuance of common stock and/or TRG Units in connection with incentive plans	(2,396)	6,289	1,806
Distributions to noncontrolling interests (Note 9)	(68,028)	(74,661)	(207,904)
Distributions to participating securities of TRG	(2,396)	(2,300)	(2,117)
Contributions from noncontrolling interests (Note 9)			2,000
Cash dividends to preferred shareholders	(23,138)	(23,138)	(23,138)
Cash dividends to common shareholders	(159,858)	(151,828)	(143,733)
Net Cash Provided By Financing Activities	$ 15,543	$ 45,728	$ 251,458
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash (Note 18)	(5,314)	2,261	1,391
Net Increase (Decrease) In Cash and Cash Equivalents, and Restricted Cash	(21,475)	11,439	(97,117)
Cash and Cash Equivalents, and Restricted Cash at Beginning of Year (Note 18)	164,404	152,965	250,082
Cash and Cash Equivalents, and Restricted Cash at End of Year (Note 18)	$ 142,929	$ 164,404	$ 152,965

See notes to consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Organization and Basis of Presentation

General

Taubman Centers, Inc. (TCO) is a Michigan corporation that operates as a self-administered and self-managed real estate investment trust (REIT). TCO's sole asset is an approximate 71% general partnership interest in The Taubman Realty Group Limited Partnership (TRG), which owns direct or indirect interests in all of our real estate properties. In this report, the terms "we", "us", and "our" refers to TCO, TRG, and/or TRG's subsidiaries as the context may require. We engage in the ownership, management, leasing, acquisition, disposition, development, and expansion of retail shopping centers and interests therein. Our owned portfolio as of December 31, 2018 included 23 urban and suburban shopping centers operating in 11 U.S. states, Puerto Rico, South Korea, and China. The Taubman Company LLC (the Manager) provides certain management and administrative services for us and for our U.S. properties.

The Consolidated Businesses consist of shopping centers and entities that are controlled, by ownership or contractual agreements, by TRG, the Manager, or Taubman Properties Asia, LLC and its subsidiaries (Taubman Asia). Shopping centers owned through joint ventures that are not controlled by us by over which we have significant influence (Unconsolidated Joint Ventures) are accounted for under the equity method.

In May 2018, we closed on a redevelopment agreement for Taubman Prestige Outlets Chesterfield. As of May 1, 2018, all operations at the center, as well as the building and improvements, were transferred to The Staenberg Group (TSG), and TSG leases the land from us through a long-term, participating ground lease. Both we and TSG have the ability to terminate the ground lease in the event that a redevelopment has not begun within five years, with the buildings and improvements reverting to us upon such a termination. We will defer recognition of a sale of the building and improvements and maintain the property on the Consolidated Balance Sheet until the foregoing termination right is no longer available to the parties, with this right ceasing upon TSG commencing a redevelopment. The shopping center has been excluded from our owned shopping center portfolio disclosure above.

Dollar amounts presented in tables within the notes to the financial statements are stated in thousands, except share data or as otherwise noted.

Consolidation

The consolidated financial statements of TCO include all accounts of TCO , TRG , and its consolidated subsidiaries, including the Manager and Taubman Asia. All intercompany transactions have been eliminated. The entities included in these consolidated financial statements are separate legal entities and maintain records and books of account separate from any other entity. However, inclusion of these separate entities in the consolidated financial statements does not mean that the assets and credit of each of these legal entities are available to satisfy the debts or other obligations of any other such legal entity included in the consolidated financial statements.

In determining the method of accounting for partially owned joint ventures, we evaluate the characteristics of associated entities and determine whether an entity is a variable interest entity (VIE), and, if so, determine whether we are the primary beneficiary by analyzing whether we have both the power to direct the entity's significant economic activities and the obligation to absorb potentially significant losses or receive potentially significant benefits. Significant judgments and assumptions inherent in this analysis include the nature of the entity's operations, the entity's financing and capital structure, and contractual relationship and terms, including consideration of governance and decision making rights. We consolidate a VIE when we have determined that we are the primary beneficiary. All of our consolidated joint ventures, including TRG , meet the definition and criteria as VIEs, as either we or an affiliate of ours is the primary beneficiary of each VIE.

TCO's sole significant asset is its investment in TRG and, consequently, substantially all of TCO's consolidated assets and liabilities are assets and liabilities of TRG . All of TCO's debt (Note 8) is an obligation of TRG or TRG's consolidated subsidiaries. Note 8 also provides disclosure of guarantees provided by TRG to certain consolidated joint ventures. Note 9 provides additional disclosures of the carrying balance of the noncontrolling interests in our consolidated joint ventures and other information, including a description of certain rights of the noncontrolling owners.

Investments in entities not controlled but over which we may exercise significant influence (Unconsolidated Joint Ventures or UJVs) are accounted for under the equity method. We have evaluated our investments in the Unconsolidated Joint Ventures under guidance for determining whether an entity is a VIE and have concluded that the ventures are not VIEs. Accordingly, we account for our interests in these entities under general accounting standards for investments in real estate ventures (including guidance for determining effective control of a limited partnership or similar entity). Our partners or other owners in these Unconsolidated Joint Ventures have substantive participating rights including approval rights over annual operating budgets, capital spending, financing, admission of new partners/members, or sale of the properties and we have concluded that the equity method of accounting is appropriate for these interests. Specifically, our 79% and 50.1% investments in Westfarms and International Plaza, respectively, are through general partnerships in which the other general partners have participating rights over annual operating budgets, capital spending, refinancing, or sale of the property. We provide our beneficial interest in certain financial information of our Unconsolidated Joint Ventures (Notes 5 and 8). This beneficial information is derived as our ownership interest in the investee multiplied by the specific financial statement item being presented. Investors are cautioned that deriving our beneficial interest in this manner may not accurately depict the legal and economic implications of holding a noncontrolling interest in the investee.

TRG

At December 31, 2018 and 2017 , TRG's equity included two classes of preferred equity (Series J and K Preferred Equity) (Note 14) and the net equity of the TRG unitholders. Net income and distributions of TRG are allocable first to the preferred equity interests, and the remaining amounts to the general and limited partners in TRG in accordance with their percentage ownership. The Series J and K Preferred Equity are owned by TCO and are eliminated in consolidation.

The partnership equity of TRG and TCO's ownership therein are shown below:

Year	TRG Units outstanding at December 31	TRG Units owned by TCO at December 31 [(1)]	TRG Units owned by noncontrolling interests at December 31	TCO's % interest in TRG at December 31	TCO's average interest % in TRG
2018	85,946,862	61,069,108	24,877,754	71%	71%
2017	85,788,252	60,832,918	24,955,334	71	71
2016	85,476,892	60,430,613	25,046,279	71	71

(1) There is a one-for-one relationship between TRG Units owned by TCO and TCO common shares outstanding; amounts in this column are equal to TCO’s common shares outstanding as of the specified dates.

Outstanding voting securities of TCO at December 31, 2018 consisted of 24,862,994 shares of Series B Non-Participating Convertible Preferred Stock (Series B Preferred Shares) (Note 14) and 61,069,108 shares of common stock.

The remaining approximate 29% of TRG units are owned by TRG’s partners other than TCO (Other Partners), including Robert S. Taubman, William S. Taubman, Gayle Taubman Kalisman, and the A. Alfred Taubman Restated Revocable Trust (Taubman Family).

Revenue Recognition

General

Shopping center space is generally leased to tenants under short and intermediate term leases that are accounted for as operating leases. Minimum rents are recognized on the straight-line method. Overage rent is accrued when lessees' specified sales targets have been met. For traditional net leases, where tenants reimburse the landlord for an allocation of reimbursable costs incurred, we recognize revenue in the period the applicable costs are chargeable to tenants. For tenants paying a fixed common area maintenance charge (which typically includes fixed increases over the lease term), we recognize revenue on a straight-line basis over the lease terms.

On January 1, 2018, we adopted ASC Topic 606, Revenue from Contracts with Customers. ASC Topic 606 provides a single comprehensive model to use in accounting for revenue arising from contracts with customers, and gains and losses arising from transfers of non-financial assets including sales of property and equipment, real estate, and intangible assets. We adopted ASC Topic 606 for all applicable contracts using the modified retrospective method, which would have required a cumulative-effect adjustment, if any, as of the date of adoption. The adoption of ASC Topic 606 did not have a material impact on our consolidated financial statements as of the date of adoption, and therefore a cumulative-effect adjustment was not required.

We applied ASC Topic 606 using certain practical expedients. As a result of this election, we will not disclose the aggregate amount of the transaction price for unsatisfied, or partially unsatisfied, performance obligations for all contracts with an original expected length of one year or less and management contracts for which we recognize revenue based on our right to invoice for management, leasing, and development services performed. Refer to "Nature of Services and Performance Obligations" for further discussion of these services.

Disaggregation of Revenue

The nature, amount, timing, and uncertainty of individual types of revenues may be affected differently by economic factors. Under ASC Topic 606, we are required to disclose a disaggregation of our revenues derived from contracts from customers that considers economic differences between revenue types. The following table summarizes our disaggregation of consolidated revenues for this purpose.

	Year Ended December 31		
	2018	2017	2016
Expense recoveries	$ 205,514	$ 211,625	$ 202,467
Shopping center and other operational revenues [1]	48,434	40,902	24,914
Management, leasing, and development services	3,271	4,383	28,059
Total revenue from contracts with customers	$ 257,219	$ 256,910	$ 255,440

(1) Represents consolidated Other revenue reported on the Consolidated Statement of Operations and Comprehensive Income excluding lease cancellation income.

Nature of Services and Performance Obligations

Expense recoveries revenue represents reimbursements from mall tenants for (1) services performed by us to the benefit of all mall tenants and the property as a whole for common area maintenance, (2) insurance, property taxes, and utilities, and (3) promotion and other miscellaneous charges. As these expense recoveries are provided for under tenant lease agreements, these revenues will not be evaluated under ASC Topic 606 until our adoption of ASU No. 2016-02, Leases, which will be adopted on January 1, 2019.

Shopping center and other operational revenues represent a collection of non-core revenue streams that are generated through the course of owning and operating a shopping center, including sponsorship, parking, and storage income, as well as revenues from food and beverage operations. The contracts for these revenue streams are predominately short-term in nature and individually do not contain more than one performance obligation. We satisfy our performance obligations related to shopping center and other operational revenues either over time or at a point in time, depending on the specific nature of the revenue generating activity. For performance obligations that are satisfied at a point in time, including food and beverage and parking income, the control of the good or service is immediately transferred to the customer upon completion of the performance obligation. Payment terms related to shopping center and other operational revenues vary depending on the nature of the agreement, however, payment is generally due directly upon the satisfaction of the related performance obligation.

Management, leasing, and development services revenue represents income from various services performed by us for our third party customers, as provided for under management agreements. These services typically generate fees that are based on operating results of the shopping centers, the execution and opening of mall tenants, and/or the successful completion of other agreed-upon services. As each management agreement provides for a variety of services, significant judgment is required to identify multiple performance obligations. The standalone selling price of each performance obligation is determined based on the terms of the management agreement and the specific services being rendered. Each performance obligation is considered to be satisfied over time as services are rendered. The related revenue is recognized upon billing, as the amounts invoiced generally correspond directly with the value the customer is receiving from the services. Customers are invoiced on a quarterly basis and payment is generally due within 30 days of each calendar quarter.

Information about Contract Balances and Unsatisfied Performance Obligations

Contract assets exist when we have a right to payment for services rendered that remains conditional on factors other than the passage of time. Similarly, contract liabilities are incurred when customers prepay for services to be rendered. Certain revenue streams within shopping center and other operational revenues may give rise to contract assets and liabilities. However, these revenue streams are generally short-term in nature and the difference between revenue recognition and cash collection, although variable, does not differ significantly from period to period. As of December 31, 2018 , we had an inconsequential amount of contract assets and liabilities.

The aggregate amount of the transaction price allocated to our performance obligations that were unsatisfied, or partially unsatisfied, as of December 31, 2018 were inconsequential.

Allowance for Doubtful Accounts and Notes

We record a provision for losses on accounts receivable to reduce them to the amount estimated to be collectible. We record a provision for losses on notes receivable to reduce them to the present value of expected future cash flows discounted at the loans' effective interest rates or the fair value of the collateral if the loans are collateral dependent.

Depreciation and Amortization

Buildings, improvements, and equipment are primarily depreciated on straight-line bases over the estimated useful lives of the assets, which generally range from 3 to 50 years. Capital expenditures that are recoverable from tenants are generally depreciated over the estimated recovery period. Intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. Tenant allowances are depreciated on a straight-line basis over the shorter of the useful life of the leasehold improvements or the lease term. Deferred leasing costs are amortized on a straight-line basis over the lives of the related leases. In the event of early termination of such leases, the unrecoverable net book values of the assets are recognized as depreciation and amortization expense in the period of termination.

Capitalization

Direct and indirect costs that are clearly related to the acquisition, development, construction, and improvement of properties are capitalized. Compensation costs are allocated based on actual time spent on a project. Costs incurred on real estate for ground leases, property taxes, insurance, and interest costs for qualifying assets are capitalized during periods in which activities necessary to get the property ready for its intended use are in progress.

The viability of all projects under construction or development, including those owned by Unconsolidated Joint Ventures, are regularly evaluated on an individual basis under the accounting for abandonment of assets or changes in use. To the extent a project, or individual components of the project, are no longer considered to have value, the related capitalized costs are charged against operations. Additionally, all properties are reviewed for impairment on an individual basis whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment of a shopping center owned by consolidated entities is recognized when the sum of expected cash flows (undiscounted and without interest charges) is less than the carrying value of the property. Other than temporary impairment of an investment in an Unconsolidated Joint Venture is recognized when the carrying value of the investment is not considered recoverable based on evaluation of the severity and duration of the decline in value, including the results of discounted cash flow and other valuation techniques. To the extent impairment has occurred, the excess carrying value of the asset over its estimated fair value is charged to income. No impairment was recognized for the years ended December 31, 2018, 2017, or 2016.

In leasing a shopping center space, we may provide funding to the lessee through a tenant allowance. In accounting for a tenant allowance, we determine whether the allowance represents funding for the construction of leasehold improvements and evaluates the ownership, for accounting purposes, of such improvements. If we are considered the owner of the leasehold improvements for accounting purposes, we capitalize the amount of the tenant allowance and depreciate it over the shorter of the useful life of the leasehold improvements or the lease term. If the tenant allowance represents a payment for a purpose other than funding leasehold improvements, or in the event we are not considered the owner of the improvements for accounting purposes, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue. Factors considered during this evaluation usually include (1) who holds legal title to the improvements, (2) evidentiary requirements concerning the spending of the tenant allowance, and (3) other controlling rights provided by the lease agreement (e.g. unilateral control of the tenant space during the build-out process). Determination of the accounting for a tenant allowance is made on a case-by-case basis, considering the facts and circumstances of the individual tenant lease. Substantially all of our tenant allowances have been determined to be leasehold improvements.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of highly liquid investments with a maturity of 90 days or less at the date of purchase. We deposit cash and cash equivalents with institutions with high credit quality. From time to time, cash and cash equivalents may be in excess of FDIC insurance limits. Substantially all cash and cash equivalents at December 31, 2018 were not insured or guaranteed by the FDIC or any other government agency and were invested across four separate financial institutions as of December 31, 2018 . Included in restricted cash is $94.1 million at December 31, 2018 on deposit in excess of the FDIC insured limit.

Acquisitions

We recognize the assets acquired, the liabilities assumed, and any noncontrolling interests in the acquiree at their fair values as of the acquisition date. The cost of acquiring a controlling ownership interest or an additional ownership interest (if not already consolidated) is allocated to the tangible assets acquired (such as land and building) and to any identifiable intangible assets based on their estimated fair values at the date of acquisition. The fair value of a property is determined on an "as-if-vacant" basis. Management considers various factors in estimating the "as-if-vacant" value including an estimated lease up period, lost rents, and carrying costs. The identifiable intangible assets would include the estimated value of "in-place" leases, above and below market "in-place" leases, and tenant relationships. The portion of the purchase price that management determines should be allocated to identifiable intangible assets is amortized in depreciation and amortization or as an adjustment to rental revenue, as appropriate, over the estimated life of the associated intangible asset (for instance, the remaining life of the associated tenant lease). Costs related to the acquisition of a controlling interest, including due diligence costs, professional fees, and other costs to effect an acquisition, are capitalized.

Deferred Charges and Other Assets

Direct costs related to successful leasing activities are capitalized and amortized on a straight-line basis over the lives of the related leases. Cash expenditures for leasing costs are recognized in the Consolidated Statement of Cash Flows as operating activities. Debt issuance costs incurred in connection with our revolving lines of credit are deferred and amortized on a straight line basis, which approximates the effective interest method. All other deferred charges are amortized on a straight-line basis over the terms of the agreements to which they relate.

Share-Based Compensation Plans

The cost of share-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized over the requisite employee service period which is generally the vesting period of the grant. We recognize compensation costs for awards with graded vesting schedules on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. We recognize compensation costs for awards with net operating income performance conditions based on the grant date fair value of the award that coincides with the expected outcome of the condition, as updated for actual results (Note 13).

Interest Rate Hedging Agreements

All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If a derivative is designated as a cash flow hedge, all changes in the fair value of the derivative are recorded in other comprehensive income (OCI) and are recognized in the income statement when the hedged item affects income (Note 10).

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategies for undertaking various hedge transactions. We assess, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

Insurance Accounting

We carry liability insurance to mitigate our exposure to certain losses, including those relating to property damage and business interruption. We record the estimated amount of expected insurance proceeds for property damage and other losses incurred as an asset (typically a receivable from the insurer) and income up to the amount of the losses incurred when receipt of insurance proceeds is deemed probable. Any amount of insurance recovery in excess of the amount of the losses incurred is considered a gain contingency and is not recorded until the proceeds are received. Insurance recoveries for business interruption for lost revenue or profit are accounted for as gain contingencies in their entirety, and therefore are not recorded in income until the proceeds are received.

During the years ended December 31, 2018 and 2017, we recorded insurance proceeds related to reimbursement of expenses and property damage incurred at The Mall of San Juan as a result of Hurricane Maria (Note 15).

Income Taxes

We operate in such a manner as to qualify as a REIT under the applicable provisions of the Internal Revenue Code. To qualify as a REIT, we must distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains, to our shareholder s and meet certain other requirements. As a REIT, we are entitled to a dividends paid deduction for the dividends we pay to our shareholder s. Therefore, we will generally not be subject to federal income taxes under current Federal income tax law as long as we currently distribute to our shareholder s an amount equal to or in excess of our taxable income. REIT qualification reduces but does not eliminate the amount of state and local taxes paid by us . In addition, a REIT may be subject to certain excise taxes if it engages in certain activities.

No provision for federal income taxes for consolidated partnerships has been made; as such taxes are the responsibility of the individual partners under current Federal income tax law. There are certain state income taxes incurred which are provided for in our financial statements.

We have made Taxable REIT Subsidiary (TRS) elections for all of our corporate subsidiaries pursuant to section 856 (I) of the Internal Revenue Code. The TRSs are subject to corporate level income taxes, including federal, state, and certain foreign income taxes for foreign operations, which are provided for in our financial statements.

Deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws. Deferred tax assets are reduced by a valuation allowance to the amount where realization is more likely than not assured after considering all available evidence, including expected taxable earnings. Our temporary differences primarily relate to deferred compensation, depreciation, and net operating loss carryforwards.

In connection with the new 21% Federal corporate income tax rate under the Tax Cuts and Jobs Act of 2017 (2017 Tax Act), we adjusted our net Federal deferred tax asset to reflect the change in tax rate (Note 3). Future changes to tax laws could affect the taxation of the REIT, partnerships and Taxable REIT subsidiaries, possibly having a significant impact on the current and deferred income taxes of TCO .

Severance Plans and Restructuring Charges

We have severance plans in place for certain employees, which we account for as a post-employment benefit. We recognize a liability and expense when it is probable that employees will be entitled to benefits under the severance plans and the amount can be reasonably estimated.

We have been undergoing a restructuring to reduce our workforce and reorganize various areas of the organization in response to the completion of another major development cycle and the current near-term challenges facing the U.S. mall industry. During the year ended December 31, 2018 , we incurred expense, partially offset by a change in estimate to previously recognized charges resulting in additional expense of $0.6 million . In 2017, we recognized $13.8 million of expense associated with our restructuring efforts. These expenses have been separately classified as Restructuring Charge on the Consolidated Statement of Operations and Comprehensive Income. As of December 31, 2018 , $1.1 million of the restructuring costs recognized during 2018 were unpaid and remained accrued.

Costs Associated with Shareholder Activism

During the years ended December 31, 2018 and 2017 , we incurred $12.5 million and $14.5 million , respectively, of expense associated with activities related to shareholder activism, largely legal and advisory services. Also included in these costs is a retention program for certain employees. Given the uncertainties associated with shareholder activism and to ensure the retention of top talent in key positions within TCO , certain key employees were provided certain incentive benefits in the form of cash and/or equity retention awards. We and the Board of Directors believe these benefits are instrumental in ensuring our continued success during the retention period. Due to the unusual and infrequent nature of these expenses in our history, they have been separately classified as Costs Associated with Shareholder Activism on our Consolidated Statement of Operations and Comprehensive Income. Unvested incentive benefits under the retention awards as of December 31, 2018 were $1.2 million , which will be recognized as service is rendered through December 31, 2019.

Noncontrolling Interests

Noncontrolling interests in TCO are comprised of the ownership interests of (1) noncontrolling interests in TRG and (2) the noncontrolling interests in joint ventures controlled by us through ownership or contractual arrangements. Consolidated net income and comprehensive income includes amounts attributable to us and the noncontrolling interests. Transactions that change our ownership interest in a subsidiary are accounted for as equity transactions if we retain our controlling financial interest in the subsidiary.

We evaluate whether noncontrolling interests are subject to any redemption features outside of our control that would result in presentation outside of permanent equity pursuant to general accounting standards regarding the classification and measurement of redeemable equity instruments. Certain noncontrolling interests in TRG and consolidated ventures of TCO qualify as redeemable noncontrolling interests (Note 9). To the extent such noncontrolling interests are currently redeemable or it is probable that they will eventually become redeemable, these interests are adjusted to the greater of their redemption value or their carrying value at each balance sheet date.

Foreign Currency Translation

We have certain entities in Asia for which the functional currency is the local currency. The assets and liabilities of the entities are translated from their functional currency into U.S. Dollars at the rate of exchange in effect on the balance sheet date. Income statement accounts are generally translated using the average exchange rate for the period. Income statement amounts of significant transactions are translated at the rate in effect as of the date of the transaction. Our share of unrealized gains and losses resulting from the translation of the entities' financial statements are reflected in shareholder s' equity as a component of Accumulated Other Comprehensive Income (Loss) on our Consolidated Balance Sheet (Note 19).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segments and Related Disclosures

We have one reportable operating segment: we own, develop, and manage shopping centers. We have aggregated our shopping centers into this one reportable segment, as the shopping centers share similar economic characteristics and other similarities. The shopping centers are located in major metropolitan areas, have similar tenants (most of which are global chains), are operated using consistent business strategies, and are expected to exhibit similar long-term financial performance. Net Operating Income (NOI) is often used by our chief operating decision makers in assessing segment operating performance. NOI is believed to be a useful indicator of operating performance as it is customary in the real estate and shopping center business to evaluate the performance of properties on a basis unaffected by capital structure.

No single retail company represents 5% or more of our revenues. Our consolidated revenues and assets do not have any material amounts derived from countries other than the United States, as our investments in Asia are in Unconsolidated Joint Ventures that are accounted for under the equity method.

Management's Responsibility to Evaluate TCO's Ability to Continue as a Going Concern

When preparing financial statements for each annual and interim reporting period, management has the responsibility to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued. No such conditions or events were identified as of the issuance date of the financial statements contained in this Annual Report on Form 10-K.

Change in Accounting Policies

Recognition and Measurement of Financial Assets and Financial Liabilities

On January 1, 2018, we adopted Accounting Standards Update (ASU) No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", which changed certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. As such, we now measure equity securities at fair value through net income, except for those that result in consolidation or are accounted for under the equity method. Upon adoption, we applied the modified-retrospective approach and recorded a one-time cumulative-effect adjustment to reclassify $1.0 million of historical unrealized gains on the fair value adjustments as of December 31, 2017 of our investment in Simon Property Group (SPG) common shares from Accumulated Other Comprehensive Income (Loss) (AOCI) to Dividends in Excess of Net Income on our Consolidated Balance Sheet. Beginning in January 2018, changes in the fair value of any outstanding SPG common shares are being recorded in Nonoperating Income, Net on our Consolidated Statement of Operations and Comprehensive Income (Note 11).

Cash Flow Statement Presentation

On January 1, 2018, we adopted ASU No. 2016-18, "Statement of Cash Flows - Restricted Cash", which changed the presentation of restricted cash and changes in restricted cash on the Consolidated Statement of Cash Flows. As a result, we changed the presentation of our Consolidated Statement of Cash Flows for both the years December 31, 2018 and 2017 to include restricted cash. Refer to Note 13 for a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheet that sum to the total of the same such amounts on the Consolidated Statement of Cash Flows. In connection with the adoption of this ASU, we revisited our accounting policies and presentation in regards to cash, deposits, and other investments subject to restrictions. In doing so, we reclassified $119.2 million from Deferred Charges and Other Assets to Restricted Cash on the Consolidated Balance Sheet as of December 31, 2017, to conform to current year classifications.

On January 1, 2018, we adopted ASU No. 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments", which clarified the presentation of certain cash receipts and payments, including the classification of distributions received from equity method investees, on the Consolidated Statement of Cash Flows. In connection with the adoption of this ASU on January 1, 2018, we re-evaluated our current methodology and retrospectively changed the presentation of the Distributions from Unconsolidated Joint Ventures in excess of income and Income (loss) from Unconsolidated Joint Ventures in excess of distributions line items on the Consolidated Statement of Cash Flows for the year ended December 31, 2018 to re-classify prior year balances to correspond with current year classifications, specifically related to distributions received from equity method investees.

Note 2 - Acquisition, Partial Disposition of Ownership Interests, Redevelopments, Developments, and Service Agreement

Acquisition

Country Club Plaza

In March 2016, a joint venture that we formed with The Macerich Company acquired Country Club Plaza, a mixed-use retail and office property in Kansas City, Missouri, from Highwood Properties for $660 million ($330 million at TRG's share) in cash, excluding transaction costs. We have a 50% ownership interest in the center, which is jointly managed by both companies. Our ownership interest in the center is accounted for as an Unconsolidated Joint Venture under the equity method. The joint venture determined the fair value of assets acquired and liabilities assumed upon acquisition. Also, in March 2016, a 10 -year, $320 million ($160 million at TRG's share) non-recourse financing was completed for this center. The proceeds from the financing were distributed to the joint venture partners based on the partnership agreement ownership percentages. In March 2017, the joint venture sold the Valencia Place office tower at Country Club Plaza for $75.2 million ($37.6 million at TRG's share), which was a component of the mixed-use property acquired.

Partial Disposition of Ownership Interests

In February 2019, we announced agreements to sell 50% of our interests in Starfield Hanam, CityOn.Xi’an and CityOn.Zhengzhou to funds managed by The Blackstone Group L.P. (Blackstone). Following the transactions, which are subject to customary closing conditions and are expected to close throughout 2019, we will retain a 17.15% ownership interest in Starfield Hanam, a 25% ownership interest in CityOn.Xi'an, and a 24.5% ownership interest in CityOn.Zhengzhou. We will remain the partner responsible for the joint management of the three shopping centers, with Blackstone paying a property service fee. The interests to be sold are valued at $480 million , with net cash proceeds expected to be about $315 million , after transaction costs and the allocation to Blackstone of its share of third-party debt. Also, we may receive up to an additional $50 million of consideration based on the 2019 performance of the three assets.

Redevelopments

We substantially completed our redevelopment project at Beverly Center in November 2018. We expect some capital spending at Beverly Center to continue into 2019 as certain costs are incurred subsequent to the project's completion, including construction on certain tenant spaces.

We have an ongoing redevelopment project at The Mall at Green Hills, which is expected to be completed in 2019. This redevelopment project is expected to cost approximately $200 million . As of December 31, 2018 , our total capitalized costs related to this redevelopment project were $144.5 million .

U.S. Development

International Market Place

International Market Place, a shopping center located in Waikiki, Honolulu, Hawaii, opened in August 2016.

Asia Developments

Operating Centers

We have opened three shopping centers in Asia: CityOn.Xi’an, located in Xi’an, China; Starfield Hanam, located in Hanam, South Korea; and CityOn.Zhengzhou, located in Zhengzhou, China. The shopping centers opened in April 2016, September 2016, and March 2017, respectively (Note 5). These investments are classified within Investment in Unconsolidated Joint Ventures on the Consolidated Balance Sheet.

South Korea Projects

We have partnered with Shinsegae Group, our partner in Starfield Hanam, to build, lease, and manage Starfield Anseong, an approximately 1.1 million square foot shopping center in Anseong, Gyeonggi Province, South Korea. We expect to beneficially own a 24.5% interest in the project; however we currently own and are funding 49% of the project until an additional capital partner is admitted. The shopping center is scheduled to open in late 2020. As of December 31, 2018, we have invested $97.1 million in the project, after cumulative currency translation adjustments. This investment is classified within Investment in Unconsolidated Joint Ventures on the Consolidated Balance Sheet.

We were previously exploring an additional development opportunity in South Korea with Shinsegae Group. In March 2017, we made a refundable deposit of $11.0 million relating to a potential development site. After performing due diligence, we decided not to proceed with the project. The deposit, including a 5% return, was returned to us in November 2017.

Service Agreement

The Shops at Crystals

In April 2016, the third party leasing agreement for The Shops at Crystals was terminated in connection with a change in ownership of the center. As a result, we recognized management, leasing, and development services revenue for the lump sum payment of $21.7 million received in May 2016 in connection with the termination.

Note 3 - Income Taxes

Income Tax Expense (Benefit)

Our income tax expense (benefit) for the years ended December 31, 2018 , 2017 , and 2016 consisted of the following:

	2018	2017	2016
Federal current	$ (373)	$ (2,509)	$ 2,238
Federal deferred	(1,057)	1,632 (1)	(1,310)
Foreign current	1,160	849	404
Foreign deferred	307	158	293
State current	(128)	(208)	782
State deferred	(140)	183	(195)
Total income tax (benefit) expense	$ (231)	$ 105	$ 2,212 (2)

(1) Reflects $0.3 million of expense related to the restatement of the net Federal deferred tax asset at December 31, 2017 at the new 21% Federal corporate income tax rate under the 2017 Tax Act.
(2) Includes $0.5 million of income taxes recognized at the time of conversion of a portion of our investment in partnership units in Simon Property Group Limited Partnership to common shares of Simon Property Group (Note 7).

On December 22, 2017, the 2017 Tax Act was signed into law making significant changes to the Internal Revenue Code. The 2017 Tax Act reduces the corporate tax rate to 21% effective January 1, 2018. Consequently, our Federal deferred tax assets and liabilities were remeasured to reflect the reduction in the U.S. corporate income tax rate. We recorded a decrease related to the TRS net Federal deferred tax asset of $0.3 million , with a corresponding net adjustment to deferred income tax expense of $0.3 million for the year ended December 31, 2017. With the exception of the reduction in the corporate tax rate, we did not identify any other items for which the accounting for the income tax effects of the 2017 Tax Act have not been completed.

Net Operating Loss Carryforwards

As of December 31, 2018 , we had a foreign net operating loss carryforward of $6.1 million . Of the $6.1 million , $0.5 million had a carryforward period of 10 years, and the remaining had an indefinite carryforward period. As of December 31, 2018, the TRS's had a Federal net operating loss carryforward of $10.2 million , which has an indefinite carryforward period. Its future use is limited annually to 80% of taxable income. As of December 31, 2018, the TRS's also had an investment tax credit carryforward of $3.6 million , which had a carryforward period of 20 years. As of December 31, 2018 the TRS's also had a charitable contribution carryforward of $0.7 million . Of the $0.7 million , $0.5 million had a remaining carryforward period of 4 years, and $0.2 million had a remaining carryforward period of 5 years.

Deferred Taxes

Deferred tax assets and liabilities as of December 31, 2018 and 2017 were as follows:

	2018	2017
Deferred tax assets:		
Federal	$ 5,662 (1)	$ 503 (2)
Foreign	1,655	1,788
State	807	545
Total deferred tax assets	$ 8,124	$ 2,836
Valuation allowances	(1,744) (3)	(1,620) (4)
Net deferred tax assets	$ 6,380	$ 1,216
Deferred tax liabilities:		
Foreign (5)	$ 2,454	$ 1,517
Total deferred tax liabilities	$ 2,454	$ 1,517

(1) Includes a $3.6 million Federal investment tax credit carryforward and $2.0 million attributable to a Federal net operating loss carryforward.
(2) Includes a $0.3 million reduction in the net Federal deferred tax asset due to the new 21% Federal corporate income tax rate under the 2017 Tax Act.
(3) Includes a $1.2 million valuation allowance against Foreign deferred tax assets, and a $0.5 million valuation allowance against State deferred tax assets.
(4) Includes a $1.2 million valuation allowance against Foreign deferred tax assets, and a $0.4 million valuation allowance against State deferred tax assets.
(5) The foreign deferred tax liability relates to shareholder level withholding taxes from Korea and China on undistributed profits.

We believe that it is more likely than not the results of future operations will generate sufficient taxable income to recognize the net deferred tax assets. These future operations are primarily dependent upon the Manager's profitability, the timing and amounts of gains on peripheral land sales, the profitability of Taubman Asia's operations, and other factors affecting the results of operations of the taxable REIT subsidiaries. The valuation allowances relate to net operating loss carryforwards and tax basis differences where there is uncertainty regarding their realizability.

Tax Status of Dividends

Dividends declared on TCO's common and preferred stock and their tax status are presented in the following tables. The tax status of TCO's dividends in 2018 , 2017 , and 2016 may not be indicative of future periods. The portion of the per share dividends paid in 2018 and each year detailed in each table below as capital gains (long term and unrecaptured Sec. 1250) are designated as capital gain dividends as required by Internal Revenue Code Section 857(b)(3)(c). In addition, 99.85% of the portion of the 2018 common dividend taxed as ordinary income are qualified REIT dividends that may be eligible for a new 20% tax deduction in 2018 under Internal Revenue Code Section 199A(a) if the shareholder meets certain holding period requirements.

Year	Dividends per common share declared	Return of capital	Ordinary income	Long term capital gain	Unrecaptured Sec. 1250 capital gain
2018	$ 2.6200	$ 1.1167	$ 1.4766	$ 0.0263	$ 0.0004
2017	2.5000	0.4775	1.3927	0.4397	0.1901
2016	2.3800	—	1.8427	0.3929	0.1444

Year	Dividends per Series J Preferred share declared	Ordinary income	Long term capital gain	Unrecaptured Sec. 1250 capital gain
2018	$ 1.6250	$ 1.5961	$ 0.0284	$ 0.0005
2017	1.6250	1.0505	0.4011	0.1734
2016	1.6250	1.2581	0.2683	0.0986

Year	Dividends per Series K Preferred share declared	Ordinary income	Long term capital gain	Unrecaptured Sec. 1250 capital gain
2018	$ 1.5625	$ 1.5347	$ 0.0273	$ 0.0005
2017	1.5625	1.0101	0.3857	0.1667
2016	1.5625	1.2097	0.2580	0.0948

Uncertain Tax Positions

We expect no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of December 31, 2018 . We have no material interest or penalties relating to income taxes recognized on the Consolidated Statement of Operations and Comprehensive Income for the years ended December 31, 2018 , 2017 , and 2016 or on the Consolidated Balance Sheet as of December 31, 2018 and 2017 . As of December 31, 2018 , returns for the calendar years 2015 through 2018 remain subject to examination by U.S. and various state and foreign tax jurisdictions.

Note 4 - Properties

Properties at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Land	$ 233,301	$ 232,970
Buildings, improvements, and equipment	4,342,664	3,838,862
Construction in process and pre-development costs	141,604	389,213
	$ 4,717,569	$ 4,461,045
Accumulated depreciation and amortization	(1,404,692)	(1,276,916)
	$ 3,312,877	$ 3,184,129

Depreciation expense for 2018 , 2017 , and 2016 was $155.1 million , $161.1 million , and $130.4 million , respectively.

The charge to operations in 2018 , 2017 , and 2016 for domestic and non-U.S. pre-development activities was $3.8 million , $5.6 million , and $5.0 million , respectively.

Note 5 - Investments in Unconsolidated Joint Ventures

General Information

We own beneficial interests in joint ventures that own shopping centers. TRG is the sole direct or indirect managing general partner or managing member of Fair Oaks Mall, International Plaza, Stamford Town Center, Sunvalley, The Mall at University Town Center, and Westfarms; however, these joint ventures are accounted for under the equity method due to the substantive participation rights of the outside partners. TRG also provides certain management, leasing, and/or development services to the other shopping centers noted below.

Shopping Center	Ownership as of December 31, 2018 and 2017
CityOn.Xi'an (1)	50%
CityOn.Zhengzhou (1)	49
Country Club Plaza	50
Fair Oaks Mall	50
International Plaza	50.1
The Mall at Millenia	50
Stamford Town Center	50
Starfield Anseong (under development)	Note 2
Starfield Hanam (1)	34.3
Sunvalley	50
The Mall at University Town Center	50
Waterside Shops	50
Westfarms	79

(1) We entered into agreements to sell half of our ownership interest in CityOn.Xi'an, CityOn.Zhengzhou, and Starfield Hanam in February 2019 (Note 2).

The carrying value of our investment in Unconsolidated Joint Ventures differs from our share of the partnership or members' equity reported on the combined balance sheet of the Unconsolidated Joint Ventures due to (i) the cost of our investment in excess of the historical net book values of the Unconsolidated Joint Ventures and (ii) TRG's adjustments to the book basis, including intercompany profits on sales of services that are capitalized by the Unconsolidated Joint Ventures. Our additional basis allocated to depreciable assets is recognized on a straight-line basis over 40 years. TRG's differences in bases are amortized over the useful lives or terms of the related assets and liabilities.

On our Consolidated Balance Sheet, we separately report our investment in Unconsolidated Joint Ventures for which accumulated distributions have exceeded investments in and net income of the Unconsolidated Joint Ventures. The net equity of certain joint ventures is less than zero because distributions are usually greater than net income, as net income includes non-cash charges for depreciation and amortization. In addition, any distributions related to refinancing of the shopping centers further decrease the net equity of the shopping centers.

Combined Financial Information

Combined balance sheet and results of operations information is presented in the following table for the Unconsolidated Joint Ventures, followed by TRG's beneficial interest in the combined operations information. The combined financial information of the Unconsolidated Joint Ventures as of December 31, 2018 excludes the balances of Starfield Anseong, which was under development as of December 31, 2018 (Note 2). Beneficial interest is calculated based on TRG's ownership interest in each of the Unconsolidated Joint Ventures.

	December 31 2018	December 31 2017
Assets:		
Properties	$ 3,728,846	$ 3,756,890
Accumulated depreciation and amortization	(869,375)	(767,678)
	$ 2,859,471	$ 2,989,212
Cash and cash equivalents	161,311	147,102
Accounts and notes receivable, less allowance for doubtful accounts of $6,616 and $4,706 in 2018 and 2017	131,767	121,173
Deferred charges and other assets	140,444	136,837
	$ 3,292,993	$ 3,394,324
Liabilities and accumulated equity (deficiency) in assets:		
Notes payable, net	$ 2,815,617	$ 2,860,384
Accounts payable and other liabilities	426,358	471,948
TRG's accumulated deficiency in assets	(49,465)	(48,338)
Unconsolidated Joint Venture Partners' accumulated equity in assets	100,483	110,330
	$ 3,292,993	$ 3,394,324
TRG's accumulated deficiency in assets (above)	$ (49,465)	$ (48,338)
TRG's investment in Starfield Anseong (Note 2) and advances to CityOn.Zhengzhou	140,743	46,106
TRG basis adjustments, including elimination of intercompany profit	57,360	63,886
TCO's additional basis	47,178	49,124
Net investment in Unconsolidated Joint Ventures	$ 195,816	$ 110,778
Distributions in excess of investments in and net income of Unconsolidated Joint Ventures	477,800	494,851
Investment in Unconsolidated Joint Ventures	$ 673,616	$ 605,629

	Year Ended December 31		
	2018	2017	2016
Revenues	$ 601,272	$ 586,499	$ 477,458
Maintenance, taxes, utilities, promotion, and other operating expenses	$ 211,285	$ 218,004	$ 172,325
Interest expense	132,669	130,339	103,973
Depreciation and amortization	131,884	127,625	95,051
Total operating costs	$ 475,838	$ 475,968	$ 371,349
Nonoperating income, net	1,923	2,894	317
Income tax expense	(5,935)	(5,226)	(375)
Gain on disposition, net of tax [1]		3,713	
Net income	$ 121,422	$ 111,912	$ 106,051
Net income attributable to TRG	$ 62,964	$ 59,994	$ 61,561
Realized intercompany profit, net of depreciation on TRG's basis adjustments	8,386	9,326	10,086
Depreciation of TCO's additional basis	(1,946)	(1,946)	(1,946)
Equity in income of Unconsolidated Joint Ventures	$ 69,404	$ 67,374	$ 69,701
Beneficial interest in Unconsolidated Joint Ventures' operations:			
Revenues less maintenance, taxes, utilities, promotion, and other operating expenses	$ 209,423	$ 202,332	$ 178,009
Interest expense	(68,225)	(67,283)	(54,674)
Depreciation and amortization	(68,894)	(66,933)	(53,012)
Income tax expense	(2,900)	(2,825)	(622)
Gain on disposition, net of tax [1]		2,083	
Equity in income of Unconsolidated Joint Ventures	$ 69,404	$ 67,374	$ 69,701

(1) Amount represents the gain related to the sale of the Valencia Place office tower at Country Club Plaza in March 2017 (Note 2).

Related Party

TRG owns a 50% general partnership interest in Sunvalley, while the other 50% is controlled by the A. Alfred Taubman Restated Revocable Trust (the Revocable Trust). A. Alfred Taubman was the former Chairman of the Board and the father of Robert S. and William S. Taubman. Sunvalley is subject to a ground lease on the land, which is 50% owned through an affiliate of TRG and 50% by an entity owned and controlled by Robert S. Taubman, William S. Taubman, and Gayle Taubman Kalisman. The Manager is the manager of the Sunvalley shopping center.

In 2016, we issued a note receivable outstanding to CityOn.Zhengzhou for purposes of funding development costs. The balance of the note receivable was $43.6 million and $46.1 million as of December 31, 2018 and 2017 , respectively, and was classified within Investments in Unconsolidated Joint Ventures on the Consolidated Balance Sheet.

Note 6 - Accounts and Notes Receivable

Accounts and notes receivable at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Trade	$ 46,292	$ 51,416
Notes	3,172	4,031
Straight-line rent and recoveries	38,626	33,356
	$ 88,090	$ 88,803
Less: Allowance for doubtful accounts	(10,360)	(10,237)
	$ 77,730	$ 78,566

Note 7 - Deferred Charges and Other Assets

Deferred charges and other assets at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Leasing costs	$ 52,507	$ 39,252
Accumulated amortization	(7,577)	(9,223)
	$ 44,930	$ 30,029
In-place leases, net	3,122	4,462
Investment in Simon Property Group common shares (Note 17)	48,738	101,348
Revolving credit facilities' deferred financing costs, net	4,374	6,456
Insurance deposit (Note 17)	10,121	16,703
Deposits	975	3,715
Prepaid expenses	6,671	6,362
Deferred tax asset, net	6,380	1,216
Other, net	9,825	10,208
	$ 135,136	$ 180,499

Simon Property Group Limited Partnership Unit Conversions

In December 2017 and 2016, we converted our investment in 340,124 and 250,000 partnership units of Simon Property Group Limited Partnership (SPG LP Units) to SPG common shares. Upon conversion, we recognized gains of $11.6 million and $11.1 million in 2017 and 2016, respectively, which were included within Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income. The gains were calculated based on the change in fair value of the SPG share prices at the dates of conversion from the carrying value. The SPG LP Units were previously accounted for at cost. The SPG common shares were recorded in Deferred Charges and Other Assets on the Consolidated Balance Sheet at December 31, 2018 and 2017 based on the common share price at each date and are now accounted for as equity securities at fair value as a result of the adoption of ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (Note 1). We owned 290,124 and 590,124 SPG common shares as of December 31, 2018 and 2017 , respectively. Changes in fair value from conversion date to December 31, 2018 are recorded in Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income (Note 17).

Sale of SPG Common Shares

During 2018, we sold 300,000 SPG common shares at an average price of $182.37 per share. In January 2019, we sold our remaining investment in 290,124 SPG common shares at an average price of $179.52 per share. Proceeds from the sales were used to pay down our revolving lines of credit.

Note 8 - Notes Payable, Net

Notes payable, net at December 31, 2018 and 2017 consist of the following:

	2018	2017	Stated Interest Rate as of 12/31/2018	Maturity Date	Number of Extension Options	Facility Amount
Cherry Creek Shopping Center	$ 550,000	$ 550,000	3.85%	06/01/28		
City Creek Center	77,068 (1)	78,703 (1)	4.37%	08/01/23		
Great Lakes Crossing Outlets	198,625	203,553	3.60%	01/06/23		
The Mall at Green Hills	150,000	150,000	LIBOR+1.60% LIBOR capped at 4.25%	12/01/19	One, one-year option	
International Market Place	250,000	293,801 (2)	LIBOR + 2.15%	08/09/21	Two, one-year options	
The Mall at Short Hills	1,000,000	1,000,000	3.48%	10/01/27		
Twelve Oaks Mall	296,815		4.85%	03/06/28		
U.S. Headquarters	12,000	12,000	LIBOR + 1.40% Swapped to 3.49%	03/01/24		
$65M Revolving Credit Facility	34,675	19,655	LIBOR + 1.40%	04/27/19		65,000 (3)
$1.1B Revolving Credit Facility	725,000 (4) (5)	485,000	LIBOR + 1.45% (4)	02/01/21	Two, six-month options	1,100,000 (4)
$475M Unsecured Term Loan		475,000 (6)				
$300M Unsecured Term Loan	300,000 (5) (7)	300,000 (7)	LIBOR + 1.60% (7)	02/01/22		
$250M Unsecured Term Loan	250,000 (8)		LIBOR + 1.60% (8)	03/31/23		
Deferred Financing Costs, Net	(13,988)	(12,484)				
	$ 3,830,195	$ 3,555,228				

(1) TRG has provided a limited guarantee of the repayment of the City Creek Center loan, which could be triggered only upon a decline in center occupancy to a level that we believe is remote.
(2) In July 2018, we extended the construction facility for International Market Place from August 2018 to November 2018 and made a $43.8 million principal paydown on the construction facility that was funded using our revolving line of credit. In August 2018, we refinanced the $250.0 million outstanding balance, which bore interest at LIBOR plus 1.75% .
(3) The unused borrowing capacity at December 31, 2018 was $25.8 million , after considering $4.6 million of letters of credit outstanding on the facility.
(4) TRG is the borrower under the $1.1 billion primary unsecured revolving credit facility. As of December 31, 2018, the interest rate on the facility was a range of LIBOR plus 1.15% to 1.70% and a facility fee of 0.20% to 0.25% based on our total leverage ratio. The unused borrowing capacity at December 31, 2018 was $290.7 million . The LIBOR rate is swapped to 1.65% through February 2019 on $225 million of the $1.1 billion TRG revolving credit facility. This results in an effective interest rate in the range of 2.80% to 3.35% through February 2019 on $225 million of the credit facility balance.
(5) The $1.1 billion primary unsecured revolving line of credit includes an accordion feature, which in combination with the $300 million unsecured term loan would increase our maximum aggregate total commitment to $2.0 billion between the two facilities if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018, we could not fully utilize the accordion feature unless additional assets were added to the unencumbered asset pool.
(6) In March 2018, we repaid the $475 million unsecured term loan, which was scheduled to mature in February 2019. The loan bore interest at a range of LIBOR plus 1.35% to 1.90% based on our total leverage ratio. The LIBOR rate was swapped to a fixed interest rate of 1.65% , resulting in an effective interest rate range of 3.00% to 3.55% (Note 10).
(7) TRG is the borrower under a $300 million unsecured term loan that bears interest at a range of LIBOR plus 1.25% to 1.90% based on our total leverage ratio. Beginning January 2018, the LIBOR rate is swapped through maturity to a fixed rate of 2.14% , resulting in an effective interest rate in the range of 3.39% to 4.04% (Note 10).
(8) In March 2018, TRG completed a $250 million unsecured term loan that includes an accordion feature, which would increase our maximum aggregate total commitment to $400 million if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, covenant compliance, and minimum asset values for the unencumbered asset pool. As of December 31, 2018, we could not utilize the accordion feature unless additional assets were added to the unencumbered asset pool. The loan bears interest at a range of LIBOR plus 1.25% to 1.90% based on our total leverage ratio. The LIBOR rate is swapped through February 2019 to a fixed rate of 1.64% , which results in an effective interest rate in the range of 2.89% to 3.54% . Beginning March 2019 through the March 2023 maturity date, the LIBOR rate is swapped to a fixed rate of 3.02% with forward starting swaps, which results in an effective interest rate in the range of 4.27% to 4.92% (Note 10).
(9) Amounts in table may not add due to rounding.

Notes payable are collateralized by properties with a net book value of $1.6 billion at December 31, 2018 .

The following table presents scheduled principal payments on notes payable as of December 31, 2018 :

2019	$	195,998	(1)
2020		11,747	
2021		987,329	(2)
2022		312,867	
2023		502,278	
Thereafter		1,833,964	
Total principal maturities	$	3,844,183	
Net unamortized deferred financing costs		(13,988)	
Total notes payable, net	$	3,830,195	

(1) Includes $150.0 million with a one-year extension option.
(2) Includes $725.0 million with two , six-month extension options and $250.0 million with two , one-year extension options.

2019 Maturities

The loan for The Mall at Green Hills matures in December 2019. We expect to exercise the second one-year extension option upon maturity.

Debt Covenants and Guarantees

Certain loan agreements contain various restrictive covenants, including the following corporate covenants on our primary unsecured revolving line of credit, as well as the $300 million and $250 million unsecured term loans and the loan on International Market Place: a minimum net worth requirement, a maximum total leverage ratio, a maximum secured leverage ratio, a minimum fixed charge coverage ratio, a maximum recourse secured debt ratio, and a maximum payout ratio. In addition, our primary unsecured revolving line of credit and unsecured term loans have unencumbered pool covenants, which currently apply to Beverly Center, Dolphin Mall, and The Gardens on El Paseo on a combined basis as of December 31, 2018 . These covenants include a minimum number and minimum value of eligible unencumbered assets, a maximum unencumbered leverage ratio, a minimum unencumbered interest coverage ratio, and a minimum unencumbered asset occupancy ratio. As of December 31, 2018 , the corporate total leverage ratio was the most restrictive covenant. We were in compliance with all of our covenants and loan obligations as of December 31, 2018 . The maximum payout ratio covenant limits the payment of distributions generally to 95% of funds from operations, as defined in the loan agreements, except as required to maintain our tax status, pay preferred distributions, and for distributions related to the sale of certain assets.

In connection with the August 2018 financing at International Market Place, TRG has provided an unconditional guarantee of the loan principal balance and all accrued but unpaid interest during the term of the loan. The $250.0 million loan is interest only during the initial three-year term with principal amortization required during the extension periods, if exercised. Accrued but unpaid interest as of December 31, 2018 was $1.0 million . We believe the likelihood of a repayment under the guarantee to be remote.

In connection with the $175 million additional financing at International Plaza, which is owned by an Unconsolidated Joint Venture, TRG provided an unconditional and several guarantee of 50.1% of all obligations and liabilities related to an interest rate swap that was required on the debt for the term of the loan. As of December 31, 2018 , the interest rate swap was an asset and in a receivable position for unpaid interest. We believe the likelihood of a payment under the guarantee to be remote.

Beneficial Interest in Debt and Interest Expense

TRG's beneficial interest in the debt, capitalized interest, and interest expense of its consolidated subsidiaries and its Unconsolidated Joint Ventures is summarized in the following table. TRG's beneficial interest in the consolidated subsidiaries excludes debt and interest related to the noncontrolling interest in Cherry Creek Shopping Center (50%) and International Market Place (6.5%).

	At 100%		At Beneficial Interest	
	Consolidated Subsidiaries	Unconsolidated Joint Ventures	Consolidated Subsidiaries	Unconsolidated Joint Ventures
Debt as of:				
December 31, 2018	$ 3,830,195	$ 2,815,617	$ 3,539,588	$ 1,437,445
December 31, 2017	3,555,228	2,860,384	3,261,777	1,459,854
Capitalized interest:				
Year Ended December 31, 2018	$ 15,221 (1)	$ 30	$ 15,133 (1)	$ 18
Year Ended December 31, 2017	12,402 (1)	456 (2)	12,326 (1)	456 (2)
Interest expense:				
Year Ended December 31, 2018	$ 133,197	$ 132,669	$ 121,166	$ 68,225
Year Ended December 31, 2017	108,572	130,339	96,630	67,283

(1) We capitalize interest costs incurred in funding our equity contributions to development projects accounted for as Unconsolidated Joint Ventures. The capitalized interest cost is included in our basis in our investment in Unconsolidated Joint Ventures. Such capitalized interest reduces interest expense on the Consolidated Statement of Operations and Comprehensive Income and in the table above is included within Consolidated Subsidiaries.

(2) Capitalized interest on the Asia Unconsolidated Joint Venture construction financing is presented at our beneficial interest in both the Unconsolidated Joint Ventures (at 100%) and Unconsolidated Joint Ventures (at Beneficial Interest) columns.

Note 9 - Noncontrolling Interests

Redeemable Noncontrolling Interests

Taubman Asia President

In September 2016, we announced the appointment of Peter Sharp (Successor Asia President) as president of Taubman Asia, a consolidated subsidiary, succeeding René Tremblay (Former Asia President) effective January 1, 2017. The Former Asia President was employed by us in another capacity through September 30, 2017.

The Former Asia President has an ownership interest in Taubman Asia. This interest entitles the Former Asia President to 5% of Taubman Asia's dividends, with 85% of his dividends relating to investment activities undergone prior to the Successor Asia President obtaining an ownership interest (see below) being withheld as contributions to capital. These withholdings will continue until he contributes and maintains his capital consistent with his percentage ownership interest, including all capital funded by TRG for Taubman Asia's operating and investment activities subsequent to the Former Asia President obtaining his ownership interest. TRG has a preferred investment in Taubman Asia to the extent the Former Asia President has not yet contributed capital commensurate with his ownership interest. This preferred investment accrues an annual preferential return equal to TRG's average borrowing rate (with the preferred investment and accrued return together being referred to herein as the preferred interest). In addition, Taubman Asia has the ability to call, and the Former Asia President has the ability to put, the Former Asia President’s ownership interest upon Taubman Asia's properties reaching certain specified milestones. The redemption price for the ownership interest is the fair value of the ownership interest less the amount required to return TRG's preferred interest. We have determined that the Former Asia President's ownership interest in Taubman Asia qualifies as an equity award, considering its specific redemption provisions, and accounts for it as a contingently redeemable noncontrolling interest. We present as temporary equity at each balance sheet date an estimate of the redemption value of the ownership interest, therefore falling into Level 3 of the fair value hierarchy. As of December 31, 2018 and 2017 , the carrying amount of this redeemable equity was $7.8 million and $7.5 million , respectively. Adjustments to the redemption value are recorded through equity.

In April 2016, we reacquired half of the Former Asia President's previous 10% ownership interest in Taubman Asia for $7.2 million . The Former Asia President contributed $2 million to Taubman Asia, which may be returned, in part or in whole, upon satisfaction of the re-evaluation of the full liquidation value of Taubman Asia as of April 2016; such re-evaluation will be performed at the Former Asia President's election on or after the third anniversary of the opening of specified Asia projects. The Former Asia President's current 5% interest is puttable beginning in 2019 at the earliest and was classified as Redeemable Noncontrolling Interest on the Consolidated Balance Sheet.

The Successor Asia President also has an ownership interest in Taubman Asia. This interest entitles the Successor Asia President to 3% of Taubman Asia's dividends for investment activities undergone by Taubman Asia subsequent to him obtaining his ownership interest, with all of his dividends being withheld as contributions to capital. These withholdings will continue until he contributes and maintains his capital consistent with his percentage ownership interest, including all capital funded by TRG for Taubman Asia's operating and investment activities subsequent to the Successor Asia President obtaining his ownership interest. TRG has a preferred investment in Taubman Asia to the extent the Successor Asia President has not yet contributed capital commensurate with his ownership interest. This preferred investment accrues an annual preferential return equal to TRG's average borrowing rate (with the preferred investment and accrued return together being referred to herein as the preferred interest). In addition, Taubman Asia has the ability to call, and the Successor Asia President has the ability to put, the Successor Asia President’s ownership interest upon specified terminations of the Successor Asia President’s employment, although such put or call right may not be exercised for specified time periods after certain termination events. The redemption price for the ownership interest is 50% (increasing to 100% as early as January 2022) of the fair value of the ownership interest less the amount required to return TRG's preferred interest. We have determined that the Successor Asia President's ownership interest in Taubman Asia qualifies as an equity award, considering its specific redemption provisions, and account for it as a contingently redeemable noncontrolling interest. As of December 31, 2018 , the carrying amount of this redeemable equity was zero . Any adjustments to the redemption value are recorded through equity.

International Market Place

We own a 93.5% controlling interest in a joint venture that owns International Market Place in Waikiki, Honolulu, Hawaii, which opened in August 2016. The 6.5% joint venture partner has no obligation and no right to contribute capital. We are entitled to a preferential return on our capital contributions. We have the right to purchase the joint venture partner's interest and the joint venture partner has the right to require us to purchase the joint venture partner's interest after the third anniversary of the opening of the center, and annually thereafter. The purchase price of the joint venture partner's interest will be based on fair value. Considering the redemption provisions, we account for the joint venture partner's interest as a contingently redeemable noncontrolling interest with a carrying value of zero at both December 31, 2018 and 2017 . Any adjustments to the redemption value are recorded through equity.

Reconciliation of Redeemable Noncontrolling Interest

	2018	2017
Balance, January 1	$ 7,500	$ 8,704
Former Taubman Asia President vested redeemable equity	300	(1,204)
Allocation of net loss	(280)	(924)
Adjustments of redeemable noncontrolling interest	280	924
Balance, December 31	$ 7,800	$ 7,500

Equity Balances of Non-redeemable Noncontrolling Interests

The net equity balance of the non-redeemable noncontrolling interests as of December 31, 2018 and 2017 included the following:

	2018	2017
Non-redeemable noncontrolling interests:		
Noncontrolling interests in consolidated joint ventures	$ (156,470)	$ (160,359)
Noncontrolling interests in partnership equity of TRG	(58,554)	(11,909)
	$ (215,024)	$ (172,268)

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to the noncontrolling interests for the years ended December 31, 2018 , 2017 , and 2016 included the following:

	2018	2017	2016
Net income (loss) attributable to noncontrolling interests:			
Non-redeemable noncontrolling interests:			
Noncontrolling share of income of consolidated joint ventures	$ 6,548	$ 7,699	$ 8,761
Noncontrolling share of income of TRG	25,988	25,277	47,433
	$ 32,536	$ 32,976	$ 56,194
Redeemable noncontrolling interest:	(280)	(924)	(656)
	$ 32,256	$ 32,052	$ 55,538

Equity Transactions

The following table presents the effects of changes in TCO's ownership interest in consolidated subsidiaries on TCO's equity for the years ended December 31, 2018 , 2017 , and 2016 :

	2018	2017	2016
Net income attributable to TCO common shareholders	$ 57,952	$ 55,267	$ 107,358
Transfers (to) from the noncontrolling interest:			
Increase (decrease) in TCO's paid-in capital for the adjustments of noncontrolling interest [1]	(601)	(1,197)	1,959
Net transfers (to) from noncontrolling interests	(601)	(1,197)	1,959
Change from net income attributable to TCO and transfers (to) from noncontrolling interests	$ 57,351	$ 54,070	$ 109,317

(1) In 2018, 2017, and 2016, adjustments of the noncontrolling interest were made as a result of changes in our ownership of TRG in connection with our share-based compensation under employee and director benefit plans (Note 13) and issuances of stock pursuant to the continuing offer (Note 15) and in connection with the accounting for the Former Asia President's redeemable ownership interest.

Finite Life Entities

ASC Topic 480, "Distinguishing Liabilities from Equity" establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. At December 31, 2018 , we held a controlling interest in a consolidated entity with a specified termination date in 2083 . The noncontrolling owners' interest in this entity is to be settled upon termination by distribution or transfer of either cash or specific assets of the underlying entity. The estimated fair value of this noncontrolling interest was approximately $370 million at December 31, 2018 , compared to a book value of $(156.5) million that is classified in Noncontrolling Interests on our Consolidated Balance Sheet. The fair value of the noncontrolling interest was calculated as the noncontrolling interest's effective ownership share of the underlying property's net asset value. The property's net asset value was estimated by considering its in-place net operating income, current market capitalization rate, and mortgage debt outstanding.

Note 10 - Derivative and Hedging Activities

Risk Management Objective and Strategies for Using Derivatives

We use derivative instruments, such as interest rate swaps and interest rate caps, primarily to manage exposure to interest rate risks inherent in variable rate debt and refinancings. We may also enter into forward starting swaps or treasury lock agreements to set the effective interest rate on a planned fixed rate financing. Our interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for us making fixed rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate caps involve the receipt of variable-rate amounts from a counterparty if interest rates rise above the strike rate on the contract in exchange for an up-front premium. In a forward starting swap or treasury lock agreement that we cash settle in anticipation of a fixed rate financing or refinancing, we will receive or pay an amount equal to the present value of future cash flow payments based on the difference between the contract rate and market rate on the settlement date.

We do not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedging instruments under the accounting requirements for derivatives and hedging.

As of December 31, 2018 , we had the following outstanding derivatives that were designated and are expected to be effective as cash flow hedges of the interest payments and/or the currency exchange rate on the associated debt.

Instrument Type	Ownership	Notional Amount	Swap Rate	Credit Spread on Loan	Total Swapped Rate on Loan	Maturity Date
Consolidated Subsidiaries:						
Receive variable (LIBOR) /pay-fixed swap [1]	100%	$ 200,000	1.64%	1.60% [1]	3.24% [1]	February 2019
Receive variable (LIBOR) /pay-fixed swap [1]	100%	175,000	1.65%	1.45% [1]	3.10% [1]	February 2019
Receive variable (LIBOR) /pay-fixed swap [1]	100%	100,000	1.64%	1.60% / 1.45% [1]	3.24% / 3.09% [1]	February 2019
Receive variable (LIBOR) /pay-fixed swap [2]	100%	100,000	2.14% [2]	1.60% [2]	3.74% [2]	February 2022
Receive variable (LIBOR) /pay-fixed swap [2]	100%	100,000	2.14% [2]	1.60% [2]	3.74% [2]	February 2022
Receive variable (LIBOR) /pay-fixed swap [2]	100%	50,000	2.14% [2]	1.60% [2]	3.74% [2]	February 2022
Receive variable (LIBOR) /pay-fixed swap [2]	100%	50,000	2.14% [2]	1.60% [2]	3.74% [2]	February 2022
Receive variable (LIBOR) / pay-fixed swap [3]	100%	125,000	[3]	[3]	[3]	March 2023
Receive variable (LIBOR) / pay-fixed swap [3]	100%	75,000	[3]	[3]	[3]	March 2023
Receive variable (LIBOR) / pay-fixed swap [3]	100%	50,000	[3]	[3]	[3]	March 2023
Receive variable (LIBOR) /pay-fixed swap [4]	100%	12,000	2.09%	1.40%	3.49%	March 2024
Unconsolidated Joint Ventures:						
Receive variable (LIBOR) /pay-fixed swap [5]	50.1%	162,194	1.83%	1.75%	3.58%	December 2021
Receive variable (LIBOR) USD/pay-fixed Korean Won (KRW) cross-currency interest rate swap [6]	34.3%	52,065 USD / 60,500,000 KRW	1.52%	1.60%	3.12%	September 2020

(1) The hedged forecasted transaction for each of these swaps is the first previously unhedged one-month LIBOR -indexed interest payments accrued and made each month on a debt principal amount equal to the swap notional amount, regardless of the specific debt agreement from which they may flow. We are currently using these swaps to manage interest rate risk on the $250 million unsecured term loan and $225 million on the $1.1 billion primary unsecured revolving line of credit. The credit spread on these loans can also vary within a range of 1.25% to 1.90% on the $250 million unsecured term loan and 1.15% to 1.70% on the primary unsecured revolving line of credit, depending on our total leverage ratio at the measurement date, resulting in an effective rate in the range of 2.89% to 3.54% on the $250 million unsecured term loan and 2.80% to 3.35% on $225 million of the $1.1 billion primary unsecured revolving line of credit during the remaining swap period.

(2) The hedged forecasted transaction for each of these swaps is the first previously unhedged one-month LIBOR -indexed interest payments accrued and made each month on a debt principal amount equal to the swap notional amount, regardless of the specific debt agreement from which they may flow beginning with the January 2018 effective date of the swaps. As of December 31, 2018 we are using these swaps to manage interest rate risk on the $300 million unsecured term loan. The credit spread on this loan can vary within a range of 1.25% to 1.90% , depending on our total leverage ratio at the measurement date, resulting in an effective rate in the range of 3.39% to 4.04% during the swap period.

(3) The hedged forecasted transaction for each of these forward starting swaps is the first unhedged one-month LIBOR -indexed interest payments accrued and made each month on a debt principal amount equal to the swap notional amount, regardless of the specific debt agreement from which they may flow. Beginning with the March 2019 effective date, we anticipate using these forward starting swaps to manage interest rate risk on the $250 million unsecured term loan and the LIBOR rate will be swapped to a fixed rate of 3.02% . The credit spread on this loan can vary within a range of 1.25% to 1.9% , depending on our total leverage ratio at the measurement date, resulting in an effective rate in the range of 4.27% to 4.92% during the swap period.

(4) The notional amount on this swap is equal to the outstanding principal balance of the floating rate loan on the U.S. headquarters building.

(5) The notional amount on this swap is equal to the outstanding principal balance of the floating rate loan on International Plaza.

(6) The notional amount on this swap is equal to the outstanding principal balance of the U.S. dollar construction loan for Starfield Hanam. There is a cross-currency interest rate swap to fix the interest rate on the loan and swap the related principal and interest payments from U.S. dollars to KRW in order to reduce the impact of fluctuations in interest rates and exchange rates on the cash flows of the joint venture. The currency swap exchange rate is 1,162.0 .

Cash Flow Hedges

On January 1, 2018, we early adopted ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities", which provided changes in hedge accounting recognition and presentation requirements. We now recognize all changes in fair value for hedging instruments designated and qualifying for cash flow hedge accounting treatment as a component of Other Comprehensive Income (OCI), as opposed to previously recognizing the ineffective portion, if any, directly in earnings. Upon adoption, we applied the modified-retrospective approach and recorded a one-time cumulative-effect adjusting entry to reclassify an inconsequential amount of previous hedge ineffectiveness for cash flow hedges from Dividends in Excess of Net Income to AOCI on our Consolidated Balance Sheet. Net realized gains or losses resulting from derivatives that were settled in conjunction with planned fixed rate financings or refinancings continue to be included in AOCI during the term of the hedged debt transaction.

Amounts reported in AOCI related to currently outstanding interest rate derivatives are recognized as an adjustment to income as interest payments are made on our variable-rate debt. Realized gains or losses on settled derivative instruments included in AOCI are recognized as an adjustment to income over the term of the hedged debt transaction. Amounts reported in AOCI related to the cross-currency interest rate swap are recognized as an adjustment to income as transaction gains or losses arising from the remeasurement of foreign currency denominated loans are recognized and as actual interest and principal obligations are repaid.

We expect that approximately $1.7 million of the AOCI of TCO and the noncontrolling interests will be reclassified from AOCI and recognized as an increase of income in the following 12 months.

The following tables present the effect of derivative instruments on our Consolidated Statement of Operations and Comprehensive Income for the years ended December 31, 2018 , 2017 , and 2016 . The tables include the amount of gains or losses on outstanding derivative instruments recognized in OCI in cash flow hedging relationships and the location and amount of gains or losses reclassified from AOCI into income resulting from outstanding derivative instruments.

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)			Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)		
	2018	2017	2016		2018	2017	2016
Derivatives in cash flow hedging relationships:							
Interest rate contracts – consolidated subsidiaries	$ (2,636)	$ 3,994	$ 2,234	Interest Expense	$ 1,133	$ (2,879)	$ (5,823)
Interest rate contracts – UJVs	943	2,898	2,478	Equity in Income of UJVs	(188)	(2,406)	(3,775)
Cross-currency interest rate contract – UJV	(154)	201	(109)	Equity in Income of UJVs	864	(2,279)	259
Total derivatives in cash flow hedging relationships	$ (1,847)	$ 7,093	$ 4,603		$ 1,809	$ (7,564)	$ (9,339)

We record all derivative instruments at fair value on the Consolidated Balance Sheet. The following table presents the location and fair value of our derivative financial instruments as reported on the Consolidated Balance Sheet as of December 31, 2018 and 2017 .

		Fair Value	
	Consolidated Balance Sheet Location	December 31 2018	December 31 2017
Derivatives designated as hedging instruments:			
Asset derivatives:			
Interest rate contracts – consolidated subsidiaries	Deferred Charges and Other Assets	$ 3,530	$ 939
Interest rate contract – UJV	Investment in UJVs	1,345	760
Total assets designated as hedging instruments		$ 4,875	$ 1,699
Liability derivatives:			
Interest rate contracts – consolidated subsidiary	Accounts Payable and Accrued Liabilities	$ (5,710)	$ (484)
Interest rate contracts – UJV	Investment in UJVs		(357)
Cross-currency interest rate contract - UJV	Investment in UJVs	(963)	(1,630)
Total liabilities designated as hedging instruments		$ (6,673)	$ (2,471)

Contingent Features

Our outstanding derivatives contain provisions that state if the hedged entity defaults on its indebtedness above a certain threshold, then the derivative obligation could also be declared in default. The cross default thresholds vary for each agreement, ranging from $0.1 million of any indebtedness to $50 million of indebtedness on TRG's indebtedness. As of December 31, 2018 , we are not in default on any indebtedness that would trigger a credit-risk-related default on our current outstanding derivatives.

As of December 31, 2018 and 2017 , the fair value of derivative instruments with credit-risk-related contingent features that are in a liability position was $6.7 million and $2.5 million , respectively. As of December 31, 2018 and 2017 , we were not required to post any collateral related to these agreements. If we breached any of these provisions we would be required to settle our obligations under the agreements at their fair value. See Note 8 regarding guarantees and Note 17 for fair value information on derivatives.

Note 11 - Leases

Shopping center space is leased to tenants and certain anchors pursuant to lease agreements. Tenant leases typically provide for minimum rent, overage rent, and other charges to cover certain operating costs. Future minimum rent under operating leases in effect at December 31, 2018 for operating centers assuming no new or renegotiated leases or option extensions on anchor agreements, is summarized as follows:

2019	$	341,996
2020		321,200
2021		282,124
2022		242,967
2023		214,633
Thereafter		618,799

Certain shopping centers, as lessees, have ground and building leases expiring at various dates through the year 2105. In addition, one center has an option to extend the term for three , 10 -year periods and another center has the option to extend the lease term for one additional 10 -year period. Ground rent expense is recognized on a straight-line basis over the lease terms.

We also lease certain of our office facilities and certain equipment. Office facility and equipment leases expire at various dates through the year 2022 .

Rental expense on a straight-line basis under operating leases was $21.2 million in 2018 , $20.1 million in 2017 , and $15.1 million in 2016 . There was $0.3 million of contingent rent expense under operating leases in 2018, and none in 2017 or 2016. Payables representing straight-line rent adjustments under lease agreements were $64.8 million and $62.6 million , as of December 31, 2018 and 2017 , respectively.

The following is a schedule of future minimum rental payments required under operating leases:

2019	$	14,715
2020		13,856
2021		12,584
2022		13,982
2023		14,142
Thereafter		723,068

We own the retail space subject to a long-term participating lease at City Creek Center, a mixed-use property in Salt Lake City, Utah. City Creek Reserve, Inc. (CCRI), an affiliate of the LDS Church is the participating lessor. We own 100% of the leasehold interest in the retail buildings and property. CCRI has an option to purchase our interest at fair value at various points in time over the term of the lease. In addition to the minimum rent included in the table above, we may pay contingent rent based on the performance of the center.

International Market Place, a shopping center located in Waikiki, Honolulu, Hawaii, opened in August 2016. The shopping center is subject to a long-term participating ground lease. In addition to minimum rent included in the table above, we may pay contingent rent based on the performance of the center.

Note 12 - The Manager

The Manager provides real estate management, acquisition, development, leasing, and administrative services required by us and our properties in the United States, and employs all of our U.S. employees, including our executive officers. Taubman Asia Management Limited (TAM) and certain other affiliates provide similar services for third parties in China and South Korea as well as Taubman Asia. The Manager is 99.8% beneficially owned by TRG and 0.2% owned by Taub-Co Holdings LLC (Taub-Co), which is 100% owned by members of the Taubman Family.

The Revocable Trust and certain of its affiliates receive various management services from the Manager. For such services, the Revocable Trust and affiliates paid the Manager $2.6 million in 2018 , $2.5 million in 2017, and $3.0 million in 2016 . Since TRG has an approximate 99.8% beneficial interest in the Manager, substantially all of these fees accrue to TRG, with a de minimis portion of the fees accruing to the benefit of Taub-Co through its 0.2% beneficial interest in the Manager. These amounts are classified in Management, Leasing, and Development Services revenues on the Consolidated Statement of Operations and Comprehensive Income.

Other related party transactions are described in Notes 5, 13, and 15.

Note 13 - Share-Based Compensation and Other Employee Plans

In May 2018, our shareholder s approved The Taubman Company LLC 2018 Omnibus Long-Term Incentive Plan (2018 Omnibus Plan). The 2018 Omnibus Plan provides for the award of restricted shares, restricted share units, restricted profits units of TRG (TRG Profits Units), options to purchase common shares, unrestricted shares, and dividend equivalent rights, in each case with or without performance conditions, to acquire up to an aggregate of 2.8 million common shares and TRG Profits Units to directors, officers, employees, and other service providers of TCO and its affiliates. Every share or TRG Profits Unit subject to awards under the 2018 Omnibus Plan shall be counted against this limit as one share or TRG Profits Unit for every one share or TRG Profits Unit granted. The amount of shares or TRG Profits Units available for future grants is adjusted when the number of contingently issuable common shares or units are settled. If an award issued under the 2018 Omnibus Plan is forfeited, expires without being exercised, or is used to pay tax withholding on such award, the shares of TRG Profits Units become available for issuance under new awards. TRG Profits Units are intended to constitute "profits interests" within the meaning of Treasury authority under the Internal Revenue Code of 1986, as amended. In addition, non-employee directors have the option to defer their compensation under a deferred compensation plan. The 2018 Omnibus Plan allows us to permit or require the deferral of all or a part of an award payment into a deferred compensation arrangement. Prior to the adoption of the 2018 Omnibus Plan, we provided share-based compensation through The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan (2008 Omnibus Plan), as amended, which expired in May 2018.

TRG Profits Units

In 2018, 2017, and 2016, the following types of TRG Profits Units awards were granted to certain senior management employees: (1) a time-based award with a three-year cliff vesting period (Restricted TRG Profits Units); (2) a performance-based award that is based on the achievement of relative total shareholder return (TSR) over a three-year period (Relative TSR Performance-based TRG Profits Units); and (3) a performance-based award that is based on the achievement of net operating income (NOI) over a three-year period (NOI Performance-based TRG Profits Units). The maximum number of Relative TSR and NOI Performance-based TRG Profits Units are issued at grant, eventually subject to a recovery and cancellation of previously granted amounts depending on actual performance against TSR and NOI measures over the three-year performance measurement period. NOI Performance-based TRG Profits Units provide for a cap on the maximum number of units vested if a specified absolute TSR level is not achieved. Relative TSR and NOI Performance-based TRG Profits Units are generally subject to the same performance measures as the TSR-Based and NOI-Based Performance Share Units (see Other Management Employee Grants below). Despite the difference in scaling of the grant programs, the final outcome of the TSR and NOI performance measures will result in similar numbers of either TRG Units or common shares being issued at vesting under both the TRG Profits Units program and the Performance Share Unit program, respectively.

Each such award represents a contingent right to receive a TRG Unit upon vesting and the satisfaction of certain tax-driven requirements and, as to the TSR and NOI Performance-based TRG Profits Units, the satisfaction of certain performance-based requirements. Until vested, a TRG Profits Unit entitles the holder to only one-tenth of the distributions otherwise payable by TRG on a TRG Unit. Therefore, we account for these TRG Profits Units as participating securities in TRG. A portion of the TRG Profits Units award represents estimated cash distributions that otherwise would have been payable during the vesting period and, upon vesting, there will be an adjustment in actual number of TRG Profits Units realized under each award to reflect TRG's actual cash distributions during the vesting period .

The TRG Profits Units issued in 2018, 2017, and 2016 vest in March 2021, March 2020, and March 2019, respectively, if continuous service has been provided, or upon retirement or certain other events (such as death or disability) if earlier. Each holder of a TRG Profits Unit will be treated as a limited partner in TRG from the date of grant. To the extent the vested TRG Profits Units have not achieved the applicable criteria for conversion to TRG Units, vesting and economic equivalence to a TRG Unit prior to the tenth anniversary of the date of grant, the awards will be forfeited pursuant to the terms of the award agreement.

Other Management Employee Grants

During 2018, 2017, and 2016, other types of awards granted to management employees include those described below. These generally vest in March 2021, March 2020, and March 2019, respectively, if continuous service has been provided, or upon retirement or certain other events (such as death or disability) if earlier.

TSR - Based Performance Share Units (TSR PSU) - Each TSR PSU represents the right to receive, upon vesting, shares of common stock ranging from 0-300% of the TSR PSU based on our market performance relative to that of a peer group. The TSR PSU grants include a cash payment upon vesting equal to the aggregate cash dividends that would have been paid on such shares of common stock during the vesting period.

NOI - Based Performance Share Units (NOI PSU) - Each NOI PSU represents the right to receive, upon vesting, shares of common stock ranging from 0-300% of the NOI PSU based on our NOI performance, as well as a cash payment upon vesting equal to the aggregate cash dividends that would have been paid on such shares of common stock during the vesting period. These awards also provide for a cap on the maximum number of units vested if a specified absolute TSR level is not achieved.

Restricted Share Units (RSU) - Each RSU represents the right to receive upon vesting one share of common stock, as well as a cash payment upon vesting equal to the aggregate cash dividends that would have been paid on such shares of common stock during the vesting period .

Expensed and Capitalized Costs

The compensation cost charged to income for our share-based compensation plans was $9.2 million , $10.8 million , and $11.8 million for the years ended December 31, 2018 , 2017 , and 2016 , respectively. Compensation cost capitalized as part of properties and deferred leasing costs was $0.9 million , $0.9 million , and $1.3 million for the years ended December 31, 2018 , 2017 , and 2016 , respectively.

Valuation Methodologies

We estimated the grant-date fair values of share-based grants using the methods as follows. Expected volatility and dividend yields are based on historical volatility and yields of our common stock, respectively, as well as other factors. The risk-free interest rates used are based on the U.S. Treasury yield curves in effect at the grant date. We assume no forfeitures for failure to meet the service requirement of Performance Share Units (PSU) or TRG Profits Units, due to the small number of participants and low turnover rate.

The valuations of all grants utilized our common stock price at the grant date. Common stock prices when used in valuing TRG Profits Units are further adjusted by the present value of expected differences in dividends payable on the common stock versus the distributions payable on the TRG Profits Units over the vesting period. We estimated the value of grants dependent on TSR performance using a Monte Carlo simulation and considering historical returns of TCO and the peer group.

For awards dependent on NOI performance, we consider the NOI measure a performance condition under applicable accounting standards, and as such, have estimated a grant-date fair value for each of its possible outcomes. The compensation cost ultimately will be recognized equal to the grant-date fair value of the award that coincides with the actual outcome of the NOI performance. The weighted average grant-date fair value shown for NOI-dependent awards corresponds with management's current expectation of the probable outcome of the NOI performance measure. The product of the NOI-dependent awards outstanding and the grant-date fair value represents the compensation cost being recognized over the service periods.

The valuations of TRG Profits Units consider the possibility that sufficient share price appreciation will not be realized, such that the conversion to TRG Units will not occur and the awards will be forfeited.

Summaries of Activity for the years ended December 31, 2018 , 2017 , and 2016

Restricted TRG Profits Units

	Number of Restricted TRG Profits Units		Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2016	—		$ —
Granted	68,045		59.89
Forfeited	(22,105)		60.71
Outstanding at December 31, 2016	45,940		$ 59.49
Granted	46,076		57.84
Forfeited	(30,885)		57.85
Outstanding at December 31, 2017	61,131		$ 59.08
Granted	8,154		49.29
Outstanding at December 31, 2018	69,285		$ 57.93
Fully vested at December 31, 2018	3,826	(1)	$ 59.03

(1) These Restricted TRG Profits Units vested as a result of our restructuring and reduction in our workforce (Note 1).

The total intrinsic value of Restricted TRG Profits Units fully vested during the year ended December 31, 2017 was $0.3 million . No Restricted TRG Profits Units vested in 2018 or 2016.

As of December 31, 2018 , there was $0.8 million of total unrecognized compensation cost related to nonvested Restricted TRG Profits Units outstanding. This cost is expected to be recognized over an average period of 1.3 years.

Relative TSR Performance-based TRG Profits Units

	Number of relative TSR Performance-based TRG Profits Units		Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2016	—		$ —
Granted	119,123		26.42
Forfeited	(15,754)		26.42
Outstanding at December 31, 2016	103,369		$ 26.42
Granted	103,666		23.14
Forfeited	(77,302)		23.42
Outstanding at December 31, 2017	129,733		$ 25.59
Granted	18,345		22.22
Outstanding at December 31, 2018	148,078		$ 25.17
Fully vested at December 31, 2018	797	(1)	$ 23.14

(1) These Relative TSR Performance-based TRG Profits Units vested as a result of our restructuring and reduction in our workforce (Note 1).

The total intrinsic value of Relative TSR Performance-based TRG Profits Units fully vested during the year ended December 31, 2017 was $0.1 million . No Relative TSR Performance-based TRG Profits Units vested in 2018 or 2016.

As of December 31, 2018 , there was $0.7 million of total unrecognized compensation cost related to nonvested Relative TSR Performance-based TRG Profits Units outstanding. This cost is expected to be recognized over an average period of 1.4 years .

NOI Performance-based TRG Profits Units

	Number of NOI Performance-based TRG Profits Units	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2016	—	$ —
Granted	119,123	41.87
Forfeited	(15,754)	19.41
Outstanding at December 31, 2016	103,369	$ 41.87
Granted	103,666	19.35
Forfeited	(75,431)	20.59
Outstanding at December 31, 2017	131,604	$ 19.69
Granted	18,345	16.43
Outstanding at December 31, 2018	149,949	$ 19.29
Fully vested at December 31, 2018	2,668	$ 33.56

(1) These NOI Performance-based TRG Profits Units vested as a result of our restructuring and reduction in our workforce (Note 1).

The total intrinsic value of NOI Performance-based TRG Profits Units fully vested during the year ended December 31, 2017 was $0.2 million . No NOI Performance-based TRG Profits Units vested in 2018 or 2016.

As of December 31, 2018 , there was $0.6 million of total unrecognized compensation cost related to nonvested NOI Performance-based TRG Profits Units outstanding. This cost is expected to be recognized over an average period of 1.3 years .

TSR - Based Performance Share Units

	Number of TSR PSU	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2016	255,478	$ 134.52
Forfeited	(44,585)	149.43
Vested	(44,866) (1)	96.61
Outstanding at December 31, 2016	166,027	$ 138.93
Granted	5,046	80.16
Vested - three-year grants	(50,459) (2)	90.51
Vested - 2012 and 2013 special grants	(79,764) (3)	181.99
Outstanding at December 31, 2017	40,850	$ 107.38
Granted	10,393	78.82
Vested	(37,046) (4)	110.19
Outstanding at December 31, 2018	14,197	$ 79.13

(1) Based on our market performance relative to that of a peer group, the actual number of shares of common stock issued upon vesting during the year ended December 31, 2016 was zero shares. That is, despite the completion of applicable employee service requirements, the number of shares ultimately considered earned is determined by the extent to which the TSR market performance measure was achieved during the performance period.

(2) Based on our market performance relative to that of a peer group, the actual number of shares of common stock issued upon vesting during the year ended December 31, 2017 was 30,601 shares for the TSR PSU three-year grants. The shares of common stock were issued at a weighted average rate of 0.60 x and in the range of 0.00 x to 1.00 x. That is, despite the completion of the applicable employee service requirements, the number of shares ultimately considered earned is determined by the extent to which the TSR market performance measure was achieved during the performance period. Included in the vested PSUs are awards that vested early due to a retirement and as a result of our restructuring and reduction in our workforce (Note 1).

(3) Based on our market performance relative to that of a peer group, the actual number of shares of common stock issued upon vesting during the year ended December 31, 2017 was zero shares for the 2012 and 2013 TSR PSU special grants. That is, despite the completion of the applicable employee service requirements, the number of shares ultimately considered earned is determined by the extent to which the TSR market performance measure was achieved during the performance period.

(4) Based on our market performance relative to that of a peer group, the actual number of shares of common stock issued upon vesting during the year ended December 31, 2018 was 45,941 shares for the TSR PSU three-year grants. The shares of common stock were issued at a rate of 1.24 x. That is, despite the completion of the applicable employee service requirements, the number of shares ultimately considered earned is determined by the extent to which the TSR market performance measure was achieved during the performance period.

The total intrinsic value of TSR PSU vested during the years ended December 31, 2018 , 2017 , and 2016 was $2.7 million , $2.1 million , and zero , respectively.

As of December 31, 2018 , there was $0.7 million of total unrecognized compensation cost related to nonvested TSR PSU outstanding. This cost is expected to be recognized over an average period of 1.8 years .

NOI - Based Performance Share Units

	Number of NOI PSU	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2017	—	$ —
Granted	5,046	67.04
Vested	(1,242) (1)	67.50
Outstanding at December 31, 2017	3,804	$ 67.00
Granted	10,393	58.28
Outstanding at December 31, 2018	14,197	$ 60.59

(1)The actual number of shares of common stock issued upon vesting during the year ended December 31, 2017 was 1,242 shares (1.0 x). That is, despite the completion of applicable employee service requirements, the number of shares ultimately considered earned is determined by the extent to which NOI was achieved during the performance period. These NOI PSU vested as a result of our restructuring and reduction in our workforce (Note 1).

The total intrinsic value of NOI PSU vested during the year ended December 31, 2017 was $0.1 million . No NOI PSU vested in 2018 or 2016 .

As of December 31, 2018 , there was $0.5 million of total unrecognized compensation cost related to nonvested NOI PSU outstanding. This cost is expected to be recognized over an average period of 1.8 years .

Restricted Share Units

	Number of RSU	Weighted average Grant Date Fair Value
Outstanding at January 1, 2016	283,353	$ 69.93
Granted	55,888	73.42
Forfeited	(17,012)	69.20
Vested	(90,326)	71.57
Outstanding at December 31, 2016	231,903	$ 70.40
Granted	102,568 (1)	63.33
Forfeited	(12,499)	67.78
Vested	(126,951)	66.98
Outstanding at December 31, 2017	195,021 (1)	$ 69.22
Granted	69,931	58.28
Forfeited	(6,985)	63.21
Vested	(73,294)	73.91
Outstanding at December 31, 2018	184,673	$ 63.44
Fully vested at December 31, 2018	5,067 (2)	$ 58.75

(1)The granted shares and outstanding balance as of December 31, 2017 and associated grant-date fair value were adjusted immaterially from previously reported amounts to reflect the actual number of RSU granted and outstanding as of December 31, 2017.
(2)These RSU were vested and outstanding as of December 31, 2018. The related shares were issued on January 3, 2019.

Based on an analysis of historical employee turnover, we have made an annual forfeiture assumption of 2.00% of grants when recognizing compensation costs relating to the RSU.

The total intrinsic value of RSU vested during the years ended December 31, 2018 , 2017 , and 2016 was $4.6 million , $8.6 million , and $6.6 million , respectively.

As of December 31, 2018 , there was $4.5 million of total unrecognized compensation cost related to nonvested RSU outstanding. This cost is expected to be recognized over an average period of 1.6 years .

Options

Options were granted to purchase TRG Units, which are exchangeable for new shares of our common stock under the Continuing Offer (Note 15). The options had ten-year contractual terms.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Range of Exercise Prices
Outstanding at January 1, 2016	292,543	$ 46.60	1.4	$ 35.5 - $ 51.15
Exercised	(89,957)	42.66		
Outstanding at December 31, 2016	202,586	$ 48.35	0.7	$ 45.90 - $ 51.15
Exercised	(202,586)	48.35		
Outstanding at December 31, 2017	—	$ —		-

The total intrinsic value of options exercised during the years ended December 31, 2017 and 2016 was $3.5 million and $2.4 million , respectively. Cash received from option exercises for the years ended December 31, 2017 and 2016 was $9.8 million and $3.8 million , respectively. No options were granted in 2018.

Unit Option Deferral Election

Under a prior option plan, the 2008 Omnibus Plan, and the 2018 Omnibus Plan, vested unit options can be exercised by tendering mature units with a market value equal to the exercise price of the unit options. In 2002, Robert S. Taubman, our chief executive officer, exercised options for 3.0 million units by tendering 2.1 million mature units and deferring receipt of 0.9 million units under the unit option deferral election. As TRG pays distributions, the deferred option units receive their proportionate share of the distributions in the form of cash payments. Under an amendment executed in January 2011 and subsequent deferral elections (the latest being made in September 2016), beginning in December 2022 (unless Mr. Taubman retires earlier), the deferred options units will be issued as TRG Units in five annual installments. The deferred option units are accounted for as participating securities of TRG .

Non-Employee Directors' Stock Grant and Deferred Compensation

The 2008 Omnibus Plan previously provided, and the 2018 Omnibus Plan currently provides, a quarterly grant to each non-employee director of TCO , shares of our common stock based on the fair value of our common stock on the last business day of the preceding quarter. The annual fair market value of the grant was $125,000 in 2018 , 2017 , and 2016. As of December 31, 2018 , an aggregate of 122,906 shares have been issued under the 2008 and 2018 Omnibus Plans to non-employee directors. Certain directors have elected to defer receipt of their shares as described below.

The Non-Employee Directors' Deferred Compensation Plan (DCP), which was approved by our Board of Directors, allows each non-employee director of TCO the right to defer the receipt of all or a portion of his or her annual director retainer fee until the termination of his or her service on our Board of Directors and for such deferred amount to be denominated in restricted stock units. The number of restricted stock units received equals the amount of the deferred retainer fee divided by the fair market value of the common stock on the business day immediately before the date the director would otherwise have been entitled to receive the retainer fee. The restricted stock units represent the right to receive equivalent shares of common stock at the end of the deferral period. During the deferral period, when we pay cash dividends on our common stock, the directors' notional deferral accounts will be credited with dividend equivalents on their deferred restricted stock units, payable in additional restricted stock units based on the fair market value of our common stock on the business day immediately before the record date of the applicable dividend payment. There were 91,036 restricted stock units outstanding under the DCP at December 31, 2018 .

Other Employee Plan

We have a voluntary retirement savings plan established in 1983 and amended and restated effective January 1, 2012 (the Plan). We believe the Plan is qualified in accordance with Section 401(k) of the Internal Revenue Code (the Code). We contribute an amount ranging from 0% to 4% of the qualified wages of all qualified employees depending on our performance and matches employee contributions in excess of 2% , up to 5% , for a total contribution in the range of 0% to 9% of qualified wages. In addition, we may make discretionary contributions within the limits prescribed by the Plan and imposed in the Code. Our contributions and costs relating to the Plan were $3.0 million in 2018 , $2.5 million in 2017 , and $3.1 million in 2016 .

Note 14 - Preferred Stock and Equity of TRG

Preferred Stock

We are obligated to issue to the noncontrolling partners of TRG, upon subscription, one Series B Preferred Share for each of the TRG Units held by the noncontrolling partners. Each Series B Preferred Share entitles the holder to one vote on all matters submitted to our shareholders. The holders of Series B Preferred Shares, voting as a class, have the right to designate up to four nominees for election as directors of TCO. On all other matters on which the holders of common stock are entitled to vote, including the election of directors, the holders of Series B Preferred Shares will vote with the holders of common stock. The holders of Series B Preferred Shares are not entitled to dividends or earnings of TCO . The Series B Preferred Shares are convertible into common stock at a ratio of 14,000 shares of Series B Preferred Stock for one share of common stock . During the years ended December 31, 2018 , 2017 , and 2016 , 75,120 , 90,945 , and 15,880 Series B Preferred Shares, respectively, were converted to four shares, five shares, and zero shares of our common stock, respectively, as a result of tenders of units under the Continuing Offer (Note 15).

Note 15 - Commitments and Contingencies

Cash Tender

At the time of our initial public offering and acquisition of our partnership interest in TRG in 1992, we entered into an agreement (the Cash Tender Agreement) with the Revocable Trust and TRA Partners (now Taubman Ventures Group LLC or TVG), each of whom owned an interest in TRG, whereby each of the Revocable Trust and TVG (and/or any assignee of the Revocable Trust or TVG) has the right to tender to us TRG Units (provided that if the tendering party is tendering less than all of its TRG Units, the aggregate value is at least $50 million) and cause us to purchase the tendered interests at a purchase price based on its market valuation of TCO on the trading date immediately preceding the date of the tender (except as otherwise provided below). TVG is controlled by a majority-in-interest among the Revocable Trust and entities affiliated with the children of A. Alfred Taubman (Robert S. Taubman, William S. Taubman, and Gayle Taubman Kalisman). At the election of the tendering party, TRG Units held by members of A. Alfred Taubman's family and TRG Units held by entities in which his family members hold interests may be included in such a tender.

We will have the option to pay for these interests from available cash, borrowed funds, or from the proceeds of an offering of common stock. Generally, we expect to finance these purchases through the sale of new shares of our common stock. The tendering partner will bear all market risk if the market price at closing is less than the purchase price and will bear the costs of sale. Any proceeds of the offering in excess of the purchase price will be for our sole benefit. We account for the Cash Tender Agreement as a freestanding written put option. As the option put price is defined by the current market price of our stock at the time of tender, the fair value of the written option defined by the Cash Tender Agreement is considered to be zero .

Based on a market value at December 31, 2018 of $45.49 per share for our common stock, the aggregate value of TRG Units that may be tendered under the Cash Tender Agreement was $1.1 billion . The purchase of these interests at December 31, 2018 would have resulted in us owning an additional 28% interest in TRG.

Continuing Offer

We have made a continuing, irrevocable offer (the Continuing Offer) to all present holders of TRG Units (other than a certain excluded holder, currently TVG), permitted assignees of all present holders of TRG Units, those future holders of TRG Units as we may, in our sole discretion, agree to include in the Continuing Offer, all existing optionees under the previous option plan, and all existing and future optionees under the 2008 Omnibus Plan to exchange shares of common stock for TRG Units. Under the Continuing Offer agreement, one TRG Unit is exchangeable for one share of common stock . Upon a tender of TRG Units, the corresponding shares of Series B Preferred Stock, if any, will automatically be converted into common stock at a ratio of 14,000 shares of Series B Preferred Stock for one share of common stock .

Insurance

We carry liability insurance to mitigate our exposure to certain losses, including those relating to personal injury claims. We believe our insurance policy terms and conditions and limits are appropriate and adequate given the relative risk of loss and industry practice. However, there are certain types of losses, such as punitive damage awards, which may not be covered by insurance, and not all potential losses are insured against.

Hurricane Maria and The Mall of San Juan

In the third quarter of 2017, The Mall of San Juan experienced certain interior water damage, impacts to exterior landscaping and signage, and significant damage to both Nordstrom and Saks Fifth Avenue as a result of Hurricane Maria. We have substantial insurance to cover hurricane and flood damage, as well as business and service interruption. The business interruption coverage commences at time of loss and continues for one year after the damage is fully repaired. Our hurricane coverage includes a single deductible of $2 million and policy limits of $900 million , all subject to various terms and conditions.

As of December 31, 2018, we have not yet received insurance proceeds related to our business interruption claim. We have submitted a preliminary claim to our insurer and are in discussions related to the amount to be received and timing of payment. During the years ended December 31, 2018 and 2017, we recorded $1.2 million and $1.1 million , respectively, of insurance recoveries related to reimbursement of expensed costs within Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income. During the year ended December 31, 2018, we recognized a reduction of $4.9 million of depreciation expense relating to insurance proceeds received for property damage for which we took write-offs in 2017. During the year ended December 31, 2017, we recognized an estimated depreciation expense of $7 million relating to property damage and the write-off of tenant allowances, which reflects a reduction of $0.9 million related to property damage, included within depreciation expense.

On October 17, 2017, Plaza Internacional Puerto Rico LLC (Plaza Internacional), the owner of The Mall of San Juan (the Mall), filed a civil action in the Commonwealth of Puerto Rico Court of First Instance, San Juan Judicial Center, Superior Court, Civil No. SJ2017CV02094 (503), against Saks Fifth Avenue Puerto Rico, Inc. (Saks PR), and Saks Incorporated (Saks Inc.). The lawsuit asks the court to compel Saks PR and Saks Inc. to immediately remediate and repair the Saks Fifth Avenue store (the Store) that was damaged by Hurricane Maria on September 20, 2017, to reopen the Store on the completion of the reconstruction, and to operate the Store in accordance with the Operating Covenant contained in the Construction, Operation and Reciprocal Easement Agreement among Plaza Internacional, Saks PR, and Nordstrom Puerto Rico LLC (Nordstrom PR) made as of April 23, 2013 (the REA). In response, Saks PR and Saks Inc. filed a Counterclaim, alleging that they have no obligation to repair, remediate, reconstruct, or reopen the Store, asserting various alleged breaches of the REA and other operating agreements. Plaza Internacional filed a motion for a preliminary injunction directing Saks PR to repair, reopen, and operate the Store, but, on March 28, 2018, the Court of First Instance denied Plaza Internacional's motion, and, on September 12, 2018, the Court of Appeals of Puerto Rico affirmed that ruling, each without prejudging the merits of the substantive claims. Should Saks PR prevail in the action, Nordstrom PR and other mall tenants may then have the right to terminate their own operating covenants or leases. Plaza Internacional is vigorously prosecuting its claims and defending the Counterclaim. The outcome of the action cannot be predicted, and, at this time, we are unable to estimate the amount of loss that could result from an unfavorable outcome. An unfavorable outcome may have a material and adverse effect on our business and our results of operations.

Other

See Note 8 for TRG's guarantees of certain notes payable, including guarantees relating to Unconsolidated Joint Ventures, Note 9 for contingent features relating to certain joint venture agreements, Note 10 for contingent features relating to derivative instruments, and Note 13 for obligations under existing share-based compensation plans.

Note 16 - Earnings Per Common Share

Basic earnings per common share amounts are based on the weighted average of common shares outstanding for the respective periods. Diluted earnings per common share amounts are based on the weighted average of common shares outstanding plus the dilutive effect of potential common stock. Potential common stock includes outstanding TRG Units exchangeable for common shares under the Continuing Offer (Note 15), outstanding options for TRG Units, TSR PSU, NOI PSU, Restricted and Performance-based TRG Profits Units, RSU, deferred shares under the Non-Employee Directors' Deferred Compensation Plan, and unissued TRG Units under a unit option deferral election (Note 13). In computing the potentially dilutive effect of potential common stock, TRG Units are assumed to be exchanged for common shares under the Continuing Offer, increasing the weighted average number of shares outstanding. The potentially dilutive effects of TRG Units outstanding and/or issuable under the unit option deferral elections are calculated using the if-converted method, while the effects of other potential common stock are calculated using the treasury method. Contingently issuable shares are included in diluted earnings per common share based on the number of shares, if any, which would be issuable if the end of the reporting period were the end of the contingency period.

	Year Ended December 31		
	2018	2017	2016
Net income attributable to TCO common shareholders (Numerator):			
Basic	$ 57,952	$ 55,267	$ 107,358
Impact of additional ownership of TRG	85	114	257
Diluted	$ 58,037	$ 55,381	$ 107,615
Shares (Denominator) – basic	60,994,444	60,675,129	60,363,416
Effect of dilutive securities	283,271	365,366	466,139
Shares (Denominator) – diluted	61,277,715	61,040,495	60,829,555
Earnings per common share - basic	$ 0.95	$ 0.91	$ 1.78
Earnings per common share - diluted	$ 0.95	$ 0.91	$ 1.77

The calculation of diluted earnings per common share in certain periods excluded certain potential common stock including outstanding TRG Units and unissued TRG Units under a unit option deferral election, both of which may be exchanged for common shares of TCO under the Continuing Offer. The table below presents the potential common stock excluded from the calculation of diluted earnings per common share as they were anti-dilutive in the period presented.

	Year Ended December 31		
	2018	2017	2016
Weighted average noncontrolling TRG Units outstanding	4,149,144	4,089,327	3,983,781
Unissued TRG Units under unit option deferral elections	871,262	871,262	871,262

Note 17 - Fair Value Disclosures

This note contains required fair value disclosures for assets and liabilities remeasured at fair value on a recurring basis and financial instruments carried at other than fair value, as well as assumptions employed in deriving these fair values.

Recurring Valuations

Derivative Instruments

The fair value of interest rate hedging instruments is the amount that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the reporting date. Our valuations of our derivative instruments are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative, and therefore fall into Level 2 of the fair value hierarchy. The valuations reflect the contractual terms of the derivatives, including the period to maturity, and use observable market-based inputs, including forward curves. The fair values of interest rate hedging instruments also incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

Other

Our valuations of both our investments in an insurance deposit and in SPG common shares utilize unadjusted quoted prices determined by active markets for the specific security we have invested in, and therefore fall into Level 1 of the fair value hierarchy. In connection with the adoption of ASU No. 2016-01 on January 1, 2018 (Note 1), we now measure our investment in SPG common shares at fair value with changes in value recorded through net income. During the year ended December 31, 2018 , we recorded $2.1 million of income in Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income related to the change in fair value of our SPG common shares investment during the period.

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosure of the fair value for each major category of assets and liabilities is presented below:

	Fair Value Measurements as of December 31, 2018 Using		Fair Value Measurements as of December 31, 2017 Using	
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
SPG common shares (Note 7)	$ 48,738		$ 101,348	
Insurance deposit	10,121		16,703	
Derivative interest rate contracts (Note 10)		$ 3,530		$ 939
Total assets	$ 58,859	$ 3,530	$ 118,051	$ 939
Derivative interest rate contracts (Note 10)		$ (5,710)		$ (484)
Total liabilities		$ (5,710)		$ (484)

The insurance deposit shown above represents an escrow account maintained in connection with a property and casualty insurance arrangement for our shopping centers, and is classified within Deferred Charges and Other Assets on the Consolidated Balance Sheet. Corresponding deferred revenue relating to amounts billed to tenants for this arrangement has been classified within Accounts Payable and Accrued Liabilities on the Consolidated Balance Sheet.

Financial Instruments Carried at Other Than Fair Values

Notes Payable

The fair value of notes payable is estimated using cash flows discounted at current market rates and therefore falls into Level 2 of the fair value hierarchy. When selecting discount rates for purposes of estimating the fair value of notes payable at December 31, 2018 and 2017 , we employed the credit spreads at which the debt was originally issued.

The estimated fair values of notes payable at December 31, 2018 and 2017 were as follows:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	$ 3,830,195	$ 3,755,757	$ 3,555,228	$ 3,503,071

The fair values of the notes payable are dependent on the interest rates used in estimating the values. An overall 1% increase in rates employed in making these estimates would have decreased the fair values of the debt shown above at December 31, 2018 by $137.2 million or 3.7% .

Cash Equivalents and Notes Receivable

The fair value of cash equivalents and notes receivable approximates their carrying value due to their short maturity. The fair value of cash equivalents is derived from quoted market prices and therefore falls into Level 1 of the fair value hierarchy. The fair value of notes receivable are estimated using cash flows discounted at current market rates and therefore fall into Level 2 of the fair value hierarchy.

See Note 10 regarding additional information on derivatives.

Note 18 - Cash Flow Disclosures and Non-Cash Investing and Financing Activities

Interest paid in 2018 , 2017 , and 2016 , net of amounts capitalized of $15.2 million , $ 12.4 million , and $ 21.9 million , respectively, was $125.5 million , $ 100.9 million , and $ 78.1 million , respectively. In 2018 , 2017 , and 2016, $0.5 million , $2.5 million and $3.5 million of income taxes were paid, respectively. Other non-cash additions to properties during the years ended December 31, 2018 , 2017 , and 2016 were $99.4 million , $79.0 million , and $108.6 million , respectively, and primarily represent accrued construction and tenant allowance costs.

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

On January 1, 2018, we adopted ASU No. 2016-18, "Statement of Cash Flows - Restricted Cash", which changed the presentation of restricted cash and changes in restricted cash on the Consolidated Statement of Cash Flows (Note 1). The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown on the Consolidated Statement of Cash Flows.

	December 31, 2018	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 48,372	$ 42,499	$ 40,603
Restricted cash	94,557	121,905	112,362
Total Cash and Cash Equivalents, and Restricted Cash shown on the Consolidated Statement of Cash Flows	$ 142,929	$ 164,404	$ 152,965

Restricted Cash

We are required to escrow cash balances for specific uses stipulated by certain of our lenders and other various agreements. As of December 31, 2018 , 2017 , and 2016 , our cash balances restricted for these uses were $94.6 million , $121.9 million , and $112.3 million , respectively. Included in our restricted cash balances as of December 31, 2018 , 2017 , and 2016 were $92.5 million , $119.2 million , and $111.4 million , respectively, of restricted cash held as collateral for financing arrangements related to our Asia investments, which is being held in a foreign account. During the year ended December 31, 2018 , 2017, and 2016, the restricted cash balances related to the Asia investments declined by $5.3 million and increased by $2.3 million and $1.4 million , respectively, as a result of exchange rate fluctuations.

Note 19 - Accumulated Other Comprehensive Income

Changes in the balance of each component of AOCI for the years ended December 31, 2018 , 2017 , and 2016 were as follows:

	TCO AOCI			Noncontrolling Interests AOCI		
	Cumulative translation adjustment	Unrealized gains (losses) on interest rate instruments	Total	Cumulative translation adjustment	Unrealized gains (losses) on interest rate instruments	Total
January 1, 2016	$(10,890)	$(16,330)	$ (27,220)	$ (4,531)	$ 5,595	$ 1,064
Other comprehensive income (loss) before reclassifications	(12,251)	(3,044)	(15,295)	(5,088)	(1,264)	(6,352)
Amounts reclassified from AOCI		6,598	6,598		2,741	2,741
Net current period other comprehensive income (loss)	(12,251)	3,554	(8,697)	(5,088)	1,477	(3,611)
Adjustments due to changes in ownership	(6)	7	1	6	(7)	(1)
December 31, 2016	$(23,147)	$(12,769)	$(35,916)	$ (9,613)	$ 7,065	$(2,548)
Other comprehensive income (loss) before reclassifications	23,615	41	23,656	9,688	16	9,704
Amounts reclassified from AOCI		5,364	5,364		2,200	2,200
Net current period other comprehensive income (loss)	23,615	5,405	29,020	9,688	2,216	11,904
Adjustments due to changes in ownership	(84)	61	(23)	84	(61)	23
December 31, 2017	$ 384	$ (7,303)	$ (6,919)	$ 159	$ 9,220	$ 9,379
Other comprehensive income (loss) before reclassifications	(16,513)	(26)	(16,539)	(6,727)	(12)	(6,739)
Amounts reclassified from AOCI		(1,286)	(1,286)		(523)	(523)
Net current period other comprehensive income (loss)	(16,513)	(1,312)	(17,825)	(6,727)	(535)	(7,262)
Adjustment related to SPG common shares investment for adoption of ASU No. 2016-01 (Note 1)		(679)	(679)		(276)	(276)
Adjustments due to changes in ownership	1	46	47	(1)	(46)	(47)
December 31, 2018	$(16,128)	$ (9,248)	$(25,376)	$ (6,569)	$ 8,363	$ 1,794

The following table presents reclassifications out of AOCI for the year ended December 31, 2018 :

Details about AOCI Components	Amounts reclassified from AOCI	Affected line item in Consolidated Statement of Operations and Comprehensive Income
Losses on interest rate instruments and other:		
Realized loss on interest rate contracts - consolidated subsidiaries	$ (1,133)	Interest Expense
Realized loss on interest rate contracts - UJVs	188	Equity in Income in UJVs
Realized loss on cross-currency interest rate contract - UJV	(864)	Equity in Income in UJVs
Total reclassifications for the period	$ (1,809)	

The following table presents reclassifications out of AOCI for the year ended December 31, 2017 :

Details about AOCI Components	Amounts reclassified from AOCI	Affected line item in Consolidated Statement of Operations and Comprehensive Income
Losses on interest rate instruments and other:		
Realized loss on interest rate contracts - consolidated subsidiaries	$ 2,879	Interest Expense
Realized loss on interest rate contracts - UJVs	2,406	Equity in Income of UJVs
Realized gain on cross-currency interest rate contract - UJV	2,279	Equity in Income in UJVs
Total reclassifications for the period	$ 7,564	

The following table presents reclassifications out of AOCI for the year ended December 31, 2016 :

Details about AOCI Components	Amounts reclassified from AOCI	Affected line item in Consolidated Statement of Operations and Comprehensive Income
Losses on interest rate instruments and other:		
Realized loss on interest rate contracts - consolidated subsidiaries	$ 5,823	Interest Expense
Realized loss on interest rate contracts - UJVs	3,775	Equity in Income of UJVs
Realized loss on cross-currency interest rate contract - UJV	(259)	Equity in Income of UJVs
Total reclassifications for the period	$ 9,339	

Note 20 - Quarterly Financial Data (Unaudited)

The following is a summary of quarterly results of operations for 2018 and 2017 :

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 161,492	$ 152,769	$ 159,120	$ 167,489
Equity in income of Unconsolidated Joint Ventures	19,728	14,042	16,910	18,724
Net income	34,596	30,093	38,115	12,938
Net income attributable to TCO common shareholders	18,590	15,307	20,976	3,079
Earnings per common share – basic	$ 0.31	$ 0.25	$ 0.34	$ 0.05
Earnings per common share – diluted	$ 0.30	$ 0.25	$ 0.34	$ 0.05

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 149,083	$ 154,676	$ 153,222	$ 172,184
Equity in income of Unconsolidated Joint Ventures	20,118	13,258	13,723	20,275
Net income	32,759	27,663	14,251	38,084
Net income attributable to TCO common shareholders	17,170	13,483	4,363	20,251
Earnings per common share – basic	$ 0.28	$ 0.22	$ 0.07	$ 0.33
Earnings per common share – diluted	$ 0.28	$ 0.22	$ 0.07	$ 0.33

In October 2018, we sold 150,000 SPG common shares at an average price of $180.54 per share. Proceeds from the sale were used to pay down our revolving lines of credit.

In December 2017, we converted our remaining 340,124 SPG LP Units to SPG common shares. Upon conversion, we recognized an $11.6 million gain included within Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income, which was calculated based on the change in fair value of the SPG share price at the date of conversion from the carrying value.

We have been undergoing a restructuring to reduce our workforce and reorganize various areas of the organization in response to the completion of another major development cycle and the current near-term challenges facing the U.S. mall industry. During the fourth quarter of 2018 and 2017, we incurred $1.0 million and $9.8 million , respectively, of expenses related to the restructuring. During the year ended December 31, 2018 and 2017, we incurred a total of $0.6 million and $13.8 million , respectively, of expenses related to the restructuring.

Note 21 - New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses", which introduces new guidance for an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for equity securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their organization. Instruments in scope include loans, held-to-maturity debt securities, and net investments in leases as well as reinsurance and trade receivables. ASU No. 2016-13 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2019. We are currently evaluating the impact that the adoption of the new standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases", which provides for significant changes to the current lease accounting standard. The primary objective of this ASU is to address off-balance-sheet financing related to operating leases and to introduce a new lessee model that brings substantially all leases onto the balance sheet. ASU No. 2016-02 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2018. We adopted the new standard on its effective date. We are currently evaluating the application of this ASU and its effect on our financial position and results of operations. We expect the most significant impacts of adoption to include the potential need to expense certain internal leasing costs currently being capitalized, including costs associated with our leasing and legal departments, and the recognition of lease obligations and right-of-use assets for ground and office leases under which we or our joint ventures are the lessee. We expect to add approximately $205 million to $255 million of right-of-use assets and $275 million to $325 million of corresponding liabilities to the Consolidated Balance Sheet as of the implementation date, depending on the ultimate selection of appropriate discount rates for the cash flow under the leases.

In July 2018, the FASB issued ASU No. 2018-11 which includes a practical expedient that allows lessors to not separate non-lease components from the associated lease component. This provides us with the option of not bifurcating certain common area maintenance recoveries as a non-lease component, if certain requirements are met. ASU No. 2018-11 also provides for adoption to occur as of the effective date for ASU No. 2016-02, January 1, 2019, with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We elected this practical expedient. Upon adoption of the new standard on January 1, 2019, we expect that minimum rents and expense recoveries will be presented as a single revenue line item on the Consolidated Statement of Operations and Comprehensive Income.

For the year ended December 31, 2018, our share of capitalized leasing and tenant coordination costs was approximately $19 million . If the accounting under ASU No. 2016-02 had been applied, we expect that we would have continued to capitalize approximately $13 million of leasing and tenant coordination costs and additionally expensed approximately $6 million in leasing costs.

Schedule II

VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2018 , 2017 , and 2016
(in thousands)

	Balance at beginning of year	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Write-offs	Transfers, net	Balance at end of year
Year Ended December 31, 2018						
Allowance for doubtful receivables	$ 10,237	$ 3,728		$ (3,605)		$ 10,360
Year Ended December 31, 2017						
Allowance for doubtful receivables	$ 4,311	$ 11,025		$ (5,099)		$ 10,237
Year Ended December 31, 2016						
Allowance for doubtful receivables	$ 2,974	$ 4,047		$ (2,710)		$ 4,311

See accompanying report of independent registered public accounting firm.

Schedule III

TAUBMAN CENTERS, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(in thousands)

	Initial Cost to Company		Cost Capitalized Subsequent to Acquisition	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (A/D)	Total Cost Net of A/D	Encumbrances	Year Opened / Expanded	Year Acquired	Depreciable Life
	Land	Buildings, Improvements, and Equipment		Land	BI&E	Total						
Shopping Centers:												
Beverly Center Los Angeles, CA		$ 200,902	$ 459,638		$ 660,540	$ 660,540	$ 186,424	$ 474,116		1982 / 2018		40 years
Cherry Creek Shopping Center Denver, CO		99,087	244,177		343,264	343,264	178,334	164,930	$ 550,000	1990 / 1998 / 2015		40 years
City Creek Shopping Center Salt Lake City, UT		75,229	5,338		80,567	80,567	18,787	61,780	77,068	2012		30 years
Dolphin Mall, Miami, FL	$ 34,881	222,301	130,070	$ 34,881	352,371	387,252	138,822	248,430		2001 / 2007 / 2015		50 years
The Gardens on El Paseo Palm Desert, CA	23,500	131,858	8,396	23,500	140,254	163,754	28,935	134,819		1998 / 2010	2011	48 years
Great Lakes Crossing Outlets Auburn Hills, MI	15,506	188,773	64,894	15,506	253,667	269,173	134,762	134,411	198,625	1998		50 years
The Mall at Green Hills Nashville, TN	48,551	332,261	114,079	48,551	446,340	494,891	80,193	414,698	150,000	1955 / 2011	2011	40 years
International Market Place Honolulu, HI		539,924			539,924	539,924	71,158	468,766	250,000	2016		50 years
The Mall of San Juan San Juan, PR	17,617	523,479	5,134	17,617	528,613	546,230	84,247	461,983		2015		50 years
The Mall at Short Hills Short Hills, NJ	25,114	167,595	255,209	25,114	422,804	447,918	206,767	241,151	1,000,000	1980 / 1994 / 1995 / 2011		40 years
Taubman Prestige Outlets Chesterfield Chesterfield, MO	16,079	108,934	168	16,079	109,102	125,181	27,805	97,376		2013		50 years
Twelve Oaks Mall Novi, MI	25,410	190,455	97,992	25,410	288,447	313,857	178,654	135,203	296,815	1977 / 1978 / 2007 / 2008		50 years
Other:												
Office Facilities	5,123	12,519	72,946	5,123	85,465	90,588	30,888	59,700	12,000		2014	35 years
Peripheral Land	17,551			17,551		17,551		17,551				
Construction in Process and Development - pre-construction costs	8,058	7,196	126,350	8,058	133,546	141,604		141,604				
Assets under CDD Obligations	3,969	58,512	1,889	3,969	60,401	64,370	36,314	28,056				
Other		30,905			30,905	30,905	2,602	28,303				
Total	$ 241,359	$ 2,889,930	$ 1,586,280	$ 241,359	$ 4,476,210	$ 4,717,569 (1)	$ 1,404,692	$ 3,312,877				

Schedule III

The changes in total real estate assets and accumulated depreciation for the years ended December 31, 2018 , 2017 , and 2016 are as follows:

TAUBMAN CENTERS, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(in thousands)

	Total Real Estate Assets				Accumulated Depreciation		
	2018	2017	2016		2018	2017	2016
Balance, beginning of year	$ 4,461,045	$ 4,173,954	$ 3,713,215	Balance, beginning of year	$ (1,276,916)	$ (1,147,390)	$ (1,052,027)
New development and improvements	306,032	320,977	528,276	Depreciation	(155,133)	(161,091)	(130,433)
Disposals/Write-offs	(49,508)	(33,886)	(67,537)	Disposals/Write-offs	27,357	31,565	35,070
Balance, end of year	$ 4,717,569	$ 4,461,045	$ 4,173,954	Balance, end of year	$ (1,404,692)	$ (1,276,916)	$ (1,147,390)

(1) The unaudited aggregate cost for federal income tax purposes as of December 31, 2018 was $5.005 billion .

See accompanying report of independent registered public accounting firm.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAUBMAN CENTERS, INC.

Date: February 28, 2019 By: /s/ *Robert S. Taubman*

Robert S. Taubman, Chairman of the Board, President, and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ *Robert S. Taubman* Robert S. Taubman	Chairman of the Board, President, Chief Executive Officer, and Director (Principal Executive Officer)	February 28, 2019
/s/ *Simon J. Leopold* Simon J. Leopold	Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial Officer and Principal Accounting Officer)	February 28, 2019
/s/ *Mayree C. Clark* Mayree C. Clark	Director	February 28, 2019
/s/ *Michael J. Embler* Michael J. Embler	Director	February 28, 2019
/s/ *Janice L. Fields* Janice L. Fields	Director	February 28, 2019
/s/ *Nancy Killefer* Nancy Killefer	Director	February 28, 2019
/s/ *Jonathan Litt* Jonathan Litt	Director	February 28, 2019
/s/ *Cornelia Connelly Marakovits* Cornelia Connelly Marakovits	Director	February 28, 2019
/s/ *Ronald W. Tysoe* Ronald W. Tysoe	Director	February 28, 2019
/s/ *Myron E. Ullman, III* Myron E. Ullman, III	Director	February 28, 2019

Exhibit 10.1

MASTER SERVICES AGREEMENT

BETWEEN

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

AND

THE TAUBMAN COMPANY LIMITED PARTNERSHIP

TABLE OF CONTENTS

MASTER SERVICES AGREEMENT

This Master Services Agreement (this " Agreement ") made and entered into as of the 30th day of November, 1992, by and between THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP, a Delaware limited partnership, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Owner ") and THE TAUBMAN COMPANY LIMITED PARTNERSHIP, a Delaware limited partnership, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Manager "), is based upon the following:

A. Owner was formed for the purposes of, among other things, purchasing, acquiring, developing (including, but not limited to, rezoning, constructing, expanding, improving, rehabilitating, renovating and redeveloping), pursuing, owning, holding, financing, refinancing, mortgaging, operating, leasing, managing, administering, maintaining, protecting, optimizing the value of, selling, exchanging or otherwise disposing of, and generally dealing in and with, the Regional Centers and the Development Opportunities (as such terms are defined below), either directly, as the sole owner thereof, or indirectly, through Owning Entities (as defined below).

B. Owner desires to engage Manager, on an exclusive basis, to provide services and to act on behalf of Owner in respect of each Property (as defined below), and Manager desires to render such services to, and act on behalf of, Owner, all upon the terms and conditions hereinafter set forth.

C. With respect to each Property that is not a Wholly Owned Property (as defined below), Owner and Manager anticipate that, to the extent Manager has not already done so, Manager will enter into Property Services Agreements (as defined below), each of which shall contemplate or provide (or currently contemplates or provides) for services to be rendered to the Owning Entity for such Property that are similar in nature and scope to those to be provided by Manager to Owner with respect to a Wholly Owned Property, as provided in this Agreement.

D. Owner also desires to engage Manager to provide certain administrative services, and to act on behalf of Owner in respect of the ongoing operations and management of Owner, and Manager desires

to render such services to, and act on behalf of, Owner, all upon the terms and conditions hereinafter set forth.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, Owner and Manager hereby agree as follows:

ARTICLE I

DEFINITIONS

Unless the context in which a term is used clearly indicates otherwise, the following terms shall have the following respective meanings when used in this Agreement, and the singular shall include the plural and vice versa unless the context requires otherwise:

" AAT " means A. Alfred Taubman.

" AAT Affiliates " means AAT **,** and any Affiliate of AAT or of any member of his Immediate Family.

" Acquisition Opportunities " is defined in Section 4.1(6)(a) hereof. Reference to an Acquisition Opportunity includes any one of the Acquisition Opportunities.

" Acquisition Services " is defined in Section 4.1(4) hereof.

" Administrative Services " is defined in Section 5.1(4) hereof.

" Affiliate " and " Affiliates " means, (i) with respect to any individual, any member of such individual's Immediate Family, a Family Trust with respect to such individual, and any Person (other than an individual) in which such individual and/or his Affiliate(s) owns, Directly or Indirectly, more than fifty percent (50%) of any class of Equity Security or of the aggregate Beneficial Interest of all beneficial owners, or in which such individual or his Affiliate is the sole general partner, or is the sole managing general partner, or which is Controlled by such individual and/or his Affiliate; and (ii) with respect to any Person (other than an individual), any Person (other than an individual) which Controls, is Controlled By, or is Under Common Control With, such Person, and any individual who is the sole general partner or the sole managing general partner in, or who Controls, such Person.

" Affiliated with " means, with respect to a Person, being an Affiliate of such Person.

" Agreement " is defined in the Preamble to this Agreement.

" Annual Budget " is defined in Section 6.4 hereof.

" Annual Business and Leasing Plan " is defined in Section 3.2(4) hereof.

" Annual Development Budget " is defined in Section 6.4 hereof.

" Annual Operating Budget " is defined in Section 6.4 hereof.

“ Bank Accounts ” means either the Development Accounts or the Operating Accounts (or both), as applicable.

“ Beneficial Interest ” means an interest, whether as a partner, joint venturer, *cestui quo trust,* or otherwise, a contract right, or a legal or equitable position under or by which the possessor participates in the economic or other results of the Person (other than an individual) to which such interest, contract right, or position relates.

“ Business Day ” means any Day that is not a Saturday, Sunday, or legal holiday in New York, New York and on which commercial banks are open for business in New York, New York.

" Code " means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

“ Control(s)” (and its correlative terms “ Controlled By ” and “ Under Common Control With ”) means, with respect to any Person (other than an individual), possession by the applicable Person or Persons of the power, acting alone (or, solely among such applicable Person or Persons, acting together), to designate and direct or cause the designation and direction of the management and policies thereof, whether through the ownership of voting securities, by contract, or otherwise.

“ Day ” or “ Days ” means each calendar day, including Saturdays, Sundays, and legal holidays; provided, however, that if the Day on which a period of time for consent or approval or other action begins or ends is not a Business Day, such period shall begin or end, as applicable, on the next Business Day.

“ Development Accounts ” is defined in Section 2.5(1) hereof.

“ Development Opportunities ” means the development opportunities described on Schedule A attached hereto, and any other regional retail shopping center developments and opportunities (through contract, option or other rights), except those Development Opportunities set forth on Schedule B attached hereto that are specifically excluded from contribution to Owner by AAT Affiliates, to develop regional retail shopping centers, including in all such cases any Peripheral Property in respect thereof, in which Owner has a Direct or Indirect ownership interest and which is not a Regional Center. Development Opportunities shall also include (i) any redevelopment or expansion of a Regional Center and (ii) any major reconstruction, repair, renovation or other major capital expenditure program which is considered to be a Development Opportunity pursuant to Section 3.4(3) hereof. Reference to a Development Opportunity includes any one of the Development Opportunities.

“ Development Services ” is defined in Section 2.1(4) hereof.

“ Direct or Indirect ” or “ Directly or Indirectly ”, when used with respect to a Person's partnership interest in another partnership or joint venture which owns a Development Opportunity or a Regional Center, means and includes all interests of, and acting in respect of all interests of, the partner or partners therein, whether as an owner or ground lessee, as a partner or joint venturer of another partnership or joint venture which owns a Development Opportunity or a Regional Center, as a stockholder of a corporation which in turn owns an interest in a partnership or joint venture having an interest, direct or indirect, in a Development Opportunity or a Regional Center, and as a beneficiary of a trust which has legal title to a Development Opportunity or a Regional Center or owns a partnership interest or joint venture interest in a partnership or joint venture which owns a Development Opportunity or a Regional Center, in each such case as the context requires.

“ Equity Security ” has the meaning ascribed to it in the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder (and any successor laws, rules and regulations of similar import).

“ Family Trust ” means, with respect to an individual, a trust for the benefit of such individual or for the benefit of any member or members of such individual's Immediate Family or for the benefit of such individual and any member or members of such individual's Immediate Family (for the purpose of determining whether or not a trust is a Family Trust, the fact that one or more of the beneficiaries (but not the sole beneficiary) of the trust includes a Person or Persons, other than a member of such individual's Immediate Family, entitled to a distribution after the death of the settlor if he, she, it, or they shall have survived the settlor of such trust, which distribution is to be made of something other than a Partnership Interest (as defined in the Partnership Agreement of Owner) and/or includes an organization or organizations exempt from federal income taxes pursuant to the provisions of Section 501(a) of the Code and described in Section 501(c)(3) of the Code, shall be disregarded); provided however, that in respect of transfers by way of testamentary or *inter vivos* trust, the trustee or trustees shall be solely such individual, a member or members of such individual's Immediate Family, a responsible financial institution and/or an attorney that is a member of the Bar of any State in the United States and/or an individual or individuals approved by the Partnership Committee.

“ First Fiscal Year ” means the fiscal year ending December 31, 1992.

“ Immediate Family ” means, with respect to a Person, (i) such Person's spouse (former or then-current), (ii) such Person's parents and grandparents, and (iii) ascendants and descendants (natural or adoptive, of the whole or half blood) of such Person's parents or of the parents of such Person's spouse (former or then-current).

“ Independent Contractor ” is defined in Section 6.2(2) hereof.

“ Independent Contractor Services ” is defined in Section 6.2(2) hereof.

“ Leases ” is defined in Section 3.3(1) hereof.

“ Management Services ” is defined in Section 3.1(4) hereof.

“ Manager ” is defined in the Preamble to this Agreement.

“ Manager's Compensation ” is defined in Section 8.1(1) hereof.

“ Manager's Indemnified Parties ” is defined in Section 7.2(2)(a) hereof.

“ Operating Accounts ” is defined in Section 3.7(1) hereof.

“ Other Retail Property ” or “ Other Retail Properties ” means a developed regional retail shopping center or centers, and/or the opportunity or opportunities to develop an income-producing regional retail shopping center or centers, in each case whether part of a mixed-use development or not and having (or intending to have) a gross leasable area (including space occupied by those stores occupied by a single Person, the gross leasable floor area of which is in excess of forty thousand (40,000) square feet) in excess of Two Hundred Thousand (200,000) square feet.

“ Outside Partner ” means any Person owning a Beneficial Interest in an Owning Entity, who has no Beneficial Interest in Owner other than through the ownership of publicly traded shares in a constituent partner of Owner.

“ Outside Partner Properties ” means those Development Opportunities and Regional Centers which are owned by Owning Entities in which Beneficial Interests are owned by Outside Partners. Reference to an Outside

Partner Property includes any one of the Outside Partner Properties. For clarification purposes, an Outside Partner Property may be referred to as an Outside Partner Development Opportunity or as an Outside Partner Regional Center, as the case may be.

" Owner " is defined in the Preamble to this Agreement.

" Owners approval " or " approved by Owner " means that Manager shall have received the approval or consent of Owner directly or shall have received from Owner, through the express terms of any agreement (including this Agreement), or through the express terms of any approved Annual Business and Leasing Plan, Annual Development Budget, Specific Development Budget, Annual Operating Budget, Regional Center Budget, Parameters of Acquisition, or otherwise, the authority to undertake, engage Third Parties, perform or act, including to execute any agreement, on behalf of Owner.

" Owners Authorized Representative " is defined in Section 10.11(2) hereof.

" Owner's Indemnified Parties " is defined in Section 7.2(3)(a) hereof.

" Owning Entity " and " Owning Entities " means any Person or Persons, other than Owner, owning a Property, provided that Owner holds, Directly or Indirectly, a Beneficial Interest in such Person or Persons. Reference to the Owning Entities includes each Owning Entity.

" Parameters of Acquisition " is defined in Section 4.2(1) hereof.

" Partnership Agreement of Owner " means The Amended and Restated Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership, dated November 30, 1992, as the same may be amended, restated or supplemented from time to time.

" Partnership Committee " (or " Partnership Committee of Owner ") means the Partnership Committee and the Executive Committee established for Owner pursuant to the Partnership Agreement of Owner.

" Peripheral Property " means the real property adjacent or related to a Development Opportunity or a Regional Center, owned by Owner or an Owning Entity and improved or unimproved and held as distinct from or in some manner differentiated from, but intended as integrated with, the Regional Center or (anticipated) Development Opportunity (which real property includes the approximately two hundred and fifty (250) acre Kingspointe property located in Sterling Heights, Michigan).

" Person " or " Persons " means an individual, a partnership (general or limited), corporation, joint venture, business trust, cooperative, association, or other form of business organization, whether or not regarded as a legal entity under applicable law, a trust *(inter vivos* or testamentary), an estate of a deceased, insane, or incompetent person, a quasi-governmental entity, a government or any agency, authority, political subdivision, or other instrumentality thereof, or any other entity.

" Properties " means the Development Opportunities and the Regional Centers. Reference to a Property includes any one of the Properties.

" Property Interests " means the interests in the Properties then held by Owner either Directly or Indirectly, as the holder of a Beneficial Interest, Directly or Indirectly, in Owning Entities that own the Properties. Reference to a Property Interest includes any one of the Property Interests.

" Property Services Agreement " means a management agreement, development agreement and/or other agreement, in whatever form embodied (including, without limitation, within the partnership agreement

forming and/or governing an Owning Entity), which provides for management, administration, leasing, brokerage, development and/or like services between an Owning Entity and Manager or any Affiliate of Manager, including any such agreement entered into prior to the date hereof.

" Regional Centers " means those regional retail shopping centers, including Peripheral Property in respect thereof, set forth on Schedule C attached hereto and made a part hereof, as well as those regional retail shopping centers and any other real property acquired and/or developed by Owner (Directly or Indirectly) after the date hereof, provided that some portion of the enclosed mall portion thereof is open for business to the public generally, in each case for so long as Owner has a Direct or Indirect Beneficial Interest therein. Reference to a Regional Center includes any one of the Regional Centers.

" Regional Center Budget " is defined in Section 3.8 hereof.

" Special Services " is defined in Section 3.13 hereof.

" Specific Development Budget " is defined in Section 2.7 hereof.

" Third Parties " is defined in Section 6.1 hereof. Reference to a Third Party includes any one of the Third Parties.

" Wholly Owned Properties " means those Development Opportunities and Regional Centers, all the Beneficial Interests of which are owned (including through an Owning Entity) by Owner. Reference to a Wholly Owned Property includes any one of the Wholly Owned Properties. For clarification purposes, a Wholly Owned Property may be referred to as a Wholly Owned Development Opportunity or as a Wholly Owned Regional Center, as the case may be.

Article II

ENGAGEMENT, AUTHORITY AND OBLIGATIONS OF MANAGER

FOR DEVELOPMENT SERVICES

Section 2.1. Engagement of Manager .

(1) Owner hereby engages Manager as its sole and exclusive manager and agent to provide the services described in this Article II with respect to each Development Opportunity. Manager hereby agrees to provide such services to Owner, as set forth in this Article II.

(2) Subject to the provisions of this Agreement, Owner hereby grants Manager the power and authority for Manager to carry out its duties and obligations under this Article II, as exclusive agent and representative of Owner (and the Owning Entities, *as* applicable).

(3) All actions, undertakings and performances by Manager pursuant to this Article II shall be at Owner's sole cost and expense, except as provided in Section 8.4(2) hereof.

(4) All services to be rendered by Manager pursuant to this Article II shall be referred to in this Agreement as " Development Services. "

(5) Without Owner's approval, Manager shall not take any action or perform any services (even if such services are otherwise described in this Article II) or make any commitments on behalf of Owner, as contemplated by this Article II or elsewhere in this Agreement with respect to Development Opportunities, including potential Development Opportunities, that are not within the budgetary constraints set forth in or contemplated by the then-current and approved Annual Development Budget, Specific Development Budget, Regional Center Budget, or Annual Operating Budget, as applicable.

Section 2.2. Duties for Development Opportunities .

Manager shall perform, or cause to be performed by Third Parties, any activities that it deems necessary or desirable in connection with the development or anticipated development of the Development Opportunities, and shall advise and assist Owner in connection with the various phases and aspects thereof. In connection therewith, Manager shall be responsible for (i) implementing and managing the development process with respect to the Development Opportunities, on behalf of and at the expense of Owner (or the applicable Owning Entity), and (ii) acting as Owner's agent and representative with respect to the Development Opportunities, subject, In each case, to the limitations set forth in Sections 2.1(5) and 2.8 hereof. In particular, but without limiting the generality of the foregoing, Manager, or any Third Parties engaged by Manager, shall perform the following services (subject, again, to the limitations set forth in Sections 2.1(5) and 2.8 hereof):

(a) Seek out and/or locate real properties and personal properties and other opportunities for development, and obtain reports and perform studies, investigations and financial and other analyses relative to the same;

(b) Negotiate agreements with (and, with Owner's approval, on behalf of Owner, execute agreements with and make binding commitments to) owners, lenders, prospective Outside Partners and others for control of, or for development rights for, real properties and personal properties (whether through contracts, options, partnership agreements, joint venture arrangements, or other vehicles), which properties (upon acquisition of control thereof or development rights therein) shall be deemed to be included within the Development Opportunities for the purposes of this Agreement;

(c) Administer and manage (i) all options and other rights of Owner to acquire Development Opportunities and other properties and (ii) all Development Opportunities now owned or hereafter acquired by Owner;

(d) Perform or cause to be performed such environmental audits or assessments as are reasonable and customary in connection with the acquisition of interests in real properties, whether before or after the same become Development Opportunities for the purposes of this Agreement but, in any event, prior to the acquisition by Owner (Directly or Indirectly) of title to or a leasehold interest in any real property; assist Owner in the evaluation of the environmental risks and liabilities associated with each proposed Development Opportunity; administer and manage the performance of any environmental remediation work requested by Owner; and render advice and make recommendations to Owner as to its compliance with applicable environmental laws, rules, regulations, statutes and orders affecting the Development Opportunities acquired (Directly or Indirectly) by Owner;

(e) Identity the material governmental permits and approvals that may be necessary for the use, operation, design, construction and development of the Development Opportunities; prepare and negotiate (and, with Owner's approval, execute agreements and make binding commitments, on behalf of Owner with respect to) applications and documents with respect to the same; and represent Owner in connection with the securing of the same (which may include, without limitation, the appearance at hearings and attendance at meetings with governmental officials);

(f) Render advice and make recommendations as to the design, scheduling, phasing, budgets, development, construction, financing, marketing, and leasing of the Development Opportunities;

(g) Prepare and/or evaluate the plans, drawings and specifications for any construction with respect to the Development Opportunities, and provide and/or assist with and monitor architectural, engineering, planning and designing services with respect to the same;

(h) Assist Owner in the evaluation of prospective financing for the Development Opportunities, and negotiate (and, with Owner's approval, execute agreements and make binding commitments, on behalf of Owner) for and otherwise assist Owner in securing such financing;

(i) Manage and administer the services provided by Third Parties, and function as Owner's agent and representative with respect to Owner's rights and obligations under any agreements with any such Third Parties;

(j) Assist in the preparation, review and analysis of construction schedules and other schedules pertaining to the Development Opportunities;

(k) Provide accounting services with respect to the Development Opportunities (which may include, without limitation, the preparation of Specific Development Budgets and such financial statements and reports as Manager would routinely provide to owners of comparable projects that are in the development process);

(l) Advise Owner as to appropriate insurance coverages for the Development Opportunities, and assist Owner in connection with the procurement of such insurance;

(m) Establish and administer procedures for requesting and obtaining funds allocated for each Development Opportunity (including, without limitation, submitting draw requests to construction lenders), and for delivering payments, when due, to Persons providing materials or services in connection with each Development Opportunity (including the obtaining of lien waivers with respect to the same);

(n) Review, process and make recommendations to Owner with respect to any change orders for each Development Opportunity;

(o) Supervise the construction of any improvements with respect to the Development Opportunities, and/or serve as the construction manager with respect to the same;

(p) Solicit and negotiate the participation of (and, with Owner's approval, execute, on behalf of Owner, agreements with and binding commitments to) major department stores and other specialty stores in the Development Opportunities, and negotiate agreements (and, with Owner's approval, execute agreements and make binding commitments, on behalf of Owner) with respect to the same (including, without limitation, such leases, reciprocal easement agreements and/or related and ancillary documents as may be appropriate in each particular case);

(q) Solicit and negotiate (and, with Owner's approval, on behalf of Owner, execute agreements for and make binding commitments with respect to) the participation of potential tenants of each Development Opportunity, and negotiate leases (and, with Owner's approval, execute leases and make binding commitments with respect to leases, on behalf of Owner) with the same;

(r) Solicit and negotiate (and, with Owners approval, execute agreements and make binding commitments, on behalf of Owner, for) the participation of other potential occupants of other portions of each Development Opportunity, and negotiate agreements (and, with Owner's approval, execute agreements and make binding commitments on behalf of Owner) with respect to the same;

(s) Coordinate actions to be taken in connection with the completion of construction of each Development Opportunity, and assist in obtaining occupancy certificates with respect to the same; and

(t) Perform such other responsibilities with respect to Development Opportunities as are contemplated in this Agreement, or as may otherwise be agreed upon by Owner and Manager from time to time and which are customarily performed as a part of the development process.

Section 2.3. **Utility Services** .

Subject to the limitations set forth in Sections 2.1(5) and 2.8 hereof, Manager shall arrange for, and may enter into on behalf and in the name of Owner and of the applicable Owning Entity, such contracts for electricity, gas, fuel, water, telephone, rubbish removal and other utility services as Manager shall deem advisable for each Development Opportunity.

Section 2.4 **Billings and Collections** .

(1) Manager shall bill and collect, for the account of Owner or the applicable Owning Entity, any rents and other charges and/or income, if any, which may accrue to Owner or the applicable Owning Entity from each Development Opportunity during the term of this Agreement.

(2) Manager shall, on behalf of Owner or the applicable Owning Entity, utilize such collection procedures as it deems appropriate to collect any past due rents or other charges or income with respect to each Development Opportunity.

(3) Manager shall cooperate with Owner in any proceedings instituted by Owner or the applicable Owning Entity to recover monies due Owner or the applicable Owning Entity with respect to a Development Opportunity or to recover possession of any portion of a Development Opportunity, all such proceedings to be at Owner's expense.

Section 2.5. **Development Accounts** .

(1) Manager shall establish a separate bank account or accounts (collectively, the " Development Accounts ") in a bank or banks satisfactory to Owner or the applicable Owning Entity. The Development Accounts shall be used solely for funds relating to one (1) or more Development Opportunity(ies), and/or the Owning Entity(ies) owning the same. Such monies shall not be commingled with Manager's or Owner's own funds. If any Development Account is used for more than one (1) Development Opportunity, then Manager shall, at Owner's request, keep an adequate accounting of the funds deposited in and paid out of such Development Account, so as to be able to allocate funds between the Development Opportunities serviced by such Development Account.

(2) Funds may be withdrawn from the Development Accounts only for the benefit of the Development Opportunities, and/or for Owner or the Owning Entity(ies) owning the same. Funds shall not be withdrawn to the order or benefit of Manager, except as provided in this Agreement.

(3) Manager is hereby authorized, and shall have the right from time to time, to designate those employees of Manager who, in addition to any designees of Owner, will be authorized signatories for the Development Accounts.

(4) All funds required by Manager to perform Manager's obligations hereunder, and for the timely payment of all costs and expenses incurred for each Development Opportunity, shall be obtained through Owner's financing, or from such other sources as may be procured by Owner. Any additional funds required hereunder shall be provided by Owner. Manager shall not be obligated to make any advance for the account of Owner or to pay any sums except out of funds in the applicable Development Account, nor shall Manager be obligated to incur any liability or obligation for the account of Owner without assurance satisfactory to Manager that the necessary funds for the discharge of such liability or obligation will be provided.

(5) The books and records relating to each Development Opportunity shall be kept and maintained by Manager at its principal office in Bloomfield Hills, Michigan, or such other location as Manager may designate in writing and Owner may approve. Owner, or its duly authorized agent, shall have the right to examine such books and records at any time during normal business hours upon reasonable prior notice.

Section 2.6. **Taxes** .

(1) At Owner's request, Manager shall review or cause to ***be*** reviewed the tax assessments imposed by any governmental authority against the real or personal property of a Development Opportunity.

(2) Manager shall cooperate with Owner in any proceedings instituted by Owner (or any applicable Owning Entity) contesting or appealing the assessed valuation of the real or personal property of a Development Opportunity.

(3) Manager shall be responsible for payment, from the appropriate Development Accounts, of property taxes, betterment assessments and similar governmental charges due with respect to each Development Opportunity.

Section 2.7. **Budgets for Development Opportunities** .

In conjunction with the acquisition or pursuit of each new Development Opportunity (including with respect to a Regional Center), Manager may prepare and submit to Owner (if the same is not a part of a Regional Center Budget) for Owner's approval a development budget for such Development Opportunity (a " Specific Development Budget "), which shall reflect with such specificity as may reasonably be requested by Owner an estimate of the proposed costs, expenses and revenues (if any), and the proposed sources of funding, with respect to the development of such Development Opportunity (including, without limitation, the estimated expenses and revenues associated with the ownership, operation and maintenance of the Development Opportunity during the development process). Manager shall revise and update all approved Specific Development Budgets for the Development Opportunities as necessary or appropriate and upon the reasonable request of Owner. Such revised and updated Specific Development Budgets shall be submitted to Owner for Owner's approval.

Section 2.8. **Expenditure of Funds** .

(1) Manager shall have the right and authority to expend and disburse funds of, and, subject to the express limitations set forth in this Agreement, incur obligations on behalf of, Owner and/or the applicable Owning Entity(ies) (including, without limitation, to expend and disburse the proceeds from financing or other sources of funding obtained by Owner or the applicable Owning Entity(ies)) in connection with the Development Opportunities, provided that such expenditures and disbursements and obligations are expressly contemplated under the then-current and approved Annual Development Budget or applicable Specific Development Budget or applicable Regional Center Budget. Except as otherwise provided below in this Section 2.8, without Owner's approval, Manager shall have no right or obligation to render or authorize others to render Development Services which would involve the expenditure or disbursement of Owner's (or the applicable Owning Entity's(les,) funds other than as expressly contemplated under the then-current and approved Annual Development Budget or applicable Specific Development Budget or applicable Regional

Center Budget, even if such Development Services would otherwise be required of Manager pursuant to this Article II.

(2) Manager shall have the authority, on behalf of Owner and/or the applicable Owning Entity(ies), to expend and disburse funds of, and, subject to the express limitations set forth in this Agreement, incur obligations on behalf of, Owner and/or the applicable Owning Entity(ies) (including, without limitation, to expend and disburse the proceeds from financing or other sources of funding) for unbudgeted items and/or cost overruns which, in Manager's reasonable opinion, are (1) for the preservation and safety of or with respect to any Development Opportunity or (ii) to avoid the suspension of any necessary service to or of any Development Opportunity or (iii) to avoid danger to life or property. Manager shall inform Owner as soon as reasonably possible of any such emergency expenditure.

Section 2.9. Reports .

Manager shall furnish Owner with such progress and other reports and statements concerning the development of each Development Opportunity as reasonably requested by Owner such reports and statements to include, at a minimum, the following information on a quarterly basis: (i) a budget variance report, (ii) a statement of sources and uses, and (iii) a narrative status report.

Section 2.10. Conversion to Regional Centers .

At such time as (i) a regional retail shopping center has been constructed on land which is the subject of a Development Opportunity, (ii) some portion of the enclosed mall portion of such regional retail shopping center is open for business to the public generally, and (iii) with respect to an expansion, renovation, redevelopment, rehabilitation, or other major capital ' expenditure program of a Regional Center that, pursuant to the provisions hereof, is considered a Development Opportunity, when such program has, in the reasonable opinion of Manager, been substantially completed, then, except with respect to the completion of performance under construction contracts (including "punch list" items), and of other Development Services remaining to be provided, the Development Opportunity shall thereafter be deemed and considered to be a Regional

Center, for the purposes of this Agreement, and Manager shall perform Management Services with respect to such Regional Center pursuant to Article Ill below.

Section 2.11. Property Services Agreements .

(1) With respect to each Development Opportunity that is owned by an Owning Entity with Outside Partner(s), Manager agrees that it will offer to provide Development Services to such Owning Entity pursuant to a separate Property Services Agreement, provided that the same substantially follows the terms of this Agreement with respect to Development Services or can otherwise be negotiated so as to be acceptable in form and substance to Manager, Owner and (if the governing documents of the Owning Entity so provide) the Outside Partner(s). if and to the extent that Manager has previously entered into any Property Services Agreements with any such Owning Entity, then the terms and provisions of this Agreement shall not be immediately applicable with respect to such Owning Entity and its Development Opportunity, it being the intention of both Owner and Manager that the terms and provisions of this Agreement shall neither expand nor reduce the rights and obligations of Manager, Owner or the subject Owning Entity, as they are set forth in the existing applicable Property Services Agreements. If, however, any of the subject Property Services Agreements expires or is terminated, or is otherwise to be amended, then the provisions hereof shall be taken into account as guidelines in connection with the negotiation of any new Property Services Agreement(s) for that Owning Entity and/or its Development Opportunity.

(2) With respect to each Development Opportunity that is owned by an Owning Entity that does not have any Outside Partners, then the provisions hereof shall be applicable as of the date hereof, regardless of whether or not there are any Property Services Agreements in effect with respect to such Owning Entity and/or its Development Opportunity (and any such Property Services Agreements shall be deemed to be amended by virtue of the provisions of this Agreement). Owner, as the Person in Control of such Owning Entity, shall cause the subject Owning Entity to enter into such additional agreements with Manager as may be necessary or appropriate, in order to confirm or effectuate the foregoing.

ARTICLE III

ENGAGEMENT, AUTHORITY AND OBUGATIONS OF MANAGER

WITH RESPECT TO REGIONAL CENTERS

Section 3.1. **Engagement of Manager** .

(1) Owner hereby engages Manager, and Manager hereby agrees to serve, as the sole and exclusive manager and agent for each Regional Center.

(2) Subject to the provisions of this Agreement, Owner hereby grants Manager the power and authority for Manager to carry out its duties and obligations under this Article III, as exclusive agent and representative of Owner (and the Owning Entities, if applicable).

(3) All actions, undertakings and performances by Manager pursuant to this Article III shall be at Owner's sole cost and expense, except as provided in Section 8.4(2) hereof.

(4) All services to be rendered by Manager pursuant to this Article III shall be referred to in this Agreement as " Management Services. "

Section 3.2 **General Duties** .

(1) Subject to the limitations set forth in this Article III, Manager shall be responsible for the management and leasing of each Regional Center as a first-class retail center.

(2) Manager shall be responsible for the hiring, training and supervision of personnel at each Regional Center.

(3) Manager shall comply with all applicable laws, regulations and collective bargain-ing agreements, if any.

(4) With respect to each Regional Center, Manager shall prepare and submit to Owner for Owner's approval, on or before December 1st of each year during the term hereof for the calendar year beginning on the next following January 1st, under and in accordance with such guidelines as Owner shall from time to time choose to establish: A report containing details on the status of current and projected leasing; tenant turnover; the leasing form to be used, or changes in the leasing form then used, in connection with such

Regional Center; a commentary on the physical condition of the Regional Center, including any deferred maintenance items; market statistics as may be reasonably available; and plans for the management of each Regional Center, and such other information as Owner shall reasonably have requested. All of the foregoing information, together with the budgets approved pursuant to Sections 3.8 and 6,4 below, shall, upon approval thereof by Owner, become the " Annual Business and Leasing Plan ".

Manager shall revise and update the Annual Business and Leasing Plan as necessary or appropriate and upon the reasonable request of Owner. Such revised and updated Annual Business and Leasing Plans shall be submitted to Owner for Owner's approval.

Section 3.3. Leasing Services .

(1) Manager shall solicit tenants and negotiate leases (the " Leases ") including, without limitation, all Lease renewals, extensions and modifications for space at each Regional Center, in conformity with the Annual Business and Leasing Plan.

(2) To the extent Manager deems necessary, Manager is authorized to employ the services of outside real estate brokers.

(3) Manager shall have the authority to execute, on behalf of Owner (or the Owning Entities, as applicable), Leases, including renewals, extensions and modifications, which are not materially inconsistent with the Annual Business and Leasing Plan, provided, however, that Manager shall have received Owner Approval with respect to any lease in excess of 25,000 square feet, or in excess of 15,000 square feet and having a term in excess of fifteen (15) years (including options).

(4) Manager shall solicit tenants and purchasers, and shall negotiate Leases, purchase agreements, and other disposition documents, with respect to the Peripheral Property. Manager is authorized to employ the services of outside real estate brokers for the Peripheral Property, to the extent Manager deems necessary. Without Owner's approval, Manager shall not execute any Leases, purchase agreements, or other disposition documents described in this Section 3.3(4), or make binding commitments with respect thereto, on behalf

of Owner or the applicable Owning Entity except for Leases, commitments or documents that are consistent with an approved Peripheral Property plan.

Section 3.4 **Maintenance. Repairs and Alterations** .

(1) Manager shall arrange for the maintenance, repair and alteration of the improve-ments comprising a Regional Center in order to maintain the improvements in a safe, sound, attractive and rentable condition.

(2) Manager shall not make or incur, without Owner's approval, expenditures for the maintenance, repair, or alteration of a Regional Center over the amount therefor set forth in the then-current and approved Regional Center Budget with respect to each Regional Center, or as set forth in the then-current and approved Annual Operating Budget except for (i) expenditures reimbursable to Owner (or the applicable Owning Entity) by tenants of a Regional Center and (ii) expenditures for emergency repairs to a Regional Center which, in Manager's reasonable opinion, are required for the preservation and safety of the Regional Center or to avoid the suspension of any service to or of the Regional Center, or to avoid danger to life or property at or about the Regional Center. Manager shall inform Owner as soon as reasonably possible of any such emergency expenditure.

(3) At the request of Owner, Manager shall arrange for and/or supervise all reconstruction, repair or renovation of improvements to each Regional Center. Major reconstruction, repair or renovation shall mean work involving an estimated cost, with respect to a Regional Center, in excess of One Million Dollars ($1,000,000), which amount shall be increased each calendar year (after the First Fiscal Year) by six percent (6%); any such major reconstruction, repair, renovation or other major capital expenditure program which involves an increase in the size or a change in the configuration of the Regional Center shall be considered a Development Opportunity and the provisions of Article II hereof shall apply to such Development Opportunity.

Section 3.5. **Utility Services** .

Subject to the limitations set forth in this Article III, Manager shall arrange for, and may enter into on behalf and in the name of Owner and of the applicable Owning Entity, such contracts for electricity, gas, fuel, water, telephone, rubbish removal and other utility services as Manager shall deem advisable for each Regional Center.

Section 3.6. **Billings and Collections** .

(1) Manager shall bill and collect, for the account of Owner or the applicable Owning Entity, all minimum and percentage rents, utility charges, common area charges, insurance charges, real estate and personal property tax and assessment charges, and any and all other charges and/or income accruing to Owner or the applicable Owning Entity from each Regional Center during the term of this Agreement.

(2) Manager shall, on behalf of Owner or the applicable Owning Entity, utilize such collection procedures as it deems appropriate to collect any past due rents or other charges or income with respect to each Regional Center.

(3) Manager shall cooperate with Owner in any proceedings instituted by Owner or the applicable Owning Entity to recover monies due Owner or the applicable Owning Entity with respect to a Regional Center or to recover possession of any portion of a Regional Center, all such proceedings to be at Owner's expense.

Section 3.7. **Operating Accounts** .

(1) All monies collected or received by Manager with respect to a Regional Center shall be deposited into a separate bank account or accounts (collectively, the " Operating Accounts ") for such Regional Center, in a bank or banks satisfactory to Owner or the applicable Owning Entity. The Operating Accounts for each Regional Center shall be used solely for funds collected or withdrawn pursuant to this Agreement. Such monies shall not be commingled with Managers or Owner's own funds.

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(2) Funds may be withdrawn from the Operating Accounts only for the benefit of Owner or the applicable Owning Entity, and otherwise for purposes authorized under this Agreement. Funds shall not be withdrawn to the order or benefit of Manager, except as provided in this. Agreement.

(3) Manager is hereby authorized, and shall have the right from time to time, to designate those employees of Manager who, in addition to any designees of Owner, will be authorized signatories for the Operating Accounts.

(4) Owner shall provide (or cause to be provided) all funds required by Manager (i) to perform Managers obligations hereunder and (ii) for the timely payment of all costs and expenses incurred for each Regional Center if the funds collected or received by Manager are not sufficient to pay such costs and expenses as and when due. Manager shall not be obligated to make any advance for the account of Owner or to pay any sums except out of funds in the applicable Operating Account, nor shall Manager be obligated to incur any liability or obligation for the account of Owner without assurance satisfactory to Manager that the necessary funds for the discharge of such liability or obligation will be provided.

(5) Manager shall remit to Owner or the applicable Owning Entity from time to time such portion of the cash balance in the Operating Accounts for each Regional Center as Owner determines not to be required for the operation of such Regional Center.

(6) The books and records relating to each Regional Center shall be kept and main-tained by Manager at its principal office in Bloomfield Hills, Michigan, or such other location as Manager may designate in writing and Owner may approve. Owner, or its duly authorized agent, shall have the right to examine such books and records at any time during normal business hours upon reasonable prior notice.

Section 3.8. Budgets for Regional Centers .

Manager shall prepare annual operating budgets for each of the Regional Centers (each, a " Regional Center Budget "). Each such Regional Center Budget shall reflect a reasonable estimate of the proposed expenses to be incurred and revenues to be realized (including any financing) in connection with the operation of each Regional Center during the subject fiscal year, including as appropriate and to the extent not provided

in a Specific Development Budget, expenses for redevelopment, expansion, renovation, reconstruction or other major capital expenditures and plans (including the sources for financing such major capital expenditures) and shall include such additional information and such detail as may reasonably be requested by Owner. All such Regional Center Budgets shall be subject to the approval of Owner (and the appropriate Owning Entity, if applicable). Manager shall revise and update all approved Regional Center Budgets for the Regional Centers, on a semi-annual basis and otherwise as necessary or appropriate or as reasonably requested by Owner. Such revised and updated Regional Center Budgets shall be submitted to Owner for Owner's approval.

Section 3.9. **Expenditure of Funds** .

(1) Manager shall have the right and authority to expend and disburse funds of, and, subject to the express limitations otherwise set forth in this Agreement, incur obligations on behalf of, Owner and/or the applicable Owning Entity(ies) (including, without limitation, to expend and disburse the proceeds from financing or other sources of funding obtained by Owner or the applicable Owning Entity(ies) in connection with the Regional Centers and the Management Services to be performed under this Article III, provided that such expenditures, disbursements and obligations are expressly contemplated under the then-current and approved Annual Operating Budget or applicable Regional Center Budget. Except as otherwise provided below in this Section 3.9, without Owner's approval, Manager shall have no right or obligation to render Management Services which would involve the expenditure or disbursement of Owner's or the applicable Owning Entity(ies) funds other than as contemplated under the then-current and approved Annual Operating Budget or applicable Regional Center Budget, even if such Management Services would otherwise be required of Manager pursuant to this Article III.

(2) Manager shall have the authority, on behalf of Owner and/or the applicable Owning Entity(les), to expend and disburse funds of, and, subject to the express limitations otherwise set forth in this Agreement, incur obligations on behalf of, Owner and/or the applicable Owning Entity(ies) (including, without limitation, to expend and disburse the proceeds from financing or other sources of funding) for unbudgeted items and/

or cost overruns which, in Managers reasonable opinion, are (i) for the preservation and safety of or with respect to any Regional Center or (ii) to avoid the suspension of any service to or of any Regional Center or (iii) to avoid danger to life or property at or about the Regional Center. Manager shall inform Owner as soon as reasonably possible of any such emergency expenditure.

Section 3.10. **Reports**.

Manager shall furnish Owner with the following statements concerning the operation of each Regional Center:

(a) Within thirty (30) Days after the end of each calendar month (except for the month of January), a statement which compares the results of operations to the applicable Regional Center Budget, and to the Annual Business and Leasing Plan, a schedule of disbursements, a schedule of delinquencies, a schedule of any significant variances from the Annual Business and Leasing Plan, a report of tenant sales, a report of leasing activity, a summary statement of sources and uses of funds and a budget variance report;

(b) Not less than thirty (30) Days prior to the beginning of each calendar year, a proposed Regional Center Budget and a cash flow projection with respect to each Regional Center for the next succeeding calendar year;

(c) Within ninety (90) Days after the expiration of each calendar year, statements of the operations with respect to each Regional Center for the preceding calendar year, audited by Deloitte & Touche or such other independent certified public accountant that is designated by Manager and approved by Owner; and

(d) Such other reports and statements as may reasonably be requested by Owner.

Section 3.11. **Taxes**.

(1) At Owner's request, Manager shall review or cause to be reviewed the tax assessments imposed by any governmental authority against the real or personal property of a Regional Center.

(2) Manager shall cooperate with Owner in any proceedings instituted by Owner (or any applicable Owning Entity) contesting or appealing the assessed valuation of the real or personal property of a Regional Center.

(3) Manager shall be responsible for payment, from the appropriate Operating Accounts, of property taxes, betterment assessments and similar governmental charges due with respect to each Regional Center.

Section 3.12 Environmental Matters.

Manager shall assist Owner (and the applicable Owning Entities) in connection with matters relating to compliance with environmental laws, rules, statutes, regulations and orders, in and about the Regional Centers. In addition, Manager shall maintain for the Regional Centers an operations and maintenance program with respect to such environmental matters as to which Manager and Owner shall agree.

Section 3.13. Special Services.

Manager shall, at the request of Owner, provide services not normally associated with the day-to-day management of a Regional Center, but which may be requested by Owner and which Manager has the ability to perform (" Special Services "). Owner and Manager hereby agree that Special Services shall include, but are not limited to, services that are rendered in connection with the following:

(a) Obtaining any financing, refinancing or additional financing (other than any financing associated with the acquisition of an Other Retail Property and included as a part of Acquisition Services);

(b) Preparation for and/or participation in hearings and/or litigation matters that are not the result of any act on the part of Managers indemnified Parties for which Owner is indemnified by Manager hereunder;

(c) Major reconstruction, repair or renovation (as described in Section 3.4(3) hereof) which is not considered to be a Development Opportunity, it being agreed that the services to be provided with respect to the expansion or redevelopment of a Regional Center which is considered to be a Development Opportunity shall be the Development Services to be rendered pursuant to Article II hereof, and the provisions of Article II hereof shall apply with respect to such expansion or redevelopment;

(d) Provision of reports, information and services, other than as specifically required under this Agreement and other than, as may be routinely provided by Manager to Owner and other than as shall have been prepared not at the request of Owner, to Owner or Third Parties designated by Owner; and

(e) Sale, exchange or transfer of a Property or all or any portion of a Property Interest (including matters relating to the sale, exchange or other disposition of an interest in a Regional Center or in an Owning Entity by an Outside Partner).

Notwithstanding the foregoing, Manager shall have no right or obligation to render Special Services unless the costs and expenses associated with the same (including, without limitation, Manager's Compensation) are contemplated under the then-current and approved Annual Operating Budget or applicable Regional Center Budget, or are otherwise approved by Owner.

Section 3.14. **Property Services Agreements** .

(1) With respect to each Regional Center that is owned by an Owning Entity with Outside Partner(s), Manager agrees that it will offer to perform Management Services for such Owning Entity pursuant to a separate Property Services Agreement, provided that the same substantially follows the terms of this Agreement with respect to Management Services or can otherwise be negotiated so as to be acceptable in form and substance to Manager, Owner and (if the governing documents of the Owning Entity so provide) the Outside Partner(s). If and to the extent that Manager has previously entered into any Property Services Agreements with any such Owning Entity, then the terms and provisions of this Agreement shall not be immediately applicable with respect to such Owning Entity and its Regional Center, it being the intention of both Owner and Manager that the terms and provisions of this Agreement shall neither expand nor reduce the rights and obligations of Manager, Owner or the subject Owning Entity, as they are set forth in the applicable Property Services Agreements. If, however, any of the subject Property Services Agreements expires or is terminated, or is otherwise to be amended, then the provisions hereof shall be taken into account as guidelines in connection with the negotiation of any new Property Services Agreement(s) for that Owning Entity and/or its Regional Center.

(2) With respect to each Regional Center that is owned by an Owning Entity that does not have any Outside Partners, then the provisions hereof shall be applicable as of the date hereof, regardless of whether or not there are any Property Services Agreements in effect with respect to such Owning Entity and/or its Regional Center (and any such Property Services Agreements shall be deemed to be amended by virtue of the provisions of this Agreement). Owner, as the Person in Control of each such Owning Entity, shall cause

the subject Owning Entity to enter into such additional agreements with Manager as may be necessary or appropriate, in order to confirm or effectuate the foregoing.

ARTICLE IV

ENGAGEMENT, AUTHORITY AND OBLIGATIONS OF MANAGER

FOR ACQUISITION SERVICES

Section 4.1. **Engagement of Manager** .

(1) Owner hereby engages Manager as its sole and exclusive manager and agent to provide the services described in this Article IV. Manager hereby agrees to provide such services to Owner, as set forth in this Article IV.

(2) Subject to the provisions of this Agreement, Owner hereby grants Manager the power and authority for Manager to carry out its duties and obligations under this Article IV, as exclusive agent and representative of Owner.

(3) All actions, undertakings and performances by Manager pursuant to this Article IV shall be at Owner's sole cost and expense, except as provided in Section 8.4(2) hereof.

(4) All services to be rendered by Manager pursuant to this Article IV shall be referred to in this Agreement as " Acquisition Services. "

(5) Except as set forth in Section 4.3(2) hereof, without Owner's approval, Manager shall not take any action or perform any services (even if such services are otherwise described in this Article IV) or make any commitments on behalf of Owner, as contemplated by this Article IV or elsewhere in this Agreement with respect to Acquisition Services, that are not within the budgetary constraints set forth in or contemplated by the then-current and approved Annual Operating Budget.

(6) Subject to the limitations set forth in Sections 4.1(5), 4.2(2) and 4.3 hereof, Manager, on behalf of Owner, shall perform, or cause to be performed by Third Parties, and manage and act as Owner's agent arid representative with respect to, all services in connection with identifying, evaluating, proposing for acquisition and acquiring Other Retail Properties (and interests therein). In particular, but without limiting

the generality of the foregoing, Manager, or any Third Parties engaged by Manager, shall perform the following services (subject to the limitations set forth in Sections 4.1(5), 4.2(2) and 4.3 hereof):

(a) Seek out and/or locate real properties (and interests therein) to be considered for acquisition (" Acquisition Opportunities ") and obtain reports and perform studies, investigations and financial and other analyses relative to the same;

(b) Administer and manage all options and other rights of Owner to acquire Acquisition Opportunities;

(c) Perform or cause to be performed such environmental audits or assessments as are reasonable and customary in connection with the acquisition of interests in real properties, in any event prior to the acquisition by Owner (directly or indirectly) of title to or a leasehold interest in real property; assist Owner in the evaluation of the environmental risks and liabilities associated with each proposed Acquisition Opportunity; administer and manage the performance of any environmental work requested by Owner; and render advice and make recommendations to Owner as to compliance with applicable environmental laws, rules, regulations, statutes and orders affecting Acquisition Opportunities;

(d) Identify, to the extent reasonably practicable, any consents or approvals that may be necessary for the acquisition of an Acquisition Opportunity; prepare and negotiate applications and documents with respect to the same; and represent Owner in connection with the securing of the same;

(e) Evaluate the construction, engineering and other structural features (including a physical inspection) of any Acquisition Opportunity;

(f) Assist Owner in the evaluation and obtaining of financing or other funding for the acquisition, and negotiate (and, with Owner's approval, execute agreements and make binding commitments, on behalf of Owner) for and otherwise assist Owner in securing such financing or funding;

(g) Manage and administer the services provided by Third Parties, and function as Owner's agent and representative with respect to Owner's rights and obligations under any agreements with any such Third Parties;

(h) Monitor and assist in the preparation, review, evaluation, analysis and performance of all due diligence activity pertaining to Acquisition Opportunities;

(i) Negotiate purchase and other agreements and binding commitments, ancillary or otherwise, to effect and complete the acquisition of an Acquisition Opportunity approved by Owner, provided, however, no such documents shall be executed nor shalt any binding commitments be made unless the terms, provisions and conditions of such document or binding commitment are within the Parameters of Acquisition;

(j) Perform such other services with respect to Acquisition Opportunities as are contemplated in this Agreement, or as may otherwise be agreed upon by Owner and Manager from time to time and which are customarily performed as part of the acquisition process; and

(k) Perform such other services with respect to an Acquisition Opportunity in respect of the expansion, renovation or redevelopment of same, as provided in Section 2.2 hereof.

Section 4.2. Duties With Respect to Proposed Acquisitions .

(1) Manager from time to time shall prepare and deliver to Owner, for its review and approval, proposals for the acquisition of one or more Acquisition Opportunities (or interests therein), which proposals shall (i) propose the Parameters of Acquisition (defined below) for such Acquisition Opportunity(ies), and (ii) identify and establish (a) how and to what extent such Acquisition Opportunity(ies) satisfy Owner's objectives or requirements, (b) the considerations and criteria examined and/or to be examined in connection with the assessment and analysis of such Acquisition Opportunity(ies), (c) valuations (including the assumptions used in arriving at such valuations) and proposed methods and ranges of consideration to be paid for such Acquisition Opportunity(ies), (d) proposed sources of funding the consideration for such Acquisition Opportunity(ies) and (e) the plan for achieving the optimum value for such Acquisition Opportunity(ies) (including, if appropriate, a Specific Development Budget). " Parameters of Acquisition " means the terms and provisions (or a range thereof), and such other matters, requirements or restrictions imposed by Owner as a condition to the authority granted to Manager to effect the acquisition of an Acquisition Opportunity.

(2) Although it shall be Manager's responsibility to seek out and/or locate Acquisition Opportunities for Owner, and to perform studies, investigations and analyses relative to the same, Owner shall have the sole right to determine whether or not a particular Acquisition Opportunity shall be acquired by Owner, and Manager shall only assist and advise Owner in connection with that decision. At such time as an acquisition has been approved by Owner, Manager shall be responsible for implementing the same, for and on behalf of Owner, in accordance with the Parameters of Acquisition. Manager shall negotiate purchase agreements, option agreements, and other documents relative to the acquisition of Acquisition Opportunities (or interests therein) for and on behalf of Owner and in accordance with the Parameters of Acquisition.

(3) Upon the acquisition of an Acquisition Opportunity, such acquired Property shall thereafter be deemed and considered to be a Regional Center for the purposes of this Agreement.

Section 4.3. Expenditure of Funds .

(1) Manager shall have the right and authority to expend and disburse funds of, and, subject to the express limitations otherwise set forth in this Agreement, incur obligations on behalf of, Owner (including, without limitation, to expend and disburse the proceeds from financing or other sources of funding obtained by Owner) in connection with the Acquisition Opportunities, provided that such expenditures and disbursements and obligations are expressly contemplated under the then-current and approved Annual Operating Budget or applicable Parameters of Acquisition or, as applicable, Specific Development Budget. Except as otherwise provided below in this Section 4.3, without Owner's approval, Manager shall have no right or obligation to render Acquisition Services which would involve the expenditure or disbursement of Owner's funds other than as contemplated under the then-current and approved Annual Operating Budget, applicable Parameters of Acquisition, or, as applicable, Specific Development Budget, even if such Acquisition Services would otherwise be required of Manager pursuant to this Article IV.

(2) Notwithstanding the foregoing, Manager shall have the authority, on behalf of Owner, to expend and disburse funds of, and incur obligations on behalf of, Owner (including without limitation, to expend and disburse the proceeds from financing or other sources of funding) for unbudgeted items relating to Acquisition Opportunities provided that, without Owners approval, all such unbudgeted expenditures shall not exceed in any year Two Hundred Fifty Thousand Dollars ($250,000), which amount shall be increased each year by six percent (6%).

ARTICLE V

ENGAGEMENT, AUTHORITY AND OBLIGATIONS OF MANAGER

FOR ADMINISTRATIVE SERVICES

Section 5.1. **Engagement of Manager** .

(1) Owner hereby engages Manager on a sole and exclusive basis to provide the administrative services described in this Article V with respect to Owner. Manager hereby agrees to provide such services to Owner, as set forth in this Article V.

(2) Subject to the provisions of this Agreement, Owner hereby grants Manager the power and authority for Manager to carry out its duties and obligations under this Article V.

(3) All actions, undertakings and performances by Manager pursuant to this Article V shall be at Owner's sole cost and expense, except as provided in Section 8.4(2) hereof.

(4) All services to be rendered by Manager pursuant to this Article V shall be referred to in this Agreement as " Administrative Services ".

Section 5.2. **General Duties** .

Subject to the limitations set forth in this Article V, Manager shall be responsible for providing (or causing to be provided) general administrative and advisory services to Owner, which relate to the ongoing operations and management of Owner as a business entity (as distinguished from the services to be rendered by Manager under this Agreement in connection with Owner's position as the holder of Beneficial Interests in Properties and in Owning Entities). In particular, but without limiting the generality of the foregoing, Manager, or any Third Parties engaged by Manager, shall:

(a) Assist Owner in connection with policy and investment decisions to be made by Owner; furnish reports to Owner; and provide research, economic and statistical data in connection with Owner's investments;

(b) Administer the day-to-day operations of Owner and perform or supervise the various administrative functions reasonably necessary for the management of Owner;

(c) Assist Owner with respect to, and execute and administer all of the obligations of Owner to its constituent partners (including distributions) as provided in the Partnership Agreement of Owner;

(d) Investigate, select, and conduct business with Third Parties, including Affiliates of Manager, and, on behalf of Owner and with Owner's approval, engage Third Parties, including Affiliates of Manager;

(e) Act as attorney-in-fact or agent, as directed by Owner, or subject to such discretionary powers as Owner may from time to time delegate, or pursuant to policies established by Owner: in acquiring and disposing of and managing Owner's investments, in disbursing and collecting funds of Owner, in paying the debts and fulfilling the obligations of Owner, including the obligations of Owner pursuant to the Partnership Agreement of Owner and Property Services Agreements and in handling, prosecuting, and settling any claims of Owner;

(f) Negotiate on behalf of Owner with banks or other lenders for loans to be made to Owner with Owner's approval, and negotiate on behalf of Owner with investment banking firms and broker-dealers to obtain, with Owner's approval, loans for Owner, but in no event in such a way so that Manager shall be acting as broker-dealer or underwriter, and provided further, that any fees and costs incurred by Manager in connection with the foregoing shall be the responsibility of Owner;

(g) At any time reasonably requested by Owner (but not more frequently than monthly), make reports of its performance of services to Owner;

(h) Counsel Owner in connection with policy decisions to be made by Owner;

(i) Assist Owner with respect to public relations;

(j) Provide the executive and administrative personnel, office space and services required in rendering the foregoing services to Owner;

(k) Furnish Owner and the constituent partners of Owner (and other Persons, at the direction of Owner) with such reports, estimates and projections (including tax and other estimates and projections, including those relating to the constituent partners of Owner) as agreed to by Manager and Owner, including (i) advising the Managing General Partner of Owner and the Partnership Committee of Owner, not less than seven (7) Days prior to the next regular meeting of the Partnership Committee of Owner, of the Additional Required Amount with respect to any capital gain transaction of Owner that shall have been closed for federal income tax purposes after the last regular meeting of the Partnership Committee of Owner, but prior to the time of such Additional Required Amount Notice (for this purpose, any Additional Required Amount with respect to a capital gain transaction that shall have closed for federal income tax purposes during the period commencing on the date of the Additional Required Amount Notice and prior to the next regular meeting of the Partnership Committee of Owner shall be deemed to have closed on the Day immediately following such Partnership Committee meeting), (ii) after a TREIT Information Notice in respect of a Minimum Distribution Amount Adjustment, not later than December 1 of each fiscal year of Owner, advising the Managing General Partner of Owner and the Partnership Committee of Owner, of the Minimum Distribution Amount Adjustment for such fiscal year of Owner, (iii) after a TREIT Information Notice in respect of a Tax Adjustment Amount, advising the Managing General Partner of Owner and the Partnership Committee of Owner, not less than ten (10) Days prior to the first regular meeting of the Partnership Committee of Owner (but in any event not less than ten (10) Days prior to TREIT's first regular dividend date), of the Tax Adjustment Amount for such fiscal year of Owner and (iv) after a TREIT Information Notice in respect of TREIT's obligation to declare and pay a deficiency dividend

pursuant to Section 860(0(1) of the Code as a result of a determination (as defined in Section 860(e) of the Code), advising the Managing General Partner of Owner and the Partnership Committee of Owner of the Deficiency Dividend for such fiscal year of Owner (as such capitalized terms are defined in the Partnership Agreement of Owner);

(l) Furnish Owner and constituent partners of Owner, as necessary, with such reports, data and information required to be filed by Owner or such constituent partner or partners of Owner for securities or tax purposes, including all that shall be required of Owner to be provided to one or more of its constituent partners pursuant to the Partnership Agreement of Owner, and all other reports, data and information required of Owner under the Partnership Agreement of Owner; and

(m) Perform such other services as may be required from time to time for the management and administration of Owner.

Section 5.3. Bank Accounts .

Manager shall establish and maintain one or more bank accounts in the name of Owner and may collect and deposit into any such account or accounts, and disburse from any such account or accounts, any money on behalf of Owner, under such terms and conditions as Owner may approve. Such monies shall not be commingled with Manager's own funds. Monies shall not be withdrawn from any such account to the order or benefit of Manager, except as otherwise provided in this Agreement or as may otherwise be approved by Owner. Manager shall from time to time render appropriate accounts with respect to such bank account(s) to Owner and to the auditors of Owner.

ARTICLE VI

SPECIAL PROVISIONS REGARDING MANAGER'S SERVICES

Section 6.1. Engagement of Third Parties .

Under and in accordance with such guidelines as Owner shall from time to time choose to establish, Manager shall have the right and authority, on behalf of Owner, to engage and conduct business with, such architects, engineers, experts, consultants, technical advisors, investment advisors, attorneys, accountants, contractors, materialmen, design professionals and other third parties (collectively " Third Parties ") as Manager may determine to be necessary or desirable in connection with the Properties and/or the provision of the services contemplated under this Agreement. Under and in accordance with such guidelines as Owner shall from time to time choose to establish, Manager shall negotiate and enter into, on behalf of Owner, any

agreements with such Third Parties. Each Third Party selected and engaged by Manager shall be deemed to be an independent contractor of Owner, with the authority to act as agent of Owner only if and to the limited extent provided in such Third Party's agreement with Owner and/or Manager (as agent of Owner). Any Third Party engaged by Manager pursuant to this Section 6.1 may also be an Affiliate of Manager, provided that the terms of engagement of any such Affiliate shall be approved by Owner. All agreements that Manager enters into with any Third Parties shall be deemed to be for the account of Owner. All fees, charges and other amounts that become due and payable under such agreements with Third Parties shall be paid, subject to all applicable defenses, directly by Owner to such Third Parties, and Manager shall have no liability for paying any of the same.

Section 6.2. **Independent Contractor Services** .

Notwithstanding anything contained in this Agreement to the contrary, Manager and Owner acknowledge and agree as follows:

(1) Manager shall not perform or provide any services to or for the benefit of Owner and/or any Properties in which Owner owns a Beneficial Interest, if and to the extent that such services are not customarily provided in connection with the management and/or development of assets and interests of a similar class to the Properties in the geographic markets in which the Properties are located.

(2) With respect to those services to be provided by Manager under this Agreement which (as a result of the constituency of Owner) must be furnished or provided by an "independent contractor (including those described in Section 6.2(1) hereof) from whom certain of Owners constituents receive no income (directly or indirectly), pursuant to section 856(d)(2)(C) of the Code (the " Independent Contractor Services "), the following provisions shall be applicable: Without Owner's approval, Manager shall not perform any Independent Contractor Services; rather, Manager shall engage and retain, for and on behalf of Owner, and with Owner's approval, a Person that would qualify as an independent contractor, who may or may not be affiliated with Manager (the " Independent Contractor "), to perform all of the Independent Contractor Services to be performed under this Agreement. The Independent Contractor shall be considered a Third Party for the

purposes of this Agreement, so the provisions of Section 6.1 above shall be applicable with respect to the engagement of the Independent Contractor except that, in all cases in which such Independent Contractor is an Affiliate of Manager, the nature of the affiliation and the terms of engagement of such Affiliate shall be disclosed to Owner.

Section 6.3. Restrictions on Other Activities.

(1) For as long as this Agreement remains in effect, Manager shall not engage in any activities or perform any services that are not for the benefit of Owner, without Owner's prior approval. Owner hereby approves Manager providing (a) construction, architectural or other work or services for any tenants of a (anticipated) Regional Center, and (b) administrative, shareholder and other corporate services for Taubman Centers, Inc., one of the constituent partners of Owner pursuant to the Corporate Services Agreement attached hereto as Exhibit A, provided that, in each case, Manager is reasonably compensated for such work or services by Persons other than Owner.

(2) Owner agrees that it will approve any work, services or activities that Manager desires to perform that is not for the benefit of Owner, but that is tor the benefit of AAT Affiliates, provided that (i) Manager receives adequate compensation from Persons other than Owner for such services and activities, and (ii) such services and activities do not represent during any calendar year more than fifteen percent (15%) of the total of all of the services and activities performed or provided by Manager (measured on the basis of Manager's revenues and the sources of such revenues for such calendar year, determined on an accrual basis) and (iii) such services and activities do not adversely affect the Manager's ability to perform its duties hereunder. Manager shall provide reports to Owner, on a regular but no more often than quarterly basis, of Manager's activities described in this Section 6.3(2).

(3) In the event that Manager desires to provide Development Services or Management Services in respect of an Other Retail Property in which Owner has no direct or indirect Beneficial Interest, then the following provisions shall be applicable:

(a) Manager shall not provide any such services in respect of the subject Other Retail Property without Owner's approval, which may be withheld for any reason whatsoever (including,

without limitation, because the provision of such services by Manager would result in certain of Owner's constituents being subjected to certain adverse tax consequences);

(b) If and to the extent that the monetary compensation that Manager receives for the provision of services to the subject Other Retail Property exceeds the commercially reasonable value of the services so provided, then the excess monetary consideration received by Manager shall be paid over to Owner; and

(c) If and to the extent that Manager obtains an equity interest in an Other Retail Property as all or part of its compensation for providing services with respect to the Other Retail Property, then, at the election of Owner, such equity interest shall inure to Owner (and Manager shall assign the same to Owner); provided, however, that if such equity interest is offered to Manager in lieu of all or part of a commercially reasonable monetary fee for Manager's provision of the subject services and Owner elects to cause the same to be assigned to it, then Owner shall pay Manager, in consideration for the equity interest assigned by Manager to Owner, an amount equal to the difference between a commercially reasonable fee for the services rendered by Manager with respect to the subject Other Retail Property, and any monetary compensation (other than the equity interest) actually received by Manager in consideration for the provision of the subject services.

Pursuant to the provisions of this Section 6.3(3), Owner hereby consents to, and waives its rights to any compensation with respect to, arrangements with respect to Other Retail Property owned, directly or indirectly, in part or entirely by AAT Affiliates on the date of this Agreement and not contributed to Owner prior to or simultaneously with the execution and delivery of the Partnership Agreement of Owner. Nothing herein shall prohibit Owner from receiving its proportionate share of profits and distributions of the Manager as the limited partner of Manager.

Section 6.4. **Annual Budget** .

As part of the services to be provided by Manager to Owner under Articles II, III, IV and V above, Manager shall prepare and submit to Owner, prior to the beginning of each fiscal year of Owner, for Owner's review and approval, an annual development budget (the " Annual Development Budget ") and an annual operating budget (the " Annual Operating Budget ") for Owner. Taken together, the Annual Development Budget and the Annual Operating Budget (collectively referred to as the " Annual Budget ") shall reflect a reasonable estimate of all revenues (including anticipated borrowings) and expenses and expenditures which Owner may reasonably expect to receive, incur and pay out for the subject fiscal year, and a schedule of anticipated distributions (covering both the amount and the timing of such distributions) to the constituent partners of Owner for the subject fiscal year. The Annual Operating Budget shall include an estimate of

Owner's expenses and revenues that are unrelated to the Properties, Owner's Property Interests, and the Owning Entities, (including, without limitation, the costs and expenses of providing, and associated with, the Administrative Services provided by Manager pursuant to this Agreement), shall disclose all payments to AAT Affiliates and Manager and its Affiliates and shall include such other information as Owner may reasonably request. Further, in connection with submission of the Annual Budget, Manager shall also propose and submit to Owner, for Owner's review, a 3 year capital expenditure projection, showing Manager's then-current estimates as to the costs of major capital improvements, expansions, and redevelopments at the Regional Centers over the ensuing 3 year period, all to the extent not otherwise provided in a Specific Development Budget.

Section 6.5. **Owner's Funds**.

(1) Manager shall maintain at its expense a fidelity bond in an amount not less than that from time to time reasonably requested by Owner (which amount shall, as of the date of this Agreement, be One Million Dollars ($1,000,000)) covering all of Managers employees and officers handling Owner's (and any applicable Owning Entities') funds pursuant to this Agreement.

(2) Manager shall be responsible for losses of funds collected by Manager on Owner's behalf caused by the material breach, gross negligence or willful misconduct of Manager and Managers Indemnified Parties.

ARTICLE VII

INSURANCE AND INDEMNIFICATION

Section 7.1. **Insurance**.

(1) Manager shall secure, maintain, and pay for, from the appropriate Bank Accounts, all forms of insurance which are, in Owner's judgment and communicated to Manager, needed to adequately protect Owner and, in Manager's judgment, needed to adequately protect Manager (both of whom shall be named as insured parties under all liability insurance policies) with respect to each Property, all of which insurance shall be written to protect Manager and Owner in the same manner and to the same extent. Copies of all such insurance policies shall be furnished to Manager and Owner.

(2) Manager shall cooperate with Owner with respect to any claim which may arise under any such insurance policies. The prosecution of any such claim shall be at the sole cost and expense of Owner.

(3) Manager shall notify Owner as soon as possible after it receives notice of any material loss, damage or injury and shall take no action which might operate to bar Owner from obtaining any protection afforded by any insurance policy or which might prejudice Owner in its defense to a claim based on such loss, damage or injury.

(4) Owner shall have the exclusive right, at its option, to conduct the defense to any claim, demand or suit within the limits prescribed by insurance policies.

(5) Manager shall maintain original policies and/or certificates of insurance evidencing all insurance coverages required to be carried, and which are furnished, by tenants at a Property, and/or any Third Parties with respect to any Property.

Section 7.2. Indemnification .

(1) Subject to the provisions of Section 7.3 below, each party hereto shall indemnify and hold the other harmless from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) arising out of or in connection with such party's material breach under the terms of this Agreement or its (or its Indemnified Parties', as defined below) grossly negligent acts or willful misconduct in or about a Property.

(2) Owner shall:

(a) Indemnify and hold harmless Manager, its partners, Affiliates and related entities, and the respective officers, directors, shareholders, partners, employees and agents of Manager and of its partners, Affiliates and related entities (collectively, " Manager's Indemnified Parties ") from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) resulting from damage to property or injury to, or death of, Persons from grossly negligent acts or willful misconduct in or about a Property when Manager is carrying out the provisions of this Agreement or acting under the direction of Owner;

(b) Defend or cause to be defended, at no expense to any of Manager's Indemnified Parties, any claims, actions or proceedings brought against any of Manager's Indemnified Parties or any of the Manager's Indemnified Parties and Owner, jointly and severally, arising out of the foregoing; and

(c) Hold Manager's Indemnified Parties harmless from any judgment, loss, damage, or settlement on account thereof.

(3) Subject to the provisions of Section 7.3 below, Manager shall:

(a) Indemnify and hold harmless Owner, its partners, Affiliates and related entities, and the respective officers, directors, shareholders, partners, employees and agents of Owner, and of its partners, Affiliates and related entities (collectively, " Owner's Indemnified Parties ") from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) resulting from damage to property or injury to, or death of, Persons in or about a Property caused by the gross negligence or willful misconduct of Manager's indemnified Parties or by Managers material breach of this Agreement;

(b) Defend or cause to be defended, at no expense to any of Owner's Indemnified Parties, any claim, action or proceeding brought against any of Owner's Indemnified Parties and Manager, jointly and severally, arising out of the foregoing; and

(c) Hold Owner's Indemnified Parties harmless from any judgment, loss, damage or settlement on account thereof, but only in each of the aforementioned cases to the extent any such claims, actions, losses, damages, liabilities, costs and expenses are not covered by any insurance policies.

(4) Each Party shall promptly notify the other of any claim asserted against it for which it will seek indemnity. The indemnifying party shall have the right to defend any such claim at its sole cost and expense.

(5) The indemnities contained herein shall survive the termination or expiration of this Agreement.

Section 7.3. Disclaimer .

(1) Notwithstanding anything contained in this Agreement to the contrary, Manager shall not have any liability to Owner, Owner's Indemnified Parties or any other Person in connection with the performance, non-performance, or negligent performance of any services provided or to be provided by any Third Parties (including, without limitation, general contractors, construction supervisors or other design or construction professionals) with respect to any Development Opportunity and/or the expansion or major reconstruction, repair, renovation or the like of a Regional Center. In particular, but without limiting the generality of the foregoing, Manager shall have no liability whatsoever for (i) the design of any Property, (ii) the construction or completion of any Property (or any aspect thereof) in a timely manner, and/or within the amounts specified in any budget pertaining to the same (or the individual line items thereof), (iii) the quality of construction and other work associated with any Property, (iv) services to be performed by any of

the design professionals or other Third Parties for any Property, or (v) the compliance with any laws, rules, regulations, codes or ordinances by any Third Parties providing services or materials with respect to any Property; provided, however, that in each of the foregoing cases, in the event that Manager expressly assumes responsibilities for any of the foregoing, then Manager shall have liability to Owner with respect to the same, but only to the extent of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of duty. Except as otherwise expressly provided above, Owner's sole recourse with respect to design defects, errors or omissions, construction defects, cost overruns, delays or any failure to provide, or error in providing, services for any Property shall be such as may exist against the design professionals or other Third Parties. Similarly, unless Manager expressly assumes such responsibilities, Manager will not have control or charge of, and will not be responsible for, construction means, methods, techniques, sequences and procedures, or materials, or for safety precautions and programs in connection with the work, for the acts or omissions of any Third Parties (including, without limitation, contractors, their subcontractors, or any other Person) performing work with respect to any Property, and Owner's sole recourse with respect thereto shall be such as may exist against such parties.

(2) Manager will have no liability for payment of any fees, charges or other sums that may become due and payable to any Third Parties, whether pursuant to any contracts or agreements between Manager (as agent of Owner) and such Third Parties, or otherwise.

(3) Owner shall indemnify, defend and hold harmless Managers Indemnified Parties from and against any and all claims or liabilities asserted against or incurred by Manager's indemnified Parties as a result of any of the matters described in this Section 7.3. The indemnities contained herein shall survive the termination or expiration of this Agreement.

(4) For purposes of this Section 7.3, the term 'Third Party" shall include a Third Party that is an Affiliate of Manager provided that the terms of engagement of any such Affiliate shall have been approved by Owner.

ARTICLE VIII

COMPENSATION

Section 8.1. **Compensation** .

(1) As Manager's compensation for providing all of the Development Services, Management Services, Acquisition Services, and Administrative Services contemplated under this Agreement, Owner shall pay to Manager a fee (" Manager's Compensation ") for each fiscal year (or portion thereof) during which this Agreement is in effect, equal to such amount as will be determined by Owner and Manager for such fiscal year (or portion thereof) and set forth on the Annual Budget for the same. Manager's Compensation, which shall be determined (and set forth in the Annual Budget) as an annual sum, shall be calculated each year so as to be comparable to and consistent with fees and costs (including, without limitation, management fees, leasing commissions, incentive fees, and other such similar fees, and costs and reimbursables) charged by Manager for comparable services to, or required to be paid by, the Owning Entities under all then-existing Property Services Agreements, and will be an amount that will be commercially reasonable. In the event that Manager and Owner are unable to agree upon the amount of Manager's compensation for any fiscal year (i.e., if Manager and Owner are unable to agree upon the Annual Budget for the subject fiscal year), then the principles used in determining Manager's Compensation for the fiscal year in question shall be the same as were used to determine the amount of Manager's Compensation for the immediately preceding fiscal year.

(2) Managers Compensation for each fiscal year shall be paid by Owner to Manager monthly in advance on the first Day of each month, in monthly installments as set forth in the Annual Budget, based on the annual amount of Managers Compensation, as set forth in the Annual Budget for such fiscal year (as such Annual Budget may be revised from time to time).

(3) The basis on which Manager's Compensation is calculated for the First Fiscal Year is included and described in the approved Annual Budget for the First Fiscal Year.

Section 8.2. **Relationship With Property Services Agreements**.

Owner and Manager acknowledge and agree that the compensation provisions set forth in this Agreement shall be deemed to be separate and independent of the compensation provisions set forth in any of the Property Services Agreements. Thus, for example, the compensation that Manager receives under any of the Property Services Agreements (or under any other documents or agreements that Manager may enter into with respect to the provision of services or the performance of activities, to the extent permitted hereunder) shall not entitle Owner to any offsets or credits against the amount of the compensation to be paid by it to Manager under this Agreement, nor shall the compensation paid by Owner to Manager under this Agreement be credited against any compensation to which Manager may be entitled under the Property Services Agreements or other documents. To the extent that there are any overlaps between the services to be provided under this Agreement and those to be provided under any Property Services Agreements, the same shall be taken into account in connection with the calculation of Manager's Compensation under this Agreement, so as to insure that Manager is not compensated twice for performing the same services.

Section 8.3. **Compensation for Special Services and Acquisition Services**.

Notwithstanding anything contained in this Agreement to the contrary, Manager's obligation to perform Special Services (described in Section 3.13 hereof) or Acquisition Services (described in Article IV hereof) is contingent upon Manager's Compensation being adjusted in order to account for the provision of such Special Services or such Acquisition Services. Accordingly, in the event and to the extent that the then-current Annual Budget does not contemplate the Special Services (as provided in Section 3.13 hereof) or the Acquisition Services (as provided in Article IV hereof) then requested or to be provided by Manager, then Manager shall not be required to perform such Special Services or Acquisition Services until Owner has agreed to compensate Manager on a basis which is consistent with and comparable to fees and costs charged by Manager for such services pursuant to existing Property Services Agreements (it being agreed that Acquisition Services will be compensated for on the same basis as Special Services).

Section 8.4. **Reimbursements**.

(1) Provided that such items are contemplated in the approved Annual Budget, Owner shall pay Manager monthly, upon presentation of invoices, all costs and expenses incurred by Manager in connection with the performance of Manager's obligations hereunder, including, but not limited to, the following:

(a) All compensation (including payroll expenses, fringe benefits and profit sharing, if any) paid to all employees of Manager located at a Property, including employees of any Affiliate of Manager;

(b) Owner's share of advertising and promotional expenses and merchants' association and/or promotion fund dues;

(c) Costs incurred in maintaining and operating a Property, including, without limitation, costs incurred in establishing and maintaining Manager's on-site management and leasing office;

(d) All travel and business expenses of employees;

(e) All attorneys' fees and disbursements;

(f) All relocation costs and expenses of employees in connection with their relocation to a Property;

(g) All fees and payments made to Third Parties, including, but not limited to, consultant and brokerage fees; and

(h) All other costs and expenses not otherwise provided for herein which are approved by Owner.

(2) Notwithstanding the foregoing, the following costs and/or expenses incurred by Manager shall be at Manager's sole cost and expense and shall not be reimbursable by Owner or paid out of collections from a Property:

(a) All costs and expenses, including employee compensation, relating to Manager's home office or any regional office;

(b) All costs and expenses attributable to losses arising from criminal acts, willful misconduct, gross negligence or fraud on the part of Managers Indemnified Parties;

(c) All costs of liability or other insurance carried by Manager; and

(d) All costs of the fidelity bond described in Section 6.5(1) above.

Section 8.5. **Payment of Compensation**.

Manager may withdraw funds from the appropriate Bank Accounts for its compensation, reimbursement and other amounts owed hereunder when such compensation, reimbursement and other amounts are due for payment. Notwithstanding that Managers Compensation or any other amounts payable hereunder may be calculated on a lump-sum, aggregated basis, Manager shall not make withdrawals for its own account from any particular Bank Account of amounts which exceed the portion of Managers Compensation, reimbursements and other amounts which are allocable to the Properties and/or Owning Entities to which such Bank Account relates; the formula for establishing such allocation shall be mutually agreed upon by Owner and Manager annually, as a part of the approval of the Annual Budget.

Section 8.6. **Management Office**.

With respect to each Regional Center and each Development Opportunity on which buildings have been or will be constructed, Owner shall provide Manager, rent-free, a suitable management and leasing office, furnished by Owner in accordance with Managers requirements. Each such office shall be used solely in connection with the performance of Managers duties under this Agreement.

ARTICLE IX

TERM, TERMINATION, AND DEFAULT

Section 9.1. **Term**.

This Agreement shall commence on the date of this Agreement and, except as otherwise provided herein, shall continue for an initial term of five (5) years. Thereafter, this Agreement shall be renewed for consecutive three (3) year terms, provided that Owner and Manager mutually consent to each such renewal not less than one (1) year prior to the end of the then-current term.

Section 9.2. **Default by Manager**.

(1) If Manager defaults in any material respect in performing any of its obligations under this Agreement and such default is not cured within thirty (30) Days after notice thereof is given by Owner to Manager, then, subject to Section 9.2(2) hereof, Owner shall have the right to terminate this Agreement by giving written notice to that effect to Manager.

(2) If such default is curable but is of such nature that it cannot reasonably be cured within such thirty (30) Day period, then the cure period shall be extended for a reasonable period of time thereafter, so long as Manager promptly after receiving such notice commences to cure such default and thereafter proceeds with reasonable diligence to complete the curing thereof.

Section 9.3. Bankruptcy of Manager .

Owner may terminate this Agreement by written notice to Manager if:

(a) An order for relief in bankruptcy is entered against Manager, or Manager is adjudicated insolvent, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future applicable statute or law relative to bankruptcy, insolvency or other relief for debtors, or seeks or consents to or acquiesces in the appointment of any trustee, receiver, conservator or liquidator of Manager, or of all or any substantial part of its property (the term " acquiesce " as used herein, being deemed to include, but not be limited to, the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within the time specified by law);

(b) A court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Manager seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or future applicable statute or law relating to bankruptcy, insolvency or other relief for debtors, and a party shall acquiesce (as hereinabove defined) in the entry of such order, judgment or decree, or the same shall remain unvacated or unstayed for an aggregate of ninety (90) Days from the date of entry thereof, or any trustee, receiver, conservator or liquidator of Manager or of all or any substantial part of its property shall be appointed without the consent of or with the acquiescence of Manager and such appointment shall remain unvacated or unstayed for an aggregate of ninety (90) Days; or

(c) Manager admits in writing its inability to pay its debts as they mature; or

(d) Manager gives notice to any governmental body of insolvency or pending insolvency, or suspension or pending suspension of operations; or

(e) Manager makes an assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors.

Section 9.4. Default of Owner .

(1) if Owner defaults in any material respect in performing any of its obligations under this Agreement and such default is not cured within five (5) Days in the case of a monetary default and within thirty (30) Days in the case of a non-monetary default, after notice thereof is given by Manager to Owner, then, subject to Section 9.4(2) hereof, Manager shall have the right to pursue any and all remedies available

to it hereunder, or at law or in equity against Owner. In addition, Manager shall have the right to terminate this Agreement by giving written notice to that effect to Owner.

(2) If such default is a non-monetary default and is curable but is of such nature that it cannot reasonably be completely cured within such thirty (30) Day period, then the cure period shall be extended for a reasonable period of time thereafter, so long as Owner promptly after receiving such notice commences to cure such default and thereafter proceeds with reasonable diligence to complete the curing thereof.

Section 9.5. Effect of Termination .

Upon any termination of this Agreement, Manager shall, with respect to each Property no longer to be managed by Manager (whether under this Agreement or any Owning Entity Agreement), forthwith (i) surrender and deliver to Owner any space in the Property occupied by Manager, (ii) deliver to Owner all monies due Owner under this Agreement with respect to such Property, which are received by Manager after termination, (iii) deliver to Owner such contracts, documents, papers and records pertaining to the Property and this Agreement as Owner may request, and (iv) furnish all such information and take all such action as Owner shall require in order to effectuate an orderly and systematic termination of Manager's duties and activities hereunder. In conjunction therewith, Owner shall pay Manager all fees and other amounts that have accrued under this Agreement, but which are unpaid as of the termination of this Agreement (except to the extent that, in the event of termination for default pursuant to the provisions hereof, Owner determines to withhold any portion thereof which is disputed or subject to offset).

ARTICLE X

MISCELLANEOUS

Section 10.1. Notice .

(1) Each notice, demand, request, request for approval, consent, approval, disapproval, designation or other communication (each of the foregoing being referred to herein as a "notice") required or desired to be given or made under this Agreement shall be in writing and shall be effective and deemed to have been received (i) when delivered in Person, (ii) when sent by facsimile transmission with receipt acknowledged, (iii) three (3) Days after having been mailed by certified or registered United States mail,

postage prepaid, return receipt requested, or (iv) the next Business Day after having been sent by a nationally recognized overnight mail or courier service, receipt requested.

(2) Notices sent by mail or courier shall be addressed as follows:

(a) If to Owner, to:

The Taubman Realty Group Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: Robert C. Larson

With a copy to:

Miro Miro & Weiner
500 North Woodward Avenue
Suite 100
Bloomfield Hills, Michigan 48304-0908
Attention: Jeffrey H. Miro, Esq.

(b) If to Manager, to:

The Taubman Company Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: President

With copies to:

The Taubman Company Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: Senior Vice President,
Legal Services

And:

Miro Miro & Weiner, P.C.
500 North Woodward Avenue
Suite 100
Bloomfield Hills, Michigan 48304-0908
Attention: Jeffrey H. Miro, Esq.

And with a copy of any notice of default hereunder to:

Taub-Co Management, Inc.
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: President

(3) Any party may from time to time designate a different address or additional addressees by notice similarly given, such different address or addressees being effective from and after the Day of receipt of notice thereof by such other party.

Section 10.2. Severability

Each provision of this Agreement is severable. If any term or provision shall be determined by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such provision shall be severed from and not affect the validity of this Agreement.

Section 10.3. Reimbursement of Legal Fees .

In the event of any arbitration or other legal or equitable proceeding for enforcement of any of the terms or conditions of this Agreement, or any alleged disputes, breaches, defaults or misrepresentations in connection with any provision of this Agreement, the losing party shall pay to the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by reason of a settlement, the prevailing (or nondismissing) party's reasonable costs and expenses, including without limitation actual attorneys' fees and costs of defense paid or incurred in good faith at both the trial and appellate levels. The "prevailing party", for purposes of this Agreement, shall be deemed to be that party which obtains substantially the result sought, whether by settlement, dismissal or judgment. This Section 10.3 shall survive any termination of this Agreement.

Section 10.4. Waivers .

(1) No consent or waiver, express or implied, by either party of any breach or default by the other party in the performance of its obligations hereunder shall be valid unless in writing. No such consent or waiver shall be deemed or construed to be a consent or waiver to or of any other breach or default of the same or any other obligations of such party hereunder.

(2) Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

(3) The granting of any consent or approval in any one instance by or on behalf of Owner or Manager shall not be construed to waive or limit the need for such consent in any other or subsequent instance.

Section 10.5. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan applicable to agreements made and to be entirely performed within such State.

Section 10.6. Modifications.

This Agreement may not be changed, amended or modified except by an agreement in writing executed by each of the parties.

Section 10.7. Termination of Prior Agreements.

This Agreement constitutes all of the understandings and agreements between the parties in connection with the subject matter hereof. By execution of this Agreement, the parties acknowledge and agree that this Agreement supersedes all prior agreements between the parties with respect to the subject matter hereof. Any such prior agreements are hereby automatically canceled and terminated and shall be of no further force or effect whatsoever.

Section 10.8. Assignment.

(1) This Agreement shall not be assigned by Manager nor shall control of Manager be assigned from A. Alfred Taubman to other than A. Alfred Taubman and/or his Affiliates without the prior approval of Owner. The assignee hereunder shall be bound in the same manner as Manager is bound hereunder.

(2) This Agreement shall not be assigned by Owner without the prior approval of Manager.

Section 10.9. Successors.

(1) Subject to the provisions of Section 10.8 above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement shall not inure to the benefit of, or be enforceable by, any other Person.

(2) References to “Owner” and to “Manager” hereunder shall be deemed to be references to the parties hereto and their respective successors and permitted assigns.

Section 10.10. **No Joint Venture**.

Nothing contained in this Agreement shall be construed as making Owner and Manager partners or joint venturers; and nothing contained in this Agreement shall be construed as making either party liable for the debts or obligations of the other party, except only as expressly provided herein.

Section 10.11. **Approval of Owner**.

(1) Where the approval of Owner is required hereunder, Manager is authorized to act upon receipt of the approval of the Managing General Partner of Owner (as defined in the Partnership Agreement of Owner), a duly authorized representative of the Partnership Committee of Owner (as defined in the Partnership Agreement of Owner), or Owner's Authorized Representative (as defined in Section 10.11(2) hereof).

(2) Owner shall designate, and so notify Manager of its designation of, one or more individuals who (individually or together, as determined by Owner with notice thereof to Manager) shall have the full authority to act as and on behalf of Owner with respect to all matters under this Agreement or such specific matters as determined by Owner and communicated to Manager (" Owner's Authorized Representative "). Owner shall have the right to at any time and from time to time substitute individuals so designated as Owner's Authorized Representative by prior written notice thereof to Manager. Owner shall in all events and at all times maintain an Owner's Authorized Representative.

Section 10.12. **Confidentiality**.

Manager shall keep confidential any and all information obtained in connection with the services rendered by Manager hereunder and shall not disclose any such information to Persons who are not Affiliated with Owner except as may be required by applicable law or with the prior consent of Owner.

Section 10.13. **Further Assurances**.

Owner and Manager shall, at their own expense, execute such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP , a Delaware limited partnership

By: /s/ A. Alfred Taubman
A. Alfred Taubman

Its: Authorized Signatory

"Owner"

THE TAUBMAN COMPANY LIMITED PARTNERSHIP , a Delaware limited partnership

By: Taub-Co Management, Inc.,
a Michigan corporation,
general partner

By: /s/ Robert S. Taubman
Robert S. Taubman

Its: President

"Manager"

EXHIBIT A

CORPORATE SERVICES AGREEMENT

BETWEEN

TAUBMAN CENTERS, INC.

AND

THE TAUBMAN COMPANY LIMITED PARTNERSHIP

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ARTICLE VI - MISCELLANEOUS

CORPORATE SERVICES AGREEMENT

This Corporate Services Agreement (this " Agreement "), made and entered into as of the 30th day of November, 1992, by and between TAUBMAN CENTERS, INC., a Michigan corporation, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Company "), and THE TAUBMAN COMPANY LIMITED PARTNERSHIP, a Delaware Limited Partnership, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Manager "), is based upon the following:

A. Company is a public corporation, whose shares are traded on the New York Stock Exchange. Moreover, Company intends to qualify and maintain its qualification as a real estate investment trust (a " REIT ") pursuant to the Code. By virtue of its status as a corporation whose shares are publicly traded and its status as a REIT, Company desires to engage Manager to provide various administrative, management, accounting, Shareholder relations and other services to Company, and act on behalf of Company in respect thereof.

B. Company is the managing general partner of The Taubman Realty Group Limited Partnership, a Delaware limited partnership (" TRG ").

(1) TRG is engaged in the ownership, operation, acquisition, development, redevelopment, expansion, financing and refinancing of regional retail shopping centers (and various interests therein). Although Company is empowered to and may hereafter acquire other assets, its managing general partnership interest in TRG is presently the principal asset of Company.

(2) As the managing general partner of TRG, Company is responsible for the management of TRG, and for taking actions and making decisions required of the managing general partner pursuant to the Partnership Agreement of TRG (subject, however, to certain restrictions and requirements set forth in the Partnership Agreement of TRG). Pursuant to the Partnership Agreement of TRG, Company has the right to engage another Person to assist with, implement and effect the actions to be taken by Company, as the managing general partner of TRG, and to do or perform those matters to be done or performed by Company as managing general partner of TRG.

(3) Company desires to engage Manager, on an exclusive basis, to provide services and to act on behalf of Company in respect of the powers, rights and obligations of Company as managing general partner of TRG.

C . Manager desires to render the above-described services to and act on behalf of Company, all upon the terms and conditions set forth in this Agreement.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, Company and Manager hereby agree as follows:

ARTICLE I

DEFINITIONS

Unless the context in which a term is used clearly indicates otherwise, the following terms shall have the following respective meanings when used in this Agreement, and the singular shall include the plural and vice versa unless the context requires otherwise:

" Affiliate " and " Affiliates " means, (i) with respect to any individual, any member of such individual's Immediate Family, a Family Trust with respect to such individual, and any Person (other than an individual) in which such individual and/or his Affiliate(s) owns, directly or indirectly, more than fifty percent (50%) of any class of Equity Security or of the aggregate Beneficial Interest of all beneficial owners, or in which such individual or his Affiliate is the sole general partner, or is the sole managing general partner, or which is Controlled by such individual and/or his Affiliates; and (ii) with respect to any Person (other than an individual), any Person (other than an individual) which Controls, is Controlled By, or is Under Common Control With, such Person, and any individual who is the sole general partner or the sole managing general partner in, or who Controls, such Person.

" Agreement " is defined in the Preamble to this Agreement.

" Annual Budget " is defined in Section 2.8 hereof.

" Articles " shall mean the Company's Restated Articles of Incorporation filed with the Michigan Department of Commerce, as the same may be amended from time to time.

" Bank Accounts " is defined in Section 2.3 hereof.

" Beneficial Interest " means an interest, whether as partner, joint venturer, *cestui que trust* , or otherwise, a contract right, or a legal or equitable position under or by which the possessor participates in the economic or other results of the Person (other than an individual) to which such interest, contract right, or position relates.

" Best Efforts " is defined to require that the obligated party make a diligent, reasonable and good faith effort to accomplish the applicable objective. Such obligation, however, does not require any material expenditure

of funds or the incurrence of any material liability on the part of the obligated party, nor does it require that the obligated party act in a manner which would otherwise be contrary to prudent business judgment or normal commercial practices in order to accomplish the objective. The fact that the objective is not actually accomplished is no indication that the obligated party did not in fact utilize its Best Efforts in attempting to accomplish the objective.

" Board " means Company's Board of Directors.

" Business Day " means any Day that is not a Saturday, Sunday, or legal holiday in New York, New York and on which commercial banks are open for business in New York, New York.

" By-Laws " means Company's By-Laws, as the same may be amended from time to time.

" Cash Tender Agreement " means The Taubman Centers, Inc. Cash Tender Agreement, dated November 30, 1992, by and among Company and certain holders of Partnership Interests, as the same may be amended.

" Code " means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

" Company " is defined in the Preamble to this Agreement.

" Company's Authorized Representative " is defined in Section 7.11 hereof.

" Company's Indemnified Parties " means Company, its Affiliates and related entities, and the respective officers, directors, shareholders, partners, employees and agents of Company, its Affiliates and related entities.

" Continuing Offer " means the continuing offer of Company, dated November 30, 1992, to exchange Shares for Interests in TRG.

" Control(s) (and its correlative terms " Controlled By " and " Under Common Control With ") means, with respect to any Person (other than an individual), possession by the applicable Person or Persons of the power, acting alone (or, solely among such applicable Person or Persons, acting together), to designate and direct or cause the designation and direction of the management and policies thereof, whether through the ownership of voting securities, by contract, or otherwise.

" Day " or " Days " means each calendar day, including Saturdays, Sundays, and legal holidays; provided, however, that if the Day on which a period of time for consent or approval or other action begins or ends is not a Business Day, such period shall begin or end, as applicable, on the next Business Day.

" Equity Security " has the meaning ascribed to it in the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder (and any successor laws, rules and regulations of similar import).

" Family Trust " means, with respect to an individual, a trust for the benefit of such individual or for the benefit of any member or members of such individual's Immediate Family or for the benefit of such individual and any member of members of such individual's Immediate Family (for the purpose of determining whether or not a trust is a Family Trust, the fact that one or more of the beneficiaries (but not the sole beneficiary) of the trust includes a Person or Persons, other than a member of such individual's Immediate Family, entitled to a distribution after the death of the settlor if he, she, it, or they shall have survived the settlor of such trust,

which distribution is to be made of something other than a Partnership Interest (as defined in the Partnership Agreement of TRG) and/or includes an organization or organizations exempt from federal income taxes pursuant to the provisions of Section 501(a) of the Code and described in Section 501(c)(3) of the Code, shall be disregarded); provided, however, that in respect of transfers by way of testamentary or inter vivos trust, the trustee or trustees shall be solely such individual, a member or members of such individual's Immediate Family, a responsible financial institution and/or an attorney that is a member of the Bar of any State in the United States and/or an individual or individuals approved by the Partnership Committee.

" Immediate Family " means, with respect to a Person, (i) such Person's spouse (former or then-current), (ii) such Person's parents and grandparents, and (iii) ascendants and descendants (natural or adoptive, of the whole or half blood) of such Person's parents or of the parents of such Person's spouse (former or then-current).

" Manager " is defined in the Preamble to this Agreement.

" Manager's Compensation " is defined in Section 5.1 hereof.

" Manager's Indemnified Parties " means Manager, its partners, Affiliates and related entities, and the respective officers, directors, shareholders, partners, employees and agents of Manager, its partners, Affiliates, and related entities.

" Master Services Agreement " means the Master Services Agreement of even date herewith between TRG and Manager, pursuant to which Manager has been engaged to provide certain management, leasing and other services to TRG.

" Organization and Offering Expenses " means all expenses incurred in connection with the formation of Company, the registration and qualification of Shares under Federal and state and foreign securities laws, the listing of such Shares on the New York Stock Exchange and the offering and sale of Shares, including selling commissions.

" Partnership Agreement of TRG " means The Amended and Restated Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership, dated November 30, 1992, as the same may be amended, restated or supplemented from time to time.

" Partnership Committee " means the Partnership Committee and the Executive Committee established for TRG pursuant to the Partnership Agreement of TRG.

" Person " or " Persons " means an individual, a partnership (general or limited), corporation, joint venture, business trust, cooperative, association, or other form of business organization, whether or not regarded as a legal entity under applicable law, a trust (inter vivos or testamentary), an estate of a deceased, insane, or incompetent person, a quasi-governmental entity, a government entity, a government or any agency, authority, political subdivision, or other instrumentality thereof, or any other entity.

" Registration Rights Agreement " means The Taubman Centers, Inc. Registration Rights Agreement, dated November 30, 1992, by and among Company and certain Shareholders, as the same may be amended.

" Reimbursement Statement is defined in Section 5.2 hereof.

" REIT " is defined in Recital A. of this Agreement.

" REIT Requirements " is defined in Section 2.2(0 hereof.

" Shares " means the common stock of Company, par value $.01 per share.

" Shareholders " means the holders of record of the Shares.

" Third Parties " is defined in Section 3.1 hereof.

" TRG " is defined in Recital B. of this Agreement.

ARTICLE II

ENGAGEMENT, AUTHORITY AND OBLIGATIONS OF MANAGER

Section 2.1. Engagement of Manager .

Company hereby engages Manager, on a sole and exclusive basis (except as otherwise expressly provided in this Agreement), to provide the services described in this Article II. Manager hereby agrees to provide such services to or for the benefit of Company, as set forth in this Article II.

Section 2.2. General Duties .

Subject to the terms of the Articles, the supervision of the Board, the budgetary constraints described in Section 2.8 hereof, and the other limitations set forth in this Article II, Manager shall be responsible for (i) providing (or causing to be provided) general administrative, reporting, advisory, management, accounting, public relations, shareholder relations, and other services to Company, which relate to the ongoing operations and management of Company as a business entity and as a REIT, and (ii) performing such duties and responsibilities of Company as managing general partner of TRG and as otherwise required of Company pursuant to the Partnership Agreement of TRG, as are directed by the Board. In particular, but without limiting the generality of the foregoing, Manager, or any Third Parties engaged by Manager, shall, subject to the foregoing:

(a) Assist and advise the Board in connection with policy and investment decisions to be made by Company and/or the Board (Including the Company's investment in TRG if and to the extent specifically requested by the Board); and provide research, financial, economic and statistical data in connection with Company's investments;

(b) Administer the day-to-day operations of Company and perform or cause the performance of the various administrative functions reasonably necessary for the management of Company;

(c) Assist the Board with respect to, and execute pursuant to the Board's instructions and administer, all of the obligations of Company to the Shareholders (including the payment of dividends);

(d) Communicate on behalf of Company with the Shareholders and other Persons, and prepare and file all statements (including registration statements) and reports (including those statements and reports required pursuant to the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended), as required to satisfy the continuous reporting and other requirements of applicable laws and of any governmental bodies or agencies, with respect to the issuance of any Shares or other securities of Company, to maintain effective relations with the Shareholders and otherwise to provide investor services;

(e) Investigate, select, and conduct business with Third Parties, including Affiliates of Manager, and, on behalf of Company and with the Board's approval or under and in accordance with such guidelines as the Board shall from time to time choose to establish, engage Third Parties, including Affiliates of Manager;

(f) Act as attorney-in-fact or agent, as directed by the Board, or subject to such discretionary powers as the Board may from time to time delegate, or pursuant to policies established by the Board: in acquiring and disposing of and managing Company's interests in TRG and Company's other investments, in disbursing and collecting funds of Company, in paying the debts and fulfilling the obligations of Company, and in handling, prosecuting, and settling any claims of Company, provided that any fees and costs payable to independent persons incurred by Manager in connection with the foregoing shall be the responsibility of Company;

(g) Negotiate on behalf of Company with banks or other lenders for loans to be made to Company with the Board's approval, and negotiate on behalf of Company with investment banking firms and broker-dealers or negotiate private or public sales of the securities of Company subject to such guidelines as the Board shall from time to time choose to establish, or obtain, with the Board's approval, loans for Company, but in no event in such a way so that Manager shall be acting as broker-dealer- or underwriter;

(h) Invest or reinvest any money of Company, as directed by the Board or subject to such discretionary powers as the Board may from time to time delegate, and manage Company's investment portfolio (including, with the approval or at the direction of the Board, making loans to Affiliates of Company);

(i) At any time reasonably requested by the Board (but not more frequently than monthly), make reports of its performance of services to Company;

(j) Counsel Company in connection with policy decisions to be made by the Board;

(k) Furnish the Board with such reports and statements as may from time to time be reasonably requested by the Board; and at the direction of the Board, furnish the Shareholders (and other Persons, as directed by the Board) with such reports, estimates and projections (including tax

and other estimates and projections, including those relating to the Shareholders) as may from time to time be reasonably requested by the Board;

(l) Advise and assist the Board in connection with the initial and continuing qualification of Company as a REIT under Sections 856 through 860 of the Code so long as such requirements exist and as such provisions may be amended from time to time, or corresponding provisions of succeeding law (the " REIT Requirements "); advise the Board with respect to any changes in the REIT Requirements, or in any amendments or modifications of laws applicable to REITs generally; monitor the sources of Company's gross income, and use its Best Efforts to identify any gross income attributable to "prohibited transactions" or other sources that would result in such income not being deemed to be "rents from real property" (as such terms are interpreted in the REIT Requirements); monitor the assets of Company, in order to insure that the same are consistent with the REIT Requirements; advise the Board in connection with the payment of dividends by Company to the Shareholders, and monitor whether Company's distribution of dividends satisfies the REIT Requirements; monitor the transfer of Shares, in order to insure that there are a sufficient number of Shareholders owning sufficient amounts of Shares in order to satisfy the REIT Requirements, collect such affidavits from the Shareholders as are required under the REIT Requirements, and enforce any applicable ownership restrictions on the transfer of Shares;

(m) Advise the Board and administer any programs regarding backup withholding of distributions from Company to any Shareholder(s), as may be required under applicable laws;

(n) Administer, and advise the Board with respect to the Continuing Offer, the Cash Tender Agreement and the Registration Rights Agreement, and evaluate and make recommendations to the Board as to Company's decisions with respect to the same (in each case presented, as contemplated under the Continuing Offer, or the Cash Tender Agreement or the Registration Rights Agreement);

(o) Administer and manage the registration of any Shares, as and to the extent contemplated in any documents of Company which relate to the same;

(p) As and when requested or directed by the Board (in general or specifically, and whether or not in writing) exercise Company's powers and perform Company's obligations, as managing general partner of TRG, pursuant to the Partnership Agreement of TRG, which shall include, without limitation, the right and obligation to perform (i) all accounting and administrative functions and obligations which Company is to perform, and (ii) such acts and undertakings as are necessary or desirable in furtherance of the objectives and purposes of TRG;

(q) If and to the extent specifically authorized by the Board (by appropriate Board resolution delineating the scope of authority delegated to Manager, or otherwise), execute such documents, instruments, agreements and other materials for and on behalf of Company as Company has the right and authority to execute; and serve as Company's agent and authorized representative in order to facilitate Company's execution of such documents, instruments, agreements and other materials;

(r) Provide the executive and administrative personnel, office space and services required in rendering the foregoing services to Company; and

(s) Perform such other services as may be required from time to time for management, administration and other activities relating to the assets of Company, as Manager and the Board shall agree upon from time to time.

Section 2.3. **Bank Accounts** .

Manager shall establish and maintain one or more bank accounts (collectively, " Bank Accounts ") in the name of Company and may collect and deposit into any such Bank Accounts, and disburse from any such Bank Accounts, any money on behalf of Company, under such terms and conditions as the Board may approve. Such monies shall not be commingled with Manager's own funds. Monies shall not be withdrawn from any such Bank Accounts to the order or benefit of Manager, except as otherwise provided in this Agreement or as may otherwise be approved by the Board. Manager shall render appropriate statements with respect to such Bank Accounts to the Board and to the auditors of Company.

Section 2.4. **Advice** .

Manager shall consult with the Board and the officers of Company and shall furnish them with advice and recommendations with respect to the investments of, or investments to be considered by, Company, and shall furnish advice and recommendations with respect to other aspects of the business and affairs of Company. In order to facilitate the investment of the funds of. Company (other than its investment of funds in TRG required by any agreement to which Company is a party or pursuant to the authorization of the Board) and enable it to avail itself of investment opportunities as they arise. Under and in accordance with such limitations and guidelines as the Board shall from time to time choose to establish, Manager shall have the power and authority to make and dispose of such investments and to make and terminate commitments for such investments, on behalf of and in the name of Company, without further or express authority from the Board; provided, however, that the Board shall have the power to revoke, suspend, modify, or limit the aforementioned power and authority at any time or from time to time, but not retroactively.

Section 2.5. **Investment Undertaking** .

Manager shall use its Best Efforts to assure that the policies from time to time specified by the Board with regard to the protection of Company's investments are carried out. Any and all fees and costs incurred

by Manager in performing such functions, whether payable to its Affiliates or independent Persons, shall be borne by Company.

Section 2.6. **Records; Confidentiality** .

Manager shall maintain appropriate records of all its activities hereunder and make such records available for inspection by the Board and by counsel, auditors and authorized agents of Company, at any time or from time to time during normal business hours. Manager shall at all reasonable times have access to the books and records of Company. Manager shall keep confidential any and all information obtained in connection with the services rendered hereunder and shall not disclose any such information to nonaffiliated Persons except with the prior consent of the Board.

Section 2.7. **Board to Keep Manager Informed** .

In order for Manager to fulfill its duties, the Board shall provide Manager with full information concerning Company, its capitalization and investment policies and the intentions of the Board with respect to future investments. Company shall furnish Manager with a copy of all audited financial statements, a signed copy of each report prepared by independent accountants, and such other Information with regard to its affairs as Manager may from time to time reasonably request.

Section 2.8. **Annual Budget: Expenditures** .

(1) Manager shall prepare and submit to the Board, prior to the beginning of each fiscal year of Company, for the Board's review and approval, an annual budget (the " Annual Budget ") for Company. The Annual Budget shall reflect a reasonable estimate of all revenues, expenses and expenditures which Company may reasonably expect to receive, incur and pay out for the subject fiscal year, projected financing activities, including borrowings and debt repayments, and a schedule of anticipated dividends (covering both the amount and the timing of such dividends) to be paid out to Shareholders for the subject fiscal year.

(2) Manager shall have the right and authority to expend and disburse funds of, and incur obligations on behalf of, Company (including, without limitation, to expend and disburse the proceeds

from financing or other sources of funding obtained by Company), provided that such expenditures, disbursements and obligations are specifically contemplated under the then-current and approved Annual Budget or are otherwise approved by the Board. Manager shall have no right or obligation to render services under this Agreement which would involve the expenditure or disbursement of Company's funds, or which would involve the commitment of Company to expend funds, other than as specifically contemplated under the then-current and approved Annual Budget or as otherwise approved by the Board, even if such services would otherwise be required of Manager pursuant to this Agreement.

Section 2.9. **Acquisition of Retail Shopping Centers** .

In the situations in which Company is permitted pursuant to the Partnership Agreement of TRG to acquire interests in retail shopping centers, it is anticipated that the Board will request Manager to advise and assist Company in connection with the evaluation and acquisition of such interests. The scope and extent of Managers services to Company pursuant to this Section 2.9 (in the limited situations in which such services are to be provided to Company), and of Company's control and authority with respect to those services, shall be comparable to those which pertain to the Acquisition Services that are to be provided by Manager to TRG pursuant to the Master Services Agreement or as agreed upon by the Board and Manager.

Section 2.10. **Grant and Delegation of Authority** .

Subject to the provisions of this Agreement, Company hereby grants Manager the power and authority for Manager to carry out all of its duties and obligations under this Agreement, as the exclusive agent and representative of Company. Any person dealing with TRG and/or Company shall be entitled to rely upon any action taken by Manager, as the agent and representative of Company in accordance with this Agreement, and Company (and, as a result, TRG) shall be bound thereby. Any person dealing with TRG shall be entitled to rely upon any document or instrument executed and delivered by Manager, as the duly authorized agent and representative of Company in accordance with this Agreement, and Company (and, as a result, TRG) shall be bound thereby. Nothing herein shall authorize or grant to Manager the power or authority to act on

behalf of Company in respect of the appointment, or removal, of any member of the Partnership Committee, Executive Committee or Compensation Committee of TRG, or to act on behalf of any such Committee member appointed by Company.

ARTICLE III

SPECIAL PROVISIONS REGARDING MANAGER'S SERVICES

Section 3.1. **Engagement of Third Parties** .

Under and in accordance with such guidelines as the Board may from time to time choose to establish, Manager shall have the right and authority to engage, on behalf of Company, and conduct business with, such consultants, accountants, correspondents, lenders, servicers, technical advisors, investment advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, banks, and other third parties (collectively, " Third Parties ") as Manager may determine to be necessary or desirable in connection with the provision of the services contemplated under this Agreement. Under and in accordance with such guidelines as the Board may from time to time choose to establish, Manager shall negotiate and enter into, on behalf of Company, any agreements with such Third Parties as Manager shall deem to be appropriate. Each Third Party selected and engaged by Manager shall be deemed to be an independent contractor of Company, with the authority to act as agent of Company only if and to the limited extent provided in such Third Party's agreement with Company and/or Manager (as agent of Company). Any Third Party engaged by Manager pursuant to this Section 3.1 may also be an Affiliate of Manager, provided that the terms of engagement of any such Affiliate shall be approved by the Board. All agreements that Manager enters into with any Third Parties shall be deemed to be for the account of Company. Except as provided in Section 5.2(2) hereof, all fees, charges and other amounts that become due and payable under such agreements with Third Parties shall be paid, subject to all applicable defenses, directly by Company to such Third Parties, and Manager shall have no liability for paying any of the same.

Section 3.2. **Restrictions on Certain Activities** .

(1) Notwithstanding anything contained in this Agreement to the contrary, Manager shall refrain from taking any action which would (i) adversely affect the status of Company as a REIT, (ii) subject Company to regulation under the Investment Company Act of 1940, (iii) violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over Company or its securities, or (iv) otherwise not be permitted by the Articles or By-Laws or an agreement to which Company is a party, except (in any event) if such action shall be ordered by the Board, in which case Manager shall promptly notify the Board of Manager's judgment of the potential Impact of such action and shall refrain from taking such action until it receives further clarification or instructions from the Board.

(2) In performing its duties and obligations under this Agreement, the Manager shall abide by and comply with the provisions and policies set forth in the Articles and By-Laws and any agreements to which the Company is a party.

(3) Except for the services to be provided by Manager pursuant to the Master Services Agreement, and for the other services which Manager is permitted to provide (whether with or without TRG's prior approval) pursuant to the Master Services Agreement, Manager shall not provide advisory services of any kind to any Person, other than Company and TRG, for as long as this Agreement remains in effect. The foregoing restriction shall not apply with respect to services rendered by Manager pursuant to any Property Services Agreements (as defined in the Master Services Agreement) which have been or may hereafter be entered into by Manager, as contemplated in the Master Services Agreement.

(4) Notwithstanding anything contained in this Agreement to the contrary, wherever Company (as the managing general partner of TRG) has the right, power and authority to deal with Manager pursuant to or in connection with the Master Services Agreement (or any other contract or agreement that may be entered into between TRG and Manager or any Affiliate of Manager), then such right, power and authority shall not be delegated to Manager, and Manager shall have no power or authority to act on behalf of Company (as managing general partner of TRG) in connection therewith.

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(5) Pursuant to the terms of the Partnership Agreement of TRG, the right, power and authority of Company (as managing general partner of TRG) to take, make or give, or fail to take, make or give, as applicable, any action, decision, determination, designation, delegation, direction, appointment, consent, approval, selection, and the like by or with respect to TRG is limited in certain respects by the requirement that the same by preceded by certain action of the Partnership Committee. Accordingly, Manager agrees that in connection with its performance of services pursuant to this Agreement which are to be rendered on behalf of Company, in its capacity as the managing general partner of TRG, Manager shall exercise its rights, powers and authorities delegated to it by Company hereunder pursuant to the action of the Partnership Committee, as applicable, and in compliance with the requirements and limitations set forth in the Partnership Agreement of TRG.

(6) Company acknowledges and agrees that Manager will be providing other services to TRG pursuant to the Master Services Agreement, and to others pursuant to Property Services Agreements (as defined in the Master Services Agreement) and other agreements which have been or may hereafter be entered into by Manager (as contemplated in the Master Services Agreement). Company further acknowledges that, in connection with the provision of the various services to Company (pursuant to this Agreement), TRG and others, there may be circumstances in which the interests of Company are contrary to those of others to whom Manager is also rendering services. In such event, Manager shall (i) promptly notify the Board with respect to the conflict of interests involved, arid (ii) use its Best Efforts to continue to provide services to Company in connection with the circumstances giving rise to the conflict, to the fullest extent practicable under all of the attendant circumstances. The Board shall always have the right, at its option, to direct Manager to cease performing any particular services for Company, in connection with any conflict of interest situation that may arise, in which event Manager shall furnish all such information and take all such actions as Company shall reasonably require in order to effectuate an orderly and systematic termination of such services. In no event shall Manager be liable to Company for any failure to provide any particular services, if and to the extent that such failure results from any facts or circumstances which create a conflict of interest between

Company and any other parties for whom Manager is permitted to render services, pursuant to this Section 3.2 and the Master Services Agreement.

Section 3.3. **Other Services**.

Should the Board request Manager or any partner, agent or employee thereof to render services for Company other than as set forth in Article II hereof, such services shall be separately compensated and shall not be deemed to be services rendered pursuant to the terms of this Agreement.

Section 3.4. **Company's Funds**.

(1) Manager shall maintain at its expense a fidelity bond in an amount not less than that from time to time reasonably requested by Owner (which amount shall, as of the date of this Agreement, be One Million Dollars ($1,000,000)) covering all of Manager's employees and officers handling Company's funds pursuant to this Agreement.

(2) Manager shall be responsible for losses of funds collected by Manager on Company's behalf caused by the material breach, gross negligence or willful misconduct of Manager and Manager's Indemnified Parties.

ARTICLE IV

INSURANCE AND INDEMNIFICATION

Section 4.1. **Insurance**.

(1) Manager shall secure, maintain, and pay for, from the appropriate Bank Accounts, all forms of insurance which are, in the Board's judgment and communicated to Manager, needed to adequately protect Company. Copies of all such insurance policies shall be furnished to Manager and Company.

(2) Manager shall cooperate with Company with respect to any claim which may arise under any such insurance policies. The prosecution of any such claim shall be at the sole cost and expense of Company.

(3) Manager shall notify Company as soon as possible after it receives notice of any material loss, damage or injury and shall take no action which might operate to bar Company from obtaining any

protection afforded by any insurance policy or which might prejudice Company in its defense to a claim based on such loss, damage or injury.

(4) Company shall have the exclusive right, at its option, to conduct the defense to any claim, demand or suit within the limits prescribed by insurance policies.

(5) Manager shall be responsible for obtaining, at its sole cost and expense, such insurance as it deems necessary to protect itself, and Company shall have no responsibility for obtaining or paying for any of the same.

Section 4.2. Manager's Responsibility .

(1) Notwithstanding anything contained in this Agreement to the contrary, Manager shall not have any liability to Company, Company's Indemnified Parties or any other Person for the performance, non-performance, or negligent performance of any services provided or to be provided by any Third Parties.

(2) Manager will have no liability for payment of any fees, charges or other sums that may become due and payable to any Third Parties, whether pursuant to any contracts or agreements between Manager (as agent of Company) and such Third Parties, or otherwise.

(3) Manager assumes no responsibility under this Agreement other than to render the services called for hereunder in good faith, and Manager shall not be responsible for any action of the Board in following or declining to follow any advice or recommendations of Manager. Neither Manager nor Managers Indemnified Parties shall be liable to Company, the Shareholders, or Company's Indemnified Parties, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard of duty.

(4) For purposes of this Section 4.2, the term 'Third Party" shall include a Third Party that is an Affiliate of Manager provided that the terms of engagement of any such Affiliate shall have been approved by the Board.

Section 4.3. **Indemnification** .

(1) Subject to the provisions of Section 4.2 hereof, Manager shall indemnify and hold harmless Company's Indemnified Parties from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) arising out of or in connection with (i) Manager's default under the terms of this Agreement, or (ii) the bad faith, willful misconduct, gross negligence or reckless disregard of duty of Manager or Manager's Indemnified Parties.

(2) Company shall indemnify and hold harmless Manager's Indemnified Parties from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) arising out of or in connection with (1) Company's default under the terms of this Agreement, (ii) the grossly negligent acts or omissions of Company or Company's Indemnified Parties, or (ill) any acts or omissions of Managers indemnified Parties made in good faith in the performance of Manager's duties under this Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duty.

(3) Each party shall promptly notify the other of any claim asserted against it for which it will seek indemnity. The Indemnifying party shall have the right to defend any such claim at its sole cost and expense.

(4) The indemnities contained herein shall survive the termination or expiration of this Agreement.

ARTICLE V

COMPENSATION

Section 5.1. **Compensation** .

(1) As Manager's compensation for providing all of the services contemplated under this Agreement, other than those services provided pursuant to Section 2.9 hereof, Company shall pay to Manager a fee (" Manager's Compensation ") for each fiscal year (or portion thereof) during which this Agreement is in effect, equal to $250,000,

(2) Manager's Compensation for each fiscal year shall be paid by Company to Manager quarterly, in advance on the first day of each calendar quarter, in equal installments.

(3) In the event that by agreement of the Board and Manager, Manager provides any services to Company pursuant to Section 2.9 hereof, then Manager's Compensation shall be adjusted in order to account for the provision of such services. The additional compensation to be paid by Company to Manager shall be comparable to that which TRG would have paid to Manager, if Manager had provided such services to TRG pursuant to the Master Services Agreement or as agreed upon by the Board and Manager.

Section 5.2. **Reimbursements** .

(1) Company shall pay directly or reimburse Manager for the following expenses, in addition to paying Managers Compensation:

(i) fees and expenses incurred in connection with the registration (and maintenance of such registration) of Shares or other securities with the Securities and Exchange Commission;

(ii) fees and expenses in connection with the preparation and filing of all reports and statements as may be required of Company (or selling Shareholders or selling equity holders);

(iii) interest and other costs and expenses for money borrowed or owed by Company, including, without limitation, discounts, points, all costs for and associated with credit enhancements or requirements, and further including all costs and expenses incurred in connection with the issuance of debt instruments (public or private);

(iv) taxes and assessments on income, receipts or property of Company and taxes as an expense of doing business by Company;

(v) fees, expenses and commissions with respect to the acquisition and disposition of assets of Company;

(vi) costs associated with insurance required in connection with the business of Company or by the Board (including for the officers and directors of Company);

(vii) fees and expenses of legal counsel for Company;

(viii) fees and expenses of independent auditors and accountants for Company;

(ix) all expenses in connection with payments to Board members and with meetings of the Board (including the Partnership Committee and other committees of TRG), committees of the Board, and Shareholders (or debt or other security holders);

(x) expenses associated with listing the Shares (or other securities) on a stock exchange or NASDAQ if requested by the Board or with the issuance and distribution of any Shares (or other securities) at any time, such as selling commissions and fees, taxes, legal and accounting fees, printing, qualification in any State or foreign Country jurisdiction, listing and registration fees, and other Organization and Offering Expenses;

(xi) expenses associated with a dividend;

(xii) dividend distributions of Company;

(xiii) expenses of organizing, reorganizing, recapitalizing or liquidating the Company, or revising, amending, or modifying the Articles or By-Laws;

(xiv) expenses relating to public relations communications, and expenses of maintaining communications with Shareholders (or debt or other security holders), including the cost of preparation, printing, and mailing annual reports and other Shareholder reports, proxy statements and other reports required by governmental agencies and as may otherwise be necessary or appropriate;

(xv) costs and expenses of travel and entertainment incurred in connection with Managers performance hereunder;

(xvi) expenses of Company related to its investments, and other fees related to making investments; and

(xvii) all other costs and expenses not otherwise provided for herein which are approved by Company.

Expenses incurred by Manager on behalf of Company and payable pursuant to this Section 5.2 shall be reimbursed quarterly to Manager within ten (10) days after the delivery to Company of a Reimbursement Statement. Manager shall prepare a statement (a " Reimbursement Statement') documenting the expenses of Company during each quarter, and shall deliver such statement to Company within forty-five (45) days after the end of each quarter.

(2) Except as otherwise provided herein, Manager shall pay the following expenses of performing its obligations under this Agreement:

(i) employment expenses of Manager, including, but not limited to, salaries, wages, payroll taxes, costs of employee benefit plans, and temporary help expenses, except to the extent that such expenses are otherwise reimbursable pursuant to this Agreement or the Articles or By-Laws;

(ii) audit fees and expenses of Manager;

(iii) rent, telephone, utilities, and other office expenses of Manager;

(iv) insurance of Manager; and

(v) all other administrative expenses of Manager.

Section 5.3. **Payment of Compensation**.

Manager may withdraw funds from the appropriate Bank Accounts for its compensation, reimbursement and other amounts owed hereunder when such compensation, reimbursement and other amounts are due for payment.

ARTICLE VI

TERM, TERMINATION, AND DEFAULT

Section 6.1. **Term**.

This Agreement shall commence on the date of this Agreement and, except as otherwise provided herein, shall continue for an initial term of five (5) years. Thereafter, this Agreement shall be renewed for consecutive three (3) year terms, provided that Company and Manager mutually consent to each such renewal not less than one (1) year prior to the end of the then-current term.

Section 6.2. **Default by Manager**.

(1) If Manager defaults in any material respect in performing any of its obligations under this Agreement and such default is not cured within thirty (30) days after notice thereof is given by Company to Manager, then, subject to Section 6.2(2) hereof, Company shall have the right to terminate this Agreement by giving written notice to that effect to Manager.

(2) If such default is curable but is of such nature that it cannot reasonably be cured within such thirty (30) day period, then the cure period shall be extended for a reasonable period of time thereafter, so long as Manager promptly after receiving such notice commences to cure such default and thereafter proceeds with reasonable diligence to complete the curing thereof.

Section 6.3. **Bankruptcy of Manager**.

Company may terminate this Agreement by written notice to Manager if:

(a) An order for relief in bankruptcy is entered against Manager, or Manager is adjudicated insolvent, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future applicable statute or law relative to bankruptcy, insolvency or other relief for debtors, or seeks or consents to or acquiesces in the appointment of any trustee, receiver, conservator or liquidator of Manager, or of all or any substantial part of its property (the term " acquiesce ", as used herein, being deemed to include, but not be limited to, the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within the time specified by law);

(b) A court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Manager seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or future applicable statute or law relating to bankruptcy, insolvency or other relief for debtors, and a party shall acquiesce (as hereinabove defined) in the entry of such order, judgment or decree, or the same shall remain unvacated or unstayed for an aggregate of ninety (90) days from the date of entry thereof, or any trustee, receiver, conservator or liquidator of Manager or of all or any substantial part of its property shall be appointed without the consent of or with the acquiescence of Manager and such appointment shall remain unvacated or unstayed for an aggregate of ninety (90) days; or

(c) Manager admits in writing its inability to pay its debts as they mature; or

(d) Manager gives notice to any governmental body of insolvency or pending insolvency, or suspension or pending suspension of operations; or

(e) Manager makes an assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors.

Section 6.4. Default of Company .

(1) If Company defaults in any material respect in performing any of its obligations under this Agreement and such default is not cured within five (5) days in the case of a monetary default and within thirty (30) days in the case of a non-monetary default, after notice thereof is given by Manager to Company, then, subject to Section 6.4(2) hereof, Manager shall have the right to terminate this Agreement by giving written notice to that effect to Company.

(2) If such default is a non-monetary default and is curable but is of such nature that it cannot reasonably be cured within such thirty (30) day period, then the cure period shall be extended for a reasonable period of time thereafter, so long as Company promptly after receiving such notice commences to cure such default and thereafter proceeds with reasonable diligence to complete the curing thereof.

Section 6.5. **Effect of Termination** .

Upon any termination of this Agreement, Manager shalt forthwith (t) pay over to Company all money collected and held for the account of Company pursuant to this Agreement, after deducting any accrued compensation and reimbursement for its expenses to which Manager is then entitled, (ii) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board, (iii) deliver to Company such contracts, documents, papers and records pertaining to this Agreement as the Board may request, and (iv) furnish all such information and take all such actions as Company shall reasonably require in order to effectuate an orderly and systematic termination of Manager's duties and activities hereunder. In conjunction therewith, Company shall pay Manager all fees and other amounts that have accrued under this Agreement, but which are unpaid as of the termination of this Agreement (which are not effectively paid pursuant to clause (i) above and except to the extent that, in the event of a termination for default pursuant to the provisions hereof, Company determines to withhold any portion thereof which is disputed or subject “to offset).

ARTICLE VII
MISCELLANEOUS

Section 7.1. **Notice** .

(1) Each notice, demand, request, request for approval, consent, approval, disapproval, designation or other communication (each of the foregoing being referred to herein as a “notice') required or desired to be given or made under this Agreement shall be in writing (except as otherwise provided in this Agreement), and shall be effective and deemed to have been received (i) when delivered in person, Oft when sent by facsimile transmission with receipt acknowledged, (Iii) three (3) days after having been mailed by certified or registered United States mall, postage prepaid, return receipt requested, or (iv) the next business day after having been sent by a nationally recognized overnight mail or courier service, receipt requested.

(2) Notices sent by mail or courier shall be addressed as follows:

(a) If to Company, to:

Taubman Centers, Inc.
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: Robert S. Taubman

With a copy to:

Jeffrey H. Miro, Esq.
Miro Miro & Weiner, P.C.
500 North Woodward Avenue
Suite 100
Bloomfield Hills, Michigan 48304-0908

(b) If to Manager, to:

The Taubman Company Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: President

With copies to:

The Taubman Company Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: Senior Vice President,
Legal Services

And:

Miro Miro & Weiner, P.C.
500 North Woodward Avenue
Suite 100
Bloomfield Hills, Michigan 48304-0908
Attention: Jeffrey H. Miro, Esq.

And with a copy of any notice of default hereunder to:

Taub Co Management, Inc.
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: President

(3) Any party may from time to time designate a different address or additional addressees by notice similarly given, such different address or addressees being effective from and after the day of receipt of notice thereof by such other party.

Section 7.2. **Severability**.

Each provision of this Agreement is severable. If any term or provision shall be determined by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such provision shall be severed from and not affect the validity of this Agreement.

Section 7.3. **Reimbursement of Legal Fees**.

In the event of any arbitration or other legal or equitable proceeding for enforcement of any of the terms or conditions of this Agreement, or any alleged disputes, breaches, defaults or misrepresentations in connection with any provision of this Agreement, the losing party shall pay to the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by reason of a settlement, the prevailing (or nondismissing) party's reasonable costs and expenses, including without limitation actual attorneys' fees and costs of defense paid or incurred in good faith at both the trial and appellate levels. The “prevailing party”, for purposes of this Agreement, shall be deemed to be that party which obtains substantially the result sought, whether by settlement, dismissal or judgment. This Section 7.3 shall survive any termination of this Agreement.

Section 7.4. **Waivers**.

(1) No consent or waiver, express or implied, by either party of any breath or default by the other party in the performance of its obligations hereunder shall be valid unless in writing. No such consent or waiver shall be deemed or construed to be a consent or waiver to or of any other breach or default of the same or any other obligations of such party hereunder.

(2) Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

(3) The granting of any consent or approval in any one instance by or on behalf of Company or Manager shall not be construed to waive or limit the need for such consent in any other or subsequent instance

Section 7.5. **Governing Law**.

This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan applicable to agreements made and to be entirely performed within such State.

Section 7.6. **Modifications**.

This Agreement may not be changed, amended or modified except by an agreement in writing executed by each of the parties hereto, or their respective successors and assigns.

Section 7.7. **Termination of Prior Agreements**.

This Agreement constitutes all of the understandings and agreements between the parties in connection with the subject matter hereof. By execution of this Agreement, the parties acknowledge and agree that this Agreement supersedes all prior agreements between the parties with respect to the subject matter hereof. Any such prior agreements are hereby automatically canceled and terminated and shall be of no further force or effect whatsoever.

Section 7.8. **Assignment**.

(1) This Agreement shall not be assigned by Manager nor shall control of Manager be assigned from A. Alfred Taubman to other than A. Alfred Taubman and/or his Affiliates without the prior approval of the Board. The assignee hereunder shall be bound in the same manner as Manager is bound hereunder.

(2) This Agreement shall not be assigned by Company without the prior approval of Manager.

Section 7.9. **Successors**.

(1) Subject to the provisions of Section 7.8 above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement shall not inure to the benefit of, or be enforceable by, any other Person.

(2) References to “Company” and to “Manager hereunder shall be deemed to be references to the parties hereto and, subject to Section 7.8, their respective successors and permitted assigns.

Section 7.10. **No Joint Venture** .

Nothing contained in this Agreement shall be construed as making Company and Manager partners or joint venturers; and nothing contained in this Agreement shall be construed as making either party liable for the debts or obligations of the other party, except only as expressly provided herein.

Section 7.11. **Approval of Company** .

(1) Where the approval of Company or the Board is required hereunder, Manager is authorized to act upon receipt of the approval of either the Board (pursuant to an appropriate resolution) or of Company's Authorized Representative, whether such approval is given generally (including, without limitation, through the approval of an Annual Budget) or specifically.

(2) The Board shall designate, and so notify Manager of its designation of, one or more individuals who (individually or together, as determined by the Board with notice thereof to Manager) shall have the full authority to act as and on behalf of Company and the Board with respect to one or more or all matters, as determined by the Board, under this Agreement (" Company's Authorized Representative "). The Board shall have the right to at any time and from time to time substitute individuals so designated as Company's Authorized Representative by prior written notice thereof to Manager. The Board shall in all events and at all times maintain a Company's Authorized Representative.

Section 7.12. **Further Assurances** .

Company and Manager shall, at their own expense, execute such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

TAUBMAN CENTERS, INC.,
a Michigan corporation

By: /s/ A. Alfred Taubman
A. Alfred Taubman

Its: Chairman

THE TAUBMAN COMPANY LIMITED PARTNERSHIP , a Delaware limited partnership

By: /s/ Robert S. Taubman
Robert S. Taubman

Its: Authorized Signatory

SCHEDULE A

Initial Development Opportunities

Those activities being conducted under the following TTC Job Numbers:

4000.037	Apple Valley
4000.101	Boca Raton, Florida
1988.019	Downtown Denver, Colorado
3131.001	East Cain, Pennsylvania
4000.131	
2125.001	Konterra, Maryland
4000.377	Lake County, Illinois
4000.416	Los Angeles Region, California
4000.549	New Haven, Connecticut
4000.564	North Columbus, Ohio
4000.716	Rochester Hills/Auburn Hills, Michigan
4000.788	Tampa, Florida
4000.940	Western Wayne County, Michigan
2934.001	West Palm Beach, Florida
4000.560	Orlando, Florida
2089.001	Tampa, Florida
4000.973	World Trade Center
4000.900	Waterbury, Connecticut

SCHEDULE B

Excluded Development Opportunities

TWA-Anaheim Limited Partnership

New York Coliseum

Detroit Riverfront

Marbeth

SCHEDULE C

Regional Centers

Regional Center	Owning Entity
Bellevue Center	Bellevue Associates
Beverly Center	La Cienega Associates
Briarwood	Briarwood
Cherry Creek	Taubman-Cherry Creek Limited Partnership
Columbus City Center	TL-Columbus Associates
Fairlane Town Center	Fairlane Town Center
Fair Oaks	Fairfax Associates
Hilltop	Richmond Associates
Lakeforest Mall	Lakeforest Associates
Lakeside	Lakeside/Novi Associates
Marley Station	TKL-East
Meadowood	Taubman-Western Associates No. 2
Short Hills	Prutaub Joint Venture
Stamford Town Center	Rich-Taubman Associates
Stoneridge	Stoneridge Properties
Twelve Oaks	Lakeside/Novi Associates
West Farms	West Farms. Associates
Woodfield	Woodfield Associates
Woodland	Woodland

Exhibit 10.2

CORPORATE SERVICES AGREEMENT

BETWEEN

TAUBMAN CENTERS, INC.

AND

THE TAUBMAN COMPANY LIMITED PARTNERSHIP

TABLE OF CONTENTS

ARTICLE VII - MISCELLANEOUS

CORPORATE SERVICES AGREEMENT

This Corporate Services Agreement (this " Agreement "), made and entered into as of the 30th day of November, 1992, by and between TAUBMAN CENTERS, INC., a Michigan corporation, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Company "), and THE TAUBMAN COMPANY LIMITED PARTNERSHIP, a Delaware Limited Partnership, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Manager "), is based upon the following:

A. Company is a public corporation, whose shares are traded on the New York Stock Exchange. Moreover, Company intends to qualify and maintain its qualification as a real estate investment trust (a " REIT ") pursuant to the Code. By virtue of its status as a corporation whose shares are publicly traded and its status as a REIT, Company desires to engage Manager to provide various administrative, management, accounting, Shareholder relations and other services to Company, and act on behalf of Company in respect thereof.

B. Company is the managing general partner of The Taubman Realty Group Limited Partnership, a Delaware limited partnership (" TRG ").

(1) TRG is engaged in the ownership, operation, acquisition, development, redevelopment, expansion, financing and refinancing of regional retail shopping centers (and various interests therein). Although Company is empowered to and may hereafter acquire other assets, its managing general partnership interest in TRG is presently the principal asset of Company.

(2) As the managing general partner of TRG, Company is responsible for the management of TRG, and for taking actions and making decisions required of the managing general partner pursuant to the Partnership Agreement of TRG (subject, however, to certain restrictions and requirements set forth in the Partnership Agreement of TRG). Pursuant to the Partnership Agreement of TRG, Company has the right to engage another Person to assist with, implement and effect the actions to be taken by Company, as the managing general partner of TRG, and to do or perform those matters to be done or performed by Company as managing general partner of TRG.

(3) Company desires to engage Manager, on an exclusive basis, to provide services and to act on behalf of Company in respect of the powers, rights and obligations of Company as managing general partner of TRG.

C . Manager desires to render the above-described services to and act on behalf of Company, all upon the terms and conditions set forth in this Agreement.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, Company and Manager hereby agree as follows:

ARTICLE I

DEFINITIONS

Unless the context in which a term is used clearly indicates otherwise, the following terms shall have the following respective meanings when used in this Agreement, and the singular shall include the plural and vice versa unless the context requires otherwise:

" Affiliate " and " Affiliates " means, (i) with respect to any individual, any member of such individual's Immediate Family, a Family Trust with respect to such individual, and any Person (other than an individual) in which such individual and/or his Affiliate(s) owns, directly or indirectly, more than fifty percent (50%) of any class of Equity Security or of the aggregate Beneficial Interest of all beneficial owners, or in which such individual or his Affiliate is the sole general partner, or is the sole managing general partner, or which is Controlled by such individual and/or his Affiliates; and (ii) with respect to any Person (other than an individual), any Person (other than an individual) which Controls, is Controlled By, or is Under Common Control With, such Person, and any individual who is the sole general partner or the sole managing general partner in, or who Controls, such Person.

" Agreement " is defined in the Preamble to this Agreement.

" Annual Budget " is defined in Section 2.8 hereof.

" Articles " shall mean the Company's Restated Articles of Incorporation filed with the Michigan Department of Commerce, as the same may be amended from time to time.

" Bank Accounts " is defined in Section 2.3 hereof.

" Beneficial Interest " means an interest, whether as partner, joint venturer, *cestui que trust* , or otherwise, a contract right, or a legal or equitable position under or by which the possessor participates in the economic or other results of the Person (other than an individual) to which such interest, contract right, or position relates.

" Best Efforts " is defined to require that the obligated party make a diligent, reasonable and good faith effort to accomplish the applicable objective. Such obligation, however, does not require any material expenditure of funds or the incurrence of any material liability on the part of the obligated party, nor does it require that

the obligated party act in a manner which would otherwise be contrary to prudent business judgment or normal commercial practices in order to accomplish the objective. The fact that the objective is not actually accomplished is no indication that the obligated party did not in fact utilize its Best Efforts in attempting to accomplish the objective.

" Board " means Company's Board of Directors.

" Business Day " means any Day that is not a Saturday, Sunday, or legal holiday in New York, New York and on which commercial banks are open for business in New York, New York.

" By-Laws " means Company's By-Laws, as the same may be amended from time to time.

" Cash Tender Agreement " means The Taubman Centers, Inc. Cash Tender Agreement, dated November 30, 1992, by and among Company and certain holders of Partnership Interests, as the same may be amended.

" Code " means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

" Company " is defined in the Preamble to this Agreement.

" Company's Authorized Representative " is defined in Section 7.11 hereof.

" Company's Indemnified Parties " means Company, its Affiliates and related entities, and the respective officers, directors, shareholders, partners, employees and agents of Company, its Affiliates and related entities.

" Continuing Offer " means the continuing offer of Company, dated November 30, 1992, to exchange Shares for Interests in TRG.
" Control(s)" (and its correlative terms " Controlled By " and " Under Common Control With ") means, with respect to any Person (other than an individual), possession by the applicable Person or Persons of the power, acting alone (or, solely among such applicable Person or Persons, acting together), to designate and direct or cause the designation and direction of the management and policies thereof, whether through the ownership of voting securities, by contract, or otherwise.

" Day " or " Days " means each calendar day, including Saturdays, Sundays, and legal holidays; provided, however, that if the Day on which a period of time for consent or approval or other action begins or ends is not a Business Day, such period shall begin or end, as applicable, on the next Business Day.

" Equity Security " has the meaning ascribed to it in the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations thereunder (and any successor laws, rules and regulations of similar import).

" Family Trust " means, with respect to an individual, a trust for the benefit of such individual or for the benefit of any member or members of such individual's Immediate Family or for the benefit of such individual and any member of members of such individual's Immediate Family (for the purpose of determining whether or not a trust is a Family Trust, the fact that one or more of the beneficiaries (but not the sole beneficiary) of the trust includes a Person or Persons, other than a member of such individual's Immediate Family, entitled to a distribution after the death of the settlor if he, she, it, or they shall have survived the settlor of such trust, which distribution is to be made of something other than a Partnership Interest (as defined in the Partnership Agreement of TRG) and/or includes an organization or organizations exempt from federal income taxes pursuant to the provisions of Section 501(a) of the Code and described in Section 501(c)(3) of the Code, shall be disregarded); provided, however, that in respect of transfers by way of testamentary or inter vivos

trust, the trustee or trustees shall be solely such individual, a member or members of such individual's Immediate Family, a responsible financial institution and/or an attorney that is a member of the Bar of any State in the United States and/or an individual or individuals approved by the Partnership Committee.

" Immediate Family " means, with respect to a Person, (i) such Person's spouse (former or then-current), (ii) such Person's parents and grandparents, and (iii) ascendants and descendants (natural or adoptive, of the whole or half blood) of such Person's parents or of the parents of such Person's spouse (former or then-current).

" Manager " is defined in the Preamble to this Agreement.

" Manager's Compensation " is defined in Section 5.1 hereof.

" Manager's Indemnified Parties " means Manager, its partners, Affiliates and related entities, and the respective officers, directors, shareholders, partners, employees and agents of Manager, its partners, Affiliates, and related entities.

" Master Services Agreement " means the Master Services Agreement of even date herewith between TRG and Manager, pursuant to which Manager has been engaged to provide certain management, leasing and other services to TRG.

" Organization and Offering Expenses " means all expenses incurred in connection with the formation of Company, the registration and qualification of Shares under Federal and state and foreign securities laws, the listing of such Shares on the New York Stock Exchange and the offering and sale of Shares, including selling commissions.

" Partnership Agreement of TRG " means The Amended and Restated Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership, dated November 30, 1992, as the same may be amended, restated or supplemented from time to time.

" Partnership Committee " means the Partnership Committee and the Executive Committee established for TRG pursuant to the Partnership Agreement of TRG.

" Person " or " Persons " means an individual, a partnership (general or limited), corporation, joint venture, business trust, cooperative, association, or other form of business organization, whether or not regarded as a legal entity under applicable law, a trust (inter vivos or testamentary), an estate of a deceased, insane, or incompetent person, a quasi-governmental entity, a government entity, a government or any agency, authority, political subdivision, or other instrumentality thereof, or any other entity.

" Registration Rights Agreement " means The Taubman Centers, Inc. Registration Rights Agreement, dated November 30, 1992, by and among Company and certain Shareholders, as the same may be amended.

" Reimbursement Statement is defined in Section 5.2 hereof.

" REIT " is defined in Recital A. of this Agreement.

" REIT Requirements " is defined in Section 2.2(l) hereof.

" Shares " means the common stock of Company, par value $.01 per share.

" Shareholders " means the holders of record of the Shares.

“ Third Parties ” is defined in Section 3.1 hereof.

“ TRG ” is defined in Recital B. of this Agreement.

ARTICLE II

ENGAGEMENT, AUTHORITY AND OBLIGATIONS OF MANAGER

Section 2.1 Engagement of Manager .

Company hereby engages Manager, on a sole and exclusive basis (except as otherwise expressly provided in this Agreement), to provide the services described in this Article II. Manager hereby agrees to provide such services to or for the benefit of Company, as set forth in this Article II.

Section 2.2 General Duties .

Subject to the terms of the Articles, the supervision of the Board, the budgetary constraints described in Section 2.8 hereof, and the other limitations set forth in this Article II, Manager shall be responsible for (i) providing (or causing to be provided) general administrative, reporting, advisory, management, accounting, public relations, shareholder relations, and other services to Company, which relate to the ongoing operations and management of Company as a business entity and as a REIT, and (ii) performing such duties and responsibilities of Company as managing general partner of TRG and as otherwise required of Company pursuant to the Partnership Agreement of TRG, as are directed by the Board. In particular, but without limiting the generality of the foregoing, Manager, or any Third Parties engaged by Manager, shall, subject to the foregoing:

(a) Assist and advise the Board in connection with policy and investment decisions to be made by Company and/or the Board (Including the Company's investment in TRG if and to the extent specifically requested by the Board); and provide research, financial, economic and statistical data in connection with Company's investments;

(b) Administer the day-to-day operations of Company and perform or cause the performance of the various administrative functions reasonably necessary for the management of Company;

(c) Assist the Board with respect to, and execute pursuant to the Board's instructions and administer, all of the obligations of Company to the Shareholders (including the payment of dividends);

(d) Communicate on behalf of Company with the Shareholders and other Persons, and prepare and file all statements (including registration statements) and reports (including those statements and reports required pursuant to the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended), as required to satisfy the continuous reporting and other requirements of applicable laws and of any governmental bodies or agencies, with respect to the issuance of any Shares or other securities of Company, to maintain effective relations with the Shareholders and otherwise to provide investor services;

(e) Investigate, select, and conduct business with Third Parties, including Affiliates of Manager, and, on behalf of Company and with the Board's approval or under and in accordance with such guidelines as the Board shall from time to time choose to establish, engage Third Parties, including Affiliates of Manager;

(f) Act as attorney-in-fact or agent, as directed by the Board, or subject to such discretionary powers as the Board may from time to time delegate, or pursuant to policies established by the Board: in acquiring and disposing of and managing Company's interests in TRG and Company's other investments, in disbursing and collecting funds of Company, in paying the debts and fulfilling the obligations of Company, and in handling, prosecuting, and settling any claims of Company, provided that any fees and costs payable to independent persons incurred by Manager in connection with the foregoing shall be the responsibility of Company;

(g) Negotiate on behalf of Company with banks or other lenders for loans to be made to Company with the Board's approval, and negotiate on behalf of Company with investment banking firms and broker-dealers or negotiate private or public sales of the securities of Company subject to such guidelines as the Board shall from time to time choose to establish, or obtain, with the Board's approval, loans for Company, but in no event in such a way so that Manager shall be acting as broker-dealer- or underwriter;

(h) Invest or reinvest any money of Company, as directed by the Board or subject to such discretionary powers as the Board may from time to time delegate, and manage Company's investment portfolio (including, with the approval or at the direction of the Board, making loans to Affiliates of Company);

(i) At any time reasonably requested by the Board (but not more frequently than monthly), make reports of its performance of services to Company;

(j) Counsel Company in connection with policy decisions to be made by the Board;

(k) Furnish the Board with such reports and statements as may from time to time be reasonably requested by the Board; and at the direction of the Board, furnish the Shareholders (and other Persons, as directed by the Board) with such reports, estimates and projections (including tax and other estimates and projections, including those relating to the Shareholders) as may from time to time be reasonably requested by the Board;

(l) Advise and assist the Board in connection with the initial and continuing qualification of Company as a REIT under Sections 856 through 860 of the Code so long as such requirements exist and as such provisions may be amended from time to time, or corresponding provisions of succeeding law (the " REIT Requirements "); advise the Board with respect to any changes in the REIT Requirements, or in any amendments or modifications of laws applicable to REITs generally; monitor

the sources of Company's gross income, and use its Best Efforts to identify any gross income attributable to "prohibited transactions" or other sources that would result in such income not being deemed to be "rents from real property" (as such terms are interpreted in the REIT Requirements); monitor the assets of Company, in order to insure that the same are consistent with the REIT Requirements; advise the Board in connection with the payment of dividends by Company to the Shareholders, and monitor whether Company's distribution of dividends satisfies the REIT Requirements; monitor the transfer of Shares, in order to insure that there are a sufficient number of Shareholders owning sufficient amounts of Shares in order to satisfy the REIT Requirements, collect such affidavits from the Shareholders as are required under the REIT Requirements, and enforce any applicable ownership restrictions on the transfer of Shares;

(m) Advise the Board and administer any programs regarding backup withholding of distributions from Company to any Shareholder(s), as may be required under applicable laws;

(n) Administer, and advise the Board with respect to the Continuing Offer, the Cash Tender Agreement and the Registration Rights Agreement, and evaluate and make recommendations to the Board as to Company's decisions with respect to the same (in each case presented, as contemplated under the Continuing Offer, or the Cash Tender Agreement or the Registration Rights Agreement);

(o) Administer and manage the registration of any Shares, as and to the extent contemplated in any documents of Company which relate to the same;

(p) As and when requested or directed by the Board (in general or specifically, and whether or not in writing) exercise Company's powers and perform Company's obligations, as managing general partner of TRG, pursuant to the Partnership Agreement of TRG, which shall include, without limitation, the right and obligation to perform (i) all accounting and administrative functions and obligations which Company is to perform, and (ii) such acts and undertakings as are necessary or desirable in furtherance of the objectives and purposes of TRG;

(q) If and to the extent specifically authorized by the Board (by appropriate Board resolution delineating the scope of authority delegated to Manager, or otherwise), execute such documents, instruments, agreements and other materials for and on behalf of Company as Company has the right and authority to execute; and serve as Company's agent and authorized representative in order to facilitate Company's execution of such documents, instruments, agreements and other materials;

(r) Provide the executive and administrative personnel, office space and services required in rendering the foregoing services to Company; and

(s) Perform such other services as may be required from time to time for management, administration and other activities relating to the assets of Company, as Manager and the Board shall agree upon from time to time.

Section 2.3 **Bank Accounts** .

Manager shall establish and maintain one or more bank accounts (collectively, " Bank Accounts ") in the name of Company and may collect and deposit into any such Bank Accounts, and disburse from any such

Bank Accounts, any money on behalf of Company, under such terms and conditions as the Board may approve. Such monies shall not be commingled with Manager's own funds. Monies shall not be withdrawn from any such Bank Accounts to the order or benefit of Manager, except as otherwise provided in this Agreement or as may otherwise be approved by the Board. Manager shall render appropriate statements with respect to such Bank Accounts to the Board and to the auditors of Company.

Section 2.4 **Advice**.

Manager shall consult with the Board and the officers of Company and shall furnish them with advice and recommendations with respect to the investments of, or investments to be considered by, Company, and shall furnish advice and recommendations with respect to other aspects of the business and affairs of Company. In order to facilitate the investment of the funds of. Company (other than its investment of funds in TRG required by any agreement to which Company is a party or pursuant to the authorization of the Board) and enable it to avail itself of investment opportunities as they arise. Under and in accordance with such limitations and guidelines as the Board shall from time to time choose to establish, Manager shall have the power and authority to make and dispose of such investments and to make and terminate commitments for such investments, on behalf of and in the name of Company, without further or express authority from the Board; provided, however, that the Board shall have the power to revoke, suspend, modify, or limit the aforementioned power and authority at any time or from time to time, but not retroactively.

Section 2.5 **Investment Undertaking**.

Manager shall use its Best Efforts to assure that the policies from time to time specified by the Board with regard to the protection of Company's investments are carried out. Any and all fees and costs incurred by Manager in performing such functions, whether payable to its Affiliates or independent Persons, shall be borne by Company.

Section 2.6 **Records; Confidentiality**.

Manager shall maintain appropriate records of all its activities hereunder and make such records available for inspection by the Board and by counsel, auditors and authorized agents of Company, at any

time or from time to time during normal business hours. Manager shall at all reasonable times have access to the books and records of Company. Manager shall keep confidential any and all information obtained in connection with the services rendered hereunder and shall not disclose any such information to nonaffiliated Persons except with the prior consent of the Board.

Section 2.7 **Board to Keep Manager Informed** .

In order for Manager to fulfill its duties, the Board shall provide Manager with full information concerning Company, its capitalization and investment policies and the intentions of the Board with respect to future investments. Company shall furnish Manager with a copy of all audited financial statements, a signed copy of each report prepared by independent accountants, and such other Information with regard to its affairs as Manager may from time to time reasonably request.

Section 2.8 **Annual Budget: Expenditures** .

(1) Manager shall prepare and submit to the Board, prior to the beginning of each fiscal year of Company, for the Board's review and approval, an annual budget (the " Annual Budget ") for Company. The Annual Budget shall reflect a reasonable estimate of all revenues, expenses and expenditures which Company may reasonably expect to receive, incur and pay out for the subject fiscal year, projected financing activities, including borrowings and debt repayments, and a schedule of anticipated dividends (covering both the amount and the timing of such dividends) to be paid out to Shareholders for the subject fiscal year.

(2) Manager shall have the right and authority to expend and disburse funds of, and incur obligations on behalf of, Company (including, without limitation, to expend and disburse the proceeds from financing or other sources of funding obtained by Company), provided that such expenditures, disbursements and obligations are specifically contemplated under the then-current and approved Annual Budget or are otherwise approved by the Board. Manager shall have no right or obligation to render services under this Agreement which would involve the expenditure or disbursement of Company's funds, or which would involve the commitment of Company to expend funds, other than as specifically contemplated under the

then-current and approved Annual Budget or as otherwise approved by the Board, even if such services would otherwise be required of Manager pursuant to this Agreement.

Section 2.9 **Acquisition of Retail Shopping Centers** .

In the situations in which Company is permitted pursuant to the Partnership Agreement of TRG to acquire interests in retail shopping centers, it is anticipated that the Board will request Manager to advise and assist Company in connection with the evaluation and acquisition of such interests. The scope and extent of Managers services to Company pursuant to this Section 2.9 (in the limited situations in which such services are to be provided to Company), and of Company's control and authority with respect to those services, shall be comparable to those which pertain to the Acquisition Services that are to be provided by Manager to TRG pursuant to the Master Services Agreement or as agreed upon by the Board and Manager.

Section 2.10 **Grant and Delegation of Authority** .

Subject to the provisions of this Agreement, Company hereby grants Manager the power and authority for Manager to carry out all of its duties and obligations under this Agreement, as the exclusive agent and representative of Company. Any person dealing with TRG and/or Company shall be entitled to rely upon any action taken by Manager, as the agent and representative of Company in accordance with this Agreement, and Company (and, as a result, TRG) shall be bound thereby. Any person dealing with TRG shall be entitled to rely upon any document or instrument executed and delivered by Manager, as the duly authorized agent and representative of Company in accordance with this Agreement, and Company (and, as a result, TRG) shall be bound thereby. Nothing herein shall authorize or grant to Manager the power or authority to act on behalf of Company in respect of the appointment, or removal, of any member of the Partnership Committee, Executive Committee or Compensation Committee of TRG, or to act on behalf of any such Committee member appointed by Company.

ARTICLE III

SPECIAL PROVISIONS REGARDING MANAGER'S SERVICES

Section 3.1 **Engagement of Third Parties** .

Under and in accordance with such guidelines as the Board may from time to time choose to establish, Manager shall have the right and authority to engage, on behalf of Company, and conduct business with, such consultants, accountants, correspondents, lenders, servicers, technical advisors, investment advisors, attorneys, brokers, underwriters, corporate fiduciaries, escrow agents, depositaries, custodians, agents for collection, insurers, insurance agents, banks, and other third parties (collectively, " Third Parties ") as Manager may determine to be necessary or desirable in connection with the provision of the services contemplated under this Agreement. Under and in accordance with such guidelines as the Board may from time to time choose to establish, Manager shall negotiate and enter into, on behalf of Company, any agreements with such Third Parties as Manager shall deem to be appropriate. Each Third Party selected and engaged by Manager shall be deemed to be an independent contractor of Company, with the authority to act as agent of Company only if and to the limited extent provided in such Third Party's agreement with Company and/or Manager (as agent of Company). Any Third Party engaged by Manager pursuant to this Section 3.1 may also be an Affiliate of Manager, provided that the terms of engagement of any such Affiliate shall be approved by the Board. All agreements that Manager enters into with any Third Parties shall be deemed to be for the account of Company. Except as provided in Section 5.2(2) hereof, all fees, charges and other amounts that become due and payable under such agreements with Third Parties shall be paid, subject to all applicable defenses, directly by Company to such Third Parties, and Manager shall have no liability for paying any of the same.

Section 3.2 Restrictions on Certain Activities .

(1) Notwithstanding anything contained in this Agreement to the contrary, Manager shall refrain from taking any action which would (i) adversely affect the status of Company as a REIT, (ii) subject Company to regulation under the Investment Company Act of 1940, (iii) violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over Company or its securities, or (iv) otherwise not be permitted by the Articles or By-Laws or an agreement to which Company is a party, except (in any event) if such action shall be ordered by the Board, in which case Manager shall promptly notify the

Board of Manager's judgment of the potential Impact of such action and shall refrain from taking such action until it receives further clarification or instructions from the Board.

(2) In performing its duties and obligations under this Agreement, the Manager shall abide by and comply with the provisions and policies set forth in the Articles and By-Laws and any agreements to which the Company is a party.

(3) Except for the services to be provided by Manager pursuant to the Master Services Agreement, and for the other services which Manager is permitted to provide (whether with or without TRG's prior approval) pursuant to the Master Services Agreement, Manager shall not provide advisory services of any kind to any Person, other than Company and TRG, for as long as this Agreement remains in effect. The foregoing restriction shall not apply with respect to services rendered by Manager pursuant to any Property Services Agreements (as defined in the Master Services Agreement) which have been or may hereafter be entered into by Manager, as contemplated in the Master Services Agreement.

(4) Notwithstanding anything contained in this Agreement to the contrary, wherever Company (as the managing general partner of TRG) has the right, power and authority to deal with Manager pursuant to or in connection with the Master Services Agreement (or any other contract or agreement that may be entered into between TRG and Manager or any Affiliate of Manager), then such right, power and authority shall not be delegated to Manager, and Manager shall have no power or authority to act on behalf of Company (as managing general partner of TRG) in connection therewith.

(5) Pursuant to the terms of the Partnership Agreement of TRG, the right, power and authority of Company (as managing general partner of TRG) to take, make or give, or fail to take, make or give, as applicable, any action, decision, determination, designation, delegation, direction, appointment, consent, approval, selection, and the like by or with respect to TRG is limited in certain respects by the requirement that the same by preceded by certain action of the Partnership Committee. Accordingly, Manager agrees that in connection with its performance of services pursuant to this Agreement which are to be rendered on behalf of Company, in its capacity as the managing general partner of TRG, Manager shall exercise its rights, powers

and authorities delegated to it by Company hereunder pursuant to the action of the Partnership Committee, as applicable, and in compliance with the requirements and limitations set forth in the Partnership Agreement of TRG.

(6) Company acknowledges and agrees that Manager will be providing other services to TRG pursuant to the Master Services Agreement, and to others pursuant to Property Services Agreements (as defined in the Master Services Agreement) and other agreements which have been or may hereafter be entered into by Manager (as contemplated in the Master Services Agreement). Company further acknowledges that, in connection with the provision of the various services to Company (pursuant to this Agreement), TRG and others, there may be circumstances in which the interests of Company are contrary to those of others to whom Manager is also rendering services. In such event, Manager shall (i) promptly notify the Board with respect to the conflict of interests involved, arid (ii) use its Best Efforts to continue to provide services to Company in connection with the circumstances giving rise to the conflict, to the fullest extent practicable under all of the attendant circumstances. The Board shall always have the right, at its option, to direct Manager to cease performing any particular services for Company, in connection with any conflict of interest situation that may arise, in which event Manager shall furnish all such information and take all such actions as Company shall reasonably require in order to effectuate an orderly and systematic termination of such services. In no event shall Manager be liable to Company for any failure to provide any particular services, if and to the extent that such failure results from any facts or circumstances which create a conflict of interest between Company and any other parties for whom Manager is permitted to render services, pursuant to this Section 3.2 and the Master Services Agreement.

Section 3.3 **Other Services** .

Should the Board request Manager or any partner, agent or employee thereof to render services for Company other than as set forth in Article II hereof, such services shall be separately compensated and shall not be deemed to be services rendered pursuant to the terms of this Agreement.

Section 3.4 **Company's Funds** .

(1) Manager shall maintain at its expense a fidelity bond in an amount not less than that from time to time reasonably requested by Owner (which amount shall, as of the date of this Agreement, be One Million Dollars ($1,000,000)) covering all of Manager's employees and officers handling Company's funds pursuant to this Agreement.

(2) Manager shall be responsible for losses of funds collected by Manager on Company's behalf caused by the material breach, gross negligence or willful misconduct of Manager and Manager's Indemnified Parties.

ARTICLE IV

INSURANCE AND INDEMNIFICATION

Section 4.1 **Insurance** .

(1) Manager shall secure, maintain, and pay for, from the appropriate Bank Accounts, all forms of insurance which are, in the Board's judgment and communicated to Manager, needed to adequately protect Company. Copies of all such insurance policies shall be furnished to Manager and Company.

(2) Manager shall cooperate with Company with respect to any claim which may arise under any such insurance policies. The prosecution of any such claim shall be at the sole cost and expense of Company.

(3) Manager shall notify Company as soon as possible after it receives notice of any material loss, damage or injury and shall take no action which might operate to bar Company from obtaining any protection afforded by any insurance policy or which might prejudice Company in its defense to a claim based on such loss, damage or injury.

(4) Company shall have the exclusive right, at its option, to conduct the defense to any claim, demand or suit within the limits prescribed by insurance policies.

(5) Manager shall be responsible for obtaining, at its sole cost and expense, such insurance as it deems necessary to protect itself, and Company shall have no responsibility for obtaining or paying for any of the same.

Section 4.2 **Manager's Responsibility** .

(1) Notwithstanding anything contained in this Agreement to the contrary, Manager shall not have any liability to Company, Company's Indemnified Parties or any other Person for the performance, non-performance, or negligent performance of any services provided or to be provided by any Third Parties.

(2) Manager will have no liability for payment of any fees, charges or other sums that may become due and payable to any Third Parties, whether pursuant to any contracts or agreements between Manager (as agent of Company) and such Third Parties, or otherwise.

(3) Manager assumes no responsibility under this Agreement other than to render the services called for hereunder in good faith, and Manager shall not be responsible for any action of the Board in following or declining to follow any advice or recommendations of Manager. Neither Manager nor Managers Indemnified Parties shall be liable to Company, the Shareholders, or Company's Indemnified Parties, except by reason of acts or omissions constituting bad faith, willful misconduct, gross negligence or reckless disregard of duty.

(4) For purposes of this Section 4.2, the term 'Third Party" shall include a Third Party that is an Affiliate of Manager provided that the terms of engagement of any such Affiliate shall have been approved by the Board.

Section 4.3 **Indemnification** .

(1) Subject to the provisions of Section 4.2 hereof, Manager shall indemnify and hold harmless Company's Indemnified Parties from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) arising out of or in connection with (i) Manager's default under the terms of this Agreement, or (ii) the bad faith, willful misconduct, gross negligence or reckless disregard of duty of Manager or Manager's Indemnified Parties.

(2) Company shall indemnify and hold harmless Manager's Indemnified Parties from and against any and all claims, actions, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) arising out of or in connection with (1) Company's default

under the terms of this Agreement, (ii) the grossly negligent acts or omissions of Company or Company's Indemnified Parties, or (ill) any acts or omissions of Managers indemnified Parties made in good faith in the performance of Manager's duties under this Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duty.

(3) Each party shall promptly notify the other of any claim asserted against it for which it will seek indemnity. The Indemnifying party shall have the right to defend any such claim at its sole cost and expense.

(4) The indemnities contained herein shall survive the termination or expiration of this Agreement.

ARTICLE V

COMPENSATION

Section 5.1 **Compensation** .

(1) As Manager's compensation for providing all of the services contemplated under this Agreement, other than those services provided pursuant to Section 2.9 hereof, Company shall pay to Manager a fee (" Manager's Compensation ") for each fiscal year (or portion thereof) during which this Agreement is in effect, equal to $250,000.

(2) Manager's Compensation for each fiscal year shall be paid by Company to Manager quarterly, in advance on the first day of each calendar quarter, in equal installments.

(3) In the event that by agreement of the Board and Manager, Manager provides any services to Company pursuant to Section 2.9 hereof, then Manager's Compensation shall be adjusted in order to account for the provision of such services. The additional compensation to be paid by Company to Manager shall be comparable to that which TRG would have paid to Manager, if Manager had provided such services to TRG pursuant to the Master Services Agreement or as agreed upon by the Board and Manager.

Section 5.2 **Reimbursements** .

(1) Company shall pay directly or reimburse Manager for the following expenses, in addition to paying Managers Compensation:

(i) fees and expenses incurred in connection with the registration (and maintenance of such registration) of Shares or other securities with the Securities and Exchange Commission;

(ii) fees and expenses in connection with the preparation and filing of all reports and statements as may be required of Company (or selling Shareholders or selling equity holders);

(iii) interest and other costs and expenses for money borrowed or owed by Company, including, without limitation, discounts, points, all costs for and associated with credit enhancements or requirements, and further including all costs and expenses incurred in connection with the issuance of debt instruments (public or private);

(iv) taxes and assessments on income, receipts or property of Company and taxes as an expense of doing business by Company;

(v) fees, expenses and commissions with respect to the acquisition and disposition of assets of Company;

(vi) costs associated with insurance required in connection with the business of Company or by the Board (including for the officers and directors of Company);

(vii) fees and expenses of legal counsel for Company;

(viii) fees and expenses of independent auditors and accountants for Company;

(ix) all expenses in connection with payments to Board members and with meetings of the Board (including the Partnership Committee and other committees of TRG), committees of the Board, and Shareholders (or debt or other security holders);

(x) expenses associated with listing the Shares (or other securities) on a stock exchange or NASDAQ if requested by the Board or with the issuance and distribution of any Shares (or other securities) at any time, such as selling commissions and fees, taxes, legal and accounting fees, printing, qualification in any State or foreign Country jurisdiction, listing and registration fees, and other Organization and Offering Expenses;

(xi) expenses associated with a dividend;

(xii) dividend distributions of Company;

(xiii) expenses of organizing, reorganizing, recapitalizing or liquidating the Company, or revising, amending, or modifying the Articles or By-Laws;

(xiv) expenses relating to public relations communications, and expenses of maintaining communications with Shareholders (or debt or other security holders), including the cost of preparation, printing, and mailing annual reports and other Shareholder reports, proxy statements and other reports required by governmental agencies and as may otherwise be necessary or appropriate;

(xv) costs and expenses of travel and entertainment incurred in connection with Managers performance hereunder;

(xvi) expenses of Company related to its investments, and other fees related to making investments; and

(xvii) all other costs and expenses not otherwise provided for herein which are approved by Company.

Expenses incurred by Manager on behalf of Company and payable pursuant to this Section 5.2 shall be reimbursed quarterly to Manager within ten (10) days after the delivery to Company of a Reimbursement Statement. Manager shall prepare a statement (a " Reimbursement Statement') documenting the expenses of Company during each quarter, and shall deliver such statement to Company within forty-five (45) days after the end of each quarter.

(2) Except as otherwise provided herein, Manager shall pay the following expenses of performing its obligations under this Agreement:

(i) employment expenses of Manager, including, but not limited to, salaries, wages, payroll taxes, costs of employee benefit plans, and temporary help expenses, except to the extent that such expenses are otherwise reimbursable pursuant to this Agreement or the Articles or By-Laws;

(ii) audit fees and expenses of Manager;

(iii) rent, telephone, utilities, and other office expenses of Manager;

(iv) insurance of Manager; and

(v) all other administrative expenses of Manager.

Section 5.3 Payment of Compensation .

Manager may withdraw funds from the appropriate Bank Accounts for its compensation, reimbursement and other amounts owed hereunder when such compensation, reimbursement and other amounts are due for payment.

ARTICLE VI

TERM, TERMINATION, AND DEFAULT

Section 6.1 **Term** .

This Agreement shall commence on the date of this Agreement and, except as otherwise provided herein, shall continue for an initial term of five (5) years. Thereafter, this Agreement shall be renewed for consecutive three (3) year terms, provided that Company and Manager mutually consent to each such renewal not less than one (1) year prior to the end of the then-current term.

Section 6.2 **Default by Manager** .

(1) If Manager defaults in any material respect in performing any of its obligations under this Agreement and such default is not cured within thirty (30) days after notice thereof is given by Company to Manager, then, subject to Section 6.2(2) hereof, Company shall have the right to terminate this Agreement by giving written notice to that effect to Manager.

(2) If such default is curable but is of such nature that it cannot reasonably be cured within such thirty (30) day period, then the cure period shall be extended for a reasonable period of time thereafter, so long as Manager promptly after receiving such notice commences to cure such default and thereafter proceeds with reasonable diligence to complete the curing thereof.

Section 6.3 **Bankruptcy of Manager** .

Company may terminate this Agreement by written notice to Manager if:

(a) An order for relief in bankruptcy is entered against Manager, or Manager is adjudicated insolvent, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future applicable statute or law relative to bankruptcy, insolvency or other relief for debtors, or seeks or consents to or acquiesces in the appointment of any trustee, receiver, conservator or liquidator of Manager, or of all or any substantial part of its property (the term " acquiesce ", as used herein, being deemed to include, but not be limited to, the failure to file a petition or motion to vacate or discharge any order, judgment or decree providing for such appointment within the time specified by law);

(b) A court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Manager seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or future applicable statute or law relating to bankruptcy, insolvency or other relief for debtors, and a party shall acquiesce (as hereinabove

defined) in the entry of such order, judgment or decree, or the same shall remain unvacated or unstayed for an aggregate of ninety (90) days from the date of entry thereof, or any trustee, receiver, conservator or liquidator of Manager or of all or any substantial part of its property shall be appointed without the consent of or with the acquiescence of Manager and such appointment shall remain unvacated or unstayed for an aggregate of ninety (90) days; or

(c) Manager admits in writing its inability to pay its debts as they mature; or

(d) Manager gives notice to any governmental body of insolvency or pending insolvency, or suspension or pending suspension of operations; or

(e) Manager makes an assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors.

Section 6.4 Default of Company .

(1) If Company defaults in any material respect in performing any of its obligations under this Agreement and such default is not cured within five (5) days in the case of a monetary default and within thirty (30) days in the case of a non-monetary default, after notice thereof is given by Manager to Company, then, subject to Section 6.4(2) hereof, Manager shall have the right to terminate this Agreement by giving written notice to that effect to Company.

(2) If such default is a non-monetary default and is curable but is of such nature that it cannot reasonably be cured within such thirty (30) day period, then the cure period shall be extended for a reasonable period of time thereafter, so long as Company promptly after receiving such notice commences to cure such default and thereafter proceeds with reasonable diligence to complete the curing thereof.

Section 6.5 Effect of Termination .

Upon any termination of this Agreement, Manager shalt forthwith (t) pay over to Company all money collected and held for the account of Company pursuant to this Agreement, after deducting any accrued compensation and reimbursement for its expenses to which Manager is then entitled, (ii) deliver to the Board a full accounting, including a statement showing all payments collected by it and a statement of all money held by it, covering the period following the date of the last accounting furnished to the Board, (iii) deliver to Company such contracts, documents, papers and records pertaining to this Agreement as the Board may request, and (iv) furnish all such information and take all such actions as Company shall reasonably require

in order to effectuate an orderly and systematic termination of Manager's duties and activities hereunder. In conjunction therewith, Company shall pay Manager all fees and other amounts that have accrued under this Agreement, but which are unpaid as of the termination of this Agreement (which are not effectively paid pursuant to clause (i) above and except to the extent that, in the event of a termination for default pursuant to the provisions hereof, Company determines to withhold any portion thereof which is disputed or subject to offset).

ARTICLE VII

MISCELLANEOUS

Section 7.1 **Notice** .

(1) Each notice, demand, request, request for approval, consent, approval, disapproval, designation or other communication (each of the foregoing being referred to herein as a “notice') required or desired to be given or made under this Agreement shall be in writing (except as otherwise provided in this Agreement), and shall be effective and deemed to have been received (i) when delivered in person, Oft when sent by facsimile transmission with receipt acknowledged, (Iii) three (3) days after having been mailed by certified or registered United States mall, postage prepaid, return receipt requested, or (iv) the next business day after having been sent by a nationally recognized overnight mail or courier service, receipt requested.

(2) Notices sent by mail or courier shall be addressed as follows:

(a) If to Company, to:

Taubman Centers, Inc.
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: Robert S. Taubman

With a copy to:

Jeffrey H. Miro, Esq.
Miro Miro & Weiner, P.C.
500 North Woodward Avenue
Suite 100
Bloomfield Hills, Michigan 48304-0908

(b) If to Manager, to:

The Taubman Company Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: President

With copies to:

The Taubman Company Limited Partnership
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: Senior Vice President,
Legal Services

And:

Miro Miro & Weiner, P.C.
500 North Woodward Avenue
Suite 100
Bloomfield Hills, Michigan 48304-0908
Attention: Jeffrey H. Miro, Esq.

And with a copy of any notice of default hereunder to:

Taub Co Management, Inc.
200 East Long Lake Road
Bloomfield Hills, Michigan 48304
Attention: President

(3) Any party may from time to time designate a different address or additional addressees by notice similarly given, such different address or addressees being effective from and after the day of receipt of notice thereof by such other party.

Section 7.2 **Severability** .

Each provision of this Agreement is severable. If any term or provision shall be determined by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such provision shall be severed from and not affect the validity of this Agreement.

Section 7.3 **Reimbursement of Legal Fees** .

In the event of any arbitration or other legal or equitable proceeding for enforcement of any of the terms or conditions of this Agreement, or any alleged disputes, breaches, defaults or misrepresentations in connection with any provision of this Agreement, the losing party shall pay to the prevailing party in such

action, or the nondismissing party where the dismissal occurs other than by reason of a settlement, the prevailing (or nondismissing) party's reasonable costs and expenses, including without limitation actual attorneys' fees and costs of defense paid or incurred in good faith at both the trial and appellate levels. The “prevailing party”, for purposes of this Agreement, shall be deemed to be that party which obtains substantially the result sought, whether by settlement, dismissal or judgment. This Section 7.3 shall survive any termination of this Agreement.

Section 7.4 **Waivers**.

(1) No consent or waiver, express or implied, by either party of any breath or default by the other party in the performance of its obligations hereunder shall be valid unless in writing. No such consent or waiver shall be deemed or construed to be a consent or waiver to or of any other breach or default of the same or any other obligations of such party hereunder.

(2) Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

(3) The granting of any consent or approval in any one instance by or on behalf of Company or Manager shall not be construed to waive or limit the need for such consent in any other or subsequent instance.

Section 7.5 **Governing Law**.

This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan applicable to agreements made and to be entirely performed within such State.

Section 7.6 **Modifications**.

This Agreement may not be changed, amended or modified except by an agreement in writing executed by each of the parties hereto, or their respective successors and assigns.

Section 7.7 **Termination of Prior Agreements**.

This Agreement constitutes all of the understandings and agreements between the parties in connection with the subject matter hereof. By execution of this Agreement, the parties acknowledge and agree that this

Agreement supersedes all prior agreements between the parties with respect to the subject matter hereof. Any such prior agreements are hereby automatically canceled and terminated and shall be of no further force or effect whatsoever.

Section 7.8 **Assignment**.

(1) This Agreement shall not be assigned by Manager nor shall control of Manager be assigned from A. Alfred Taubman to other than A. Alfred Taubman and/or his Affiliates without the prior approval of the Board. The assignee hereunder shall be bound in the same manner as Manager is bound hereunder.

(2) This Agreement shall not be assigned by Company without the prior approval of Manager.

Section 7.9 **Successors**.

(1) Subject to the provisions of Section 7.8 above, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement shall not inure to the benefit of, or be enforceable by, any other Person.

(2) References to "Company" and to "Manager hereunder shall be deemed to be references to the parties hereto and, subject to Section 7.8, their respective successors and permitted assigns.

Section 7.10 **No Joint Venture**.

Nothing contained in this Agreement shall be construed as making Company and Manager partners or joint venturers; and nothing contained in this Agreement shall be construed as making either party liable for the debts or obligations of the other party, except only as expressly provided herein.

Section 7.11 **Approval of Company**.

(1) Where the approval of Company or the Board is required hereunder, Manager is authorized to act upon receipt of the approval of either the Board (pursuant to an appropriate resolution) or of Company's Authorized Representative, whether such approval is given generally (including, without limitation, through the approval of an Annual Budget) or specifically.

(2) The Board shall designate, and so notify Manager of its designation of, one or more individuals who (individually or together, as determined by the Board with notice thereof to Manager) shall have the

full authority to act as and on behalf of Company and the Board with respect to one or more or all matters, as determined by the Board, under this Agreement (" Company's Authorized Representative "). The Board shall have the right to at any time and from time to time substitute individuals so designated as Company's Authorized Representative by prior written notice thereof to Manager. The Board shall in all events and at all times maintain a Company's Authorized Representative.

Section 7.12 **Further Assurances** .

Company and Manager shall, at their own expense, execute such other documents and perform such other acts as may be reasonably necessary or desirable to carry out the purposes of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

TAUBMAN CENTERS, INC.,
a Michigan corporation

By: /s/ Alfred Taubman
A. Alfred Taubman

Its: Chairman

THE TAUBMAN COMPANY UMITED PARTNERSHIP , a Delaware limited partnership

By: /s/ Robert S. Taubman
Robert S. Taubman

Its: Authorized Signatory

Exhibit 10.2.1

FIRST AMENDMENT TO CORPORATE SERVICES AGREEMENT
BETWEEN THE TAUBMAN CENTERS, INC.
AND THE TAUBMAN COMPANY LIMITED PARTNERSHIP

THIS FIRST AMENDMENT TO CORPORATE SERVICES AGREEMENT (this " Amendment "), made and entered into as of the 30th day of September, 1998, by and between TAUBMAN CENTERS, INC., a Michigan corporation, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Company "), and THE TAUBMAN COMPANY LIMITED PARTNERSHIP, a Delaware limited partnership, having an address at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304 (" Manager ") is based upon the following:

RECITALS :

A. Company and Manager entered into that certain Corporate Services Agreement (the " Agreement ") dated as of November 30, 1992.

B. Company and Manager now wish to amend the Agreement to provide for provisions relating to the term of the Agreement and for certain other purposes.

NOW THEREFORE , the parties hereto agree that the Agreement is hereby amended as follows:

1. The definition of "Master Services Agreement" is hereby amended to add the following at the end thereof:

   ", as the same may be amended, restated, or supplemented from time to time."

2. Section 6.1 of the Agreement is hereby amended to add the following at the end thereof:

   "Such mutual consent shall be deemed given absent written notice to the contrary from one party to the other party given not less than one (11 year prior to the end of the then-current term. Notwithstanding anything in this Section 6.1 to the contrary, Company shall have the right to terminate this Agreement at any time by written notice to Manager, such termination to be effective thirty (30) Days after the date of receipt of such notice."

3. Inasmuch as the Partnership Committee of The Taubman Realty Group Limited Partnership has been eliminated, references in the Agreement to "Partnership Committee" are hereby deleted.

4. Except as expressly set forth herein, the terms of the Agreement continue unmodified and are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

TAUBMAN CENTERS, INC.,
a Michigan corporation

By: /s/ Lisa A. Payne
Lisa A. Payne

Its: Executive Vice President and
Chief Financial Officer

THE TAUBMAN COMPANY LIMITED PARTNERSHIP , a Delaware limited Partnership

By: /s/ Robert S. Taubman
Robert S. Taubman

Its: Authorized Signatory

Exhibit 10.2.2

SECOND AMENDMENT TO CORPORATE SERVICES AGREEMENT

THIS SECOND AMENDMENT TO CORPORATE SERVICES AGREEMENT (" Amendment "), made and entered into as of December 23, 2008, by and between TAUBMAN CENTERS, INC., a Michigan corporation, whose address is 200 East Long Lake Road, Suite 300, Bloomfield Hills, Michigan 48304 (" Company "), and THE TAUBMAN COMPANY LLC, a Delaware limited liability company (successor by conversion to The Taubman Company Limited Partnership, a Delaware limited partnership), whose address is 200 East Long Lake Road, Suite 300, Bloomfield Hills, Michigan 48304 (" Manager "), is based upon the following:

A. Company and Manager entered into a certain Corporate Services Agreement, dated November 30, 1992, as amended by that First Amendment to Corporate Services Agreement, dated September 30, 1998 (as amended, the " Corporate Services Agreement ") relating to the engagement of Manager, on a sole and exclusive basis, to provide the services described in the Corporate Services Agreement.

B. The parties have agreed to amend the Corporate Services Agreement in the manner provided herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Section 5.1 of the Corporate Services Agreement is hereby deleted and the following is substituted in its place and stead.

" **Section 5.1 Compensation.**

(1) As Manager's compensation for providing the services contemplated under this Agreement, other than those services provided pursuant to Section 2.9 hereof, Company shall pay to Manager (" Manager's Compensation ") each month a multiple of total compensation expense (current and deferred, and excluding only contributions to currently funded pension plans qualified under Section 401(a) of the Internal Revenue Code, paid time off, insurance, and other fringe benefits) of all personnel employed by Manager who are performing such services. The multiple shall vary depending on the nature of the services being performed, as is set forth on

Schedule 5.1 hereto. The Manager shall invoice the Company monthly and the Company shall pay such invoice within thirty (30) days."

2. Capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed to them in the Corporate Services Agreement.

3. As modified and amended by this Amendment, the Corporate Services Agreement remains in full force and effect and is hereby ratified and confirmed.

The parties hereto have executed this Amendment on the date first above written.

TAUBMAN CENTERS, INC.,
a Michigan corporation

By: /s/ Chris B. Heaphy
Chris B. Heaphy
Its: Assistant Secretary

"Company"

THE TAUBMAN COMPANY LLC,
a Delaware limited liability company

By: /s/ Steve Eder
Steve Eder
Its: Senior Vice President, Capital Markets and Treasurer

"Manager"

SCHEDULE 5.1

Description	Compensation Multiple
1. Assist and advise Company's Board of Directors ("Board") in connection with policy and investment decisions.	2.0
2. Administer the day to day operations of the Company and perform various administrative functions.	1.5
3. Assist and advise the Board with respect to, and execute pursuant to the Board's instructions and administer, all of the obligations of the Company to its shareholders (including managing the registration of any shares and dividend payments on shares).	1.5
4. Communicate on behalf of the Company with its shareholders and other persons, and prepare and file all press releases, statements and reports.	1.5
5. Investigate, select and conduct business with third parties, including TTC's Affiliates, and on behalf the Company engage Third Parties.	2.0
6. Act as attorney-in-fact or agent, as directed by the Board, in acquiring and disposing of and managing the Company's interest in TRG and its other investments; in disbursing and collecting its funds; in paying its debts and fulfilling its obligations; and handling, prosecuting, and settling any its claims.	2.0
7. Negotiate on behalf of the Company with banks or other lenders for loans to be made to it; negotiate on behalf of the Company with investment banking firms or negotiate private or public sales of the securities of the Company.	2.0
8. Invest or reinvest any money of the Company and manage the Company's investment portfolio, including performing any treasury functions.	1.5
9. Furnish the Board and shareholders with such reports and statements as may from time to time be reasonable requested by the Board.	1.5
10. Advise and assist the Board with the continuing qualification of the Company as a REIT.	2.0
11. Administer and advise the Board with respect to the Continuing Offer, the Cash Tender Agreements and the Registration Agreements.	2.0
12. As directed by the Board, exercise the Company's powers and perform the Company's obligations as managing general partner of TRG, pursuant to the partnership agreement of TRG, and including such acts and undertakings as are necessary or desirable in furtherance of the objectives and purposes of TRG.	2.0
13. To the extent specifically authorized by the Board, execute such documents, instruments, agreements and other materials for and on behalf of the Company as the Company has the right and authority to execute; serve as the Company's authorized agent.	1.5
14. Provide the executive personnel for the oversight and management of the Company required in rendering the forgoing services to the Company.	2.0
15. Perform such other services as may be required from time to time for management, administration, and other activities relating to the assets, operation and activities of the Company.	1.5

Exhibit 10.3

AMENDED AND RESTATED

OPERATING AGREEMENT

OF

THE TAUBMAN COMPANY LLC

a Delaware limited liability company

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AMENDED AND RESTATED

OPERATING AGREEMENT

OF

THE TAUBMAN COMPANY LLC

a Delaware limited liability company

THIS AMENDED AND RESTATED AGREEMENT (hereinafter, as the same may be amended and/or supplemented, referred to as this " Agreement ") is made the 30th day of December, 2011, by, between, and among THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP (" TRG "), a Delaware limited partnership, TAUB-CO MANAGEMENT IV, INC. (" Taub-Co IV "), a Michigan corporation, and TAUB-CO HOLDINGS LLC (" Holdings "), a Delaware limited liability company (hereinafter sometimes referred to collectively as the " Members " and individually as a " Member ").

RECITALS:

A. On November 20, 1992, Taub-Co Management, Inc., (" Taub-Co "), a Michigan corporation, and TRG entered into the Agreement of Limited Partnership of The Taubman Company Limited Partnership.

B. On October 13, 2001, the partners of the Taubman Company Limited Partnership (the " Partnership ") caused the filing of a Certificate of Conversion for the Partnership, and on October 13, 2001, the parties hereto caused the filing of a Certificate of Formation for The Taubman Company LLC (the " Company ").

C. On October 30, 2001, Holdings acquired a one-thousandth of one percent (.001%) interest in the Company in exchange for a cash contribution to the Company and became the Managing Member of the Company, and Taub-Co, TRG, and Holdings entered into the Operating Agreement of the Company (the " Original Agreement ").

D. On July 12, 2006, Taub-Co IV was admitted to the Company in exchange for a capital contribution to the Company in the amount of Ten Million Dollars ($10,000,000), and as a result, the Members entered in to the First Amendment to Operating Agreement, dated, July 12, 2006 (the " First Amendment "), to reflect such capital contribution, to provide for a preferred return to Taub-Co and to Taub-Co IV, and to restate the percentage interests of the Members.

E. In connection with the First Amendment and as a result of the admission of Taub-Co IV as a Member and its capital contribution, the Company revalued all of the Company's assets to equal their respective gross fair market values as of July 12, 2006, and the Company adjusted the Members' Capital Accounts accordingly as permitted by Treasury Regulations Section 1.704-1(b)(2)(iv)(f).

F. In connection with the Internal Revenue Service audit of the Company's 2007 taxable year, the Revenue Agent questioned TRG's authority to act as "tax matters member" as a result of the revocable nature of TRG's authority to act as the "managing member" of the Company and the fact that the Agreement did not designate TRG as a "managing member."

G. On September 13, 2010, the Members entered into the Second Amendment to Operating Agreement to designate TRG as a "co-managing member" of the Company and to clarify TRG's authority as a "co-managing member."

H. On December 30, 2011, Taub-Co was liquidated, and its Membership Interest in the Company was distributed to Taub-Co IV and Holdings.

I. The parties hereto now wish to amend and restate the Original Agreement in its entirety to reflect the liquidation of Taub-Co.

NOW THEREFORE , the parties hereto agree that the Original Agreement as amended by the First Amendment and the Second Amendment is hereby further amended and restated in its entirety to read as follows:

I.

CONTINUATION; NAME;
PRINCIPAL OFFICE; AGENT FOR SERVICE OF PROCESS;
FILING OF CERTIFICATE(S); TERM; TITLE TO COMPANY PROPERTY.

Section 1.1. Continuation .

The parties hereto continue the Company pursuant to the laws of the State of Delaware, including the Delaware Limited Liability Company Act as in effect in the State of Delaware, all as the same may be amended from time to time (all of such laws being hereinafter referred to as the " Limited Liability Company Law "), upon the terms and conditions herein set forth.

Section 1.2. Name .

The name of the Company is "The Taubman Company LLC" or such other name or names as the Members shall select from time to time in compliance with the Limited Liability Company Law.

Section 1.3. Principal Office; Agent For Service of Process .

The principal office of the Company is located at 200 East Long Lake Road, Bloomfield Hills, Michigan 48304. The address of the office of the Company in the State of Delaware required to be maintained pursuant to the Limited Liability Company Law is Corporation Service Company, 1013 Centre Road, Wilmington, Delaware 19805, or such other address(es) as may be designated from time to time by the Managing Member with written notice thereof to the other Members. The name and address of the registered agent for service of process on the Company in

the State of Delaware is Corporation Service Company, 1013 Centre Road, Wilmington, Delaware 19805, or such other agent and address as may be designated from time to time by the Managing Member in compliance with the Limited Liability Company Law with written notice thereof to the other Members.

Section 1.4. Filing of Certificate of Formation .

The Members have caused the execution and filing of a Certificate of Formation of the Company with the Delaware Secretary of State. The Members hereby agree to execute, file and record all such other certificates and documents, including amendments to the Certificate of Formation of the Company, and to do such other acts as may be appropriate to comply with all requirements for the formation, continuation, and operation of a limited liability company, the ownership of property, and the conduct of business under the laws of the State of Delaware and any other jurisdiction in which the Company may own property or conduct business.

Section 1.5. Term .

The term of the Company commenced on the date of the filing of the Certificate of Formation and shall end, and the Company shall dissolve, on the first to occur of (i) a sale or other disposition of all of the Company's property, (ii) the occurrence of any event which would, under the terms of this Agreement or the Limited Liability Company Law, result in the dissolution of the Company; provided, however, that the term of the Company shall not end upon the occurrence of such an event if the Company is continued as provided in this Agreement, (iii) an entry of a decree of judicial dissolution pursuant to §18-802 of the Limited Liability Company Law, and (iv) December 31, 2099.

Section 1.6. Title to Company Property .

All property owned by the Company, whether real or personal, tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member, individually, shall have any ownership of such property. The Company may hold any of its assets in its own name or in the name of a nominee.

II.

DEFINITIONS.

Unless the context in which a term is used clearly indicates otherwise, the following terms have the following respective meanings when used in this Agreement, and the singular shall include the plural and vice versa, unless the context requires otherwise:

" AAT " means A. Alfred Taubman.

" AAT Trust " means the A. Alfred Taubman Restated Revocable Trust, under Instrument dated April 10, 2002, as the same has been and may hereafter be amended.

" Additional Tax " is defined in Article IX hereof.

“ Adjusted Capital Account Balance ” means, with respect to a Member, such Member's Capital Account balance, adjusted by (i) taking into account the adjustments, allocations and distributions described in Regulations Sections 1.704-1(b)(2)(ii)(cf)(4), (5) and (6), and (ii) adding to such balance such Member's share of partnership minimum gain and partner nonrecourse debt minimum gain determined pursuant to Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5).

“ Adjustments ” is defined in Section 8.2 hereof

“ Affiliate ” and “ Affiliates ” means, (i) with respect to any individual, any member of such individual's Immediate Family, a Family Trust with respect to such individual, and any Person (other than an individual) in which such individual and/or his Affiliate(s) owns, Directly or Indirectly, more than fifty percent (50%) of any class of Equity Security or of the aggregate Beneficial Interest of all beneficial owners, or in which such individual or his Affiliate is the sole general partner, or is the sole managing general partner, or is the sole managing member, or which is Controlled by such individual and/or his Affiliates; and (ii) with respect to any Person (other than an individual), any Person (other than an individual) which Controls, is Controlled By, or is Under Common Control With, such Person, and any individual who is the sole general partner or the sole managing general partner or the sole managing member of, or who Controls, such Person.

“ Agreement ” is defined in the Preamble to this Agreement.

“ Annual Budget ” is defined in Section 6.3 hereof.

“ Authorized Agent ” and “ Authorized Agents ” are defined in Section 6.9 hereof

“ Available Cash ” means the excess of the Company's cash and cash equivalents over the amount of cash needed by the Company, as determined by the Managing Member, to (1) service its debts and obligations to Third Parties, (2) service its debts and obligations to any Member, (3) maintain adequate capital and reserves for, by way of example and not limitation, working capital and reasonably foreseeable needs of the Company, and (4) conduct its business and carry out its purposes.

“ Bankrupt ” or “ Bankruptcy ” as to any Person means (i) applying for or consenting to the appointment of, or the taking of possession by, a receiver, custodian, trustee, administrator, liquidator, or the like of itself or of all or a substantial portion of its assets, (ii) admitting in writing its inability, or being generally unable or deemed unable under any applicable law, to pay its debts as such debts become due, (iii) convening a meeting of creditors for the purpose of consummating an out-of-court arrangement, or entering into a composition, extension, or similar arrangement, with creditors in respect of all or a substantial portion of its debts, (iv) making a general assignment for the benefit of its creditors, (v) placing itself or allowing itself to be placed, voluntarily or involuntarily, under the protection of the law of any jurisdiction relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) taking any action for the purpose of effecting any of the foregoing, or (vii) if a proceeding or case shall be commenced against such Person in any court of competent jurisdiction, seeking (x) the liquidation, reorganization, dissolution, winding-up, or composition or readjustment of debts, of such Person, (y) the appointment of a trustee, receiver, custodian, administrator, liquidator, or the like of such Person or of all or a substantial portion of such Person's assets, or (z) similar relief in respect of

such Person under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed for a period of ninety (90) Days, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of sixty (60) Days, or an order for relief or other legal instrument of similar effect against such Person shall be entered in an involuntary case under such law and shall continue unstayed and in effect for a period of sixty (60) Days.

" Beneficial Interest " means an interest, whether as partner, joint venturer, member, *cestui que trust,* or otherwise, a contract right, or a legal or equitable position under or by which the possessor participates in the economic or other results of the Person (other than an individual) to which such interest, contract right, or position relates.

" Best Efforts " is defined to require that the obligated party make a diligent, reasonable, and good faith effort to accomplish the applicable objective. Such obligation, however, does not require the expenditure of a material amount of funds or the incurrence of any material liability on the part of the obligated party, nor does it require that the obligated party act in a manner which would otherwise be contrary to prudent business judgment or normal commercial practices in order to accomplish the objective. The fact that the objective is not actually accomplished is no indication that the obligated party did not in fact utilize its Best Efforts in attempting to accomplish the objective.

" Book Value " and " Book Values " are defined in Section 4.5(b) hereof.

" Business Day " means any Day that is not a Saturday, Sunday, or legal holiday in New York, New York and on which commercial banks are open for business in New York, New York.

" Capital Account " is defined in Section 4.5(a) hereof.

" Capital Contribution Account " is defined in Section 4.1 hereof.

" Code " means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

" Co-Managing Member " and " Co-Managing Members " are defined in Section 6.1(d) hereof.

" Communication " and " Communications " are defined in Section 13.1(a) hereof.

" Company " is defined in Recital B hereto.

" Company Accountants " means Deloitte & Touche and its successors, or any firm of independent certified public accountants of recognized national standing selected by the Managing. Member.

" Control (s)" (and its correlative terms " Controlled By" and "Under Common Control With ") means, with respect to any Person (other than an individual), possession by the applicable Person or Persons of the power, acting alone (or, solely among such applicable Person or Persons, acting together), to designate and direct or cause the designation and direction of the management and policies thereof, whether through the ownership of voting securities, by contract, or otherwise.

“ Corporate Services Agreement ” means the Corporate Services Agreement entered into between TREIT and the Partnership (as predecessor-in-interest to the Company), as the same may be amended and/or supplemented, or any agreement entered into in replacement thereof.

“ Day ” or “ Days ” means each calendar day, including Saturdays, Sundays, and legal holidays; provided, however, that if the Day on which a period of time for consent or approval or other action ends is not a Business Day, such period shall end on the next Business Day.

“ Depreciation ” means for each fiscal year of the Company or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable under the Code with respect to an asset for such year or other period, except that if the Book Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period beam to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Book Value using any reasonable method selected by the Managing Member.

“ Development Opportunities ” means the development opportunities held by TRG (other than those specifically excluded under the TRG Partnership Agreement), and any other regional retail shopping center developments and opportunities (through contract, option, or other rights) to develop regional retail shopping centers, including in all such cases Peripheral Property in respect thereof, in which TRG has a Direct or Indirect ownership interest and which is not yet a Regional Center. Reference to a Development Opportunity includes any one of the Development Opportunities.

“ Direct or Indirect ” or “ Directly or Indirectly ,” when used with respect to a Person's, a Member's, or the Company's interest in another limited liability company, partnership, or joint venture means and includes all interests of, and acting in respect of all interests of, the member or members, or partner or partners therein, as a member, partner or joint venturer of another limited liability company, partnership, or joint venture, as a stockholder of a corporation which in turn owns an interest in a limited liability company, partnership, or joint venture, and a beneficiary of a trust which has legal title to or owns a membership interest, partnership interest, or joint venture interest in a limited liability company, partnership, or joint venture, in each such case as the context requires.

“ Disabled Member ” is defined in Section 10.1(a)(2) hereof.

“ Disabling Event ” is defined in Section 10.1(a)(1) hereof.

“ Dollars ” or “ $ ” means United States dollars.

“ Election Notice ” is defined in Section 7.2 hereof.

“ Equity Security ” has the meaning ascribed to it in the Securities Exchange Act of 1934, as amended to the date hereof, and the rules and regulations thereunder (and any successor laws, rules, and regulations of similar import).

“ Event of Withdrawal ” is defined in Section 10.1(a)(5) hereof.

“ Expiration Event ” is defined in Section 8.1 hereof.

“ Expiration Notice of Intention ” is defined in Section 8.1 hereof.

“ Family Trust ” means, with respect to an individual, a trust for the benefit of such individual or for the benefit of any member or members of such individual's Immediate Family or for the benefit of such individual and any member or members of such individual's Immediate Family (for the purpose of determining whether or not a trust is a Family Trust, the fact that one or more of the beneficiaries (but not the sole beneficiary) of the trust includes a Person or Persons, other than a member of such individual's Immediate Family, entitled to a distribution after the death of the settlor if he, she, it, or they shall have survived the settlor of such trust, which distribution is to be made of something other than a Membership Interest and/or includes an organization or organizations exempt from federal income taxes pursuant to the provisions of Section 501(a) of the Code and described in Section 501(c)(3) of the Code, shall be disregarded); provided, however, that in respect of transfers by way of testamentary or *inter vivos* trust, the trustee or trustees shall be solely such individual, a member or members of such individual's Immediate Family, a responsible financial institution and/or an attorney that is a member of the Bar of any State in the United States and/or an individual or individuals approved by that Member which is not the predecessor in interest to the Membership Interest held by such trust.

“ First Amendment ” is defined in Recital D hereto.

“ GAAP ” means generally accepted accounting principles, consistently applied in the United States.

“ Gross Income ” means the income of the Company determined pursuant to Section 61 of the Code before deduction of items of expense or deduction.

“ Holdings ” is defined in the Preamble to this Agreement.

“ Holdings Members ” means those Persons holding, at the relevant time, a Holdings Membership Interest. On the date of this Agreement, the Holdings Members are the AAT Trust, Robert S. Taubman, and William S. Taubman. Reference to a Holdings Member includes any of the Holdings Members.

“ Holdings Membership Interest ” means the right to receive distributions from Holdings, the right to receive allocations of profits and losses with respect to Holdings' business, the right, if any, to participate in the management of Holdings, and all other legal and equitable rights that a Person has or may have as a member of Holdings.

“ Immediate Family ” means, with respect to a Person, (i) such Person's spouse (former or then current), (ii) such Person's parents and grandparents, and (iii) ascendants and descendants (natural or adoptive, of the whole or half blood) of such Person's parents or of the parents of such Person's spouse (former or then current).

“ Indemnitee ” and “ Indemnitees ” are defined in Section 6.6(a) hereof.

“ Limited Liability Company Law ” is defined in Section 1.1 hereof.

“ Liquidation Date ” means the date on which Taub-Co's Membership Interest was distributed to Taub-Co IV and Holdings as part of the complete liquidation of Taub-Co.

“ Losses ” is defined in Section 5.1 (a) hereof.

“ Managing Member ” means Holdings, and for so long as TRG is a Member of the Company, TRG.

“ Master Services Agreement ” means the management, administration, leasing, brokerage, and development services agreement between TRG and the Partnership (as predecessor-in-interest to the Company), as the same may be amended and/or supplemented, or any agreement entered into in replacement thereof.

“ Member ” and “ Members ” are defined in the Preamble to this Agreement.

“ Membership Interest ” is defined in Section 4.6(a) hereof.

“ Net Book Value ” is defined in Section 8.2 hereof

“ Net Value ” is defined in Section 8.2 hereof.

“ Original Agreement ” is defined in Recital C hereto.

“ Owning Entity ” means any Person or Persons, other than TRG, owning a Development Opportunity or a Regional Center, provided that TRG holds, Directly or Indirectly, a Beneficial Interest in such Person or Persons.

“ Owning Entity Services Agreement ” and “ Owning Entity Services Agreements ” mean an agreement or agreements, in whatever form embodied (including, without limitation, within the partnership agreement, limited liability company agreement, or other document forming or governing an Owning Entity), providing for management, administration, leasing, development, and/or like services between an Owning Entity and the Company, including any such agreement or agreements entered into by an Owning Entity with a predecessor-in-interest to the Company, and any such agreement or agreements entered into by the Company and an Owning Entity subsequent to the date of this Agreement, in each case as the same may be amended and/or supplemented.

“ Partnership ” is defined in Recital B hereto.

“ Percentage Interest ” is defined in Section 4.6(b) hereof.

“ Permitted Transferee ” means: (i) with respect to any Holdings Member (other than the AAT Trust), (a) Holdings, (b) the AAT Trust, (c) a Holdings Member, (d) any Person designated by the AAT Trust that is a Permitted Transferee of the AAT Trust, and (e) a Family Trust of such Holdings Member, provided that such Holdings Member, during his lifetime, is the sole trustee of such Family Trust and has the sole and exclusive authority to Transfer, and exercise any voting or other rights

with respect to, the Holdings Membership Interest held by such Family Trust; and (ii) with respect to the AAT Trust and Holdings, (a) AAT, (b) an Affiliate of AAT or of the AAT Trust, (c) a Holdings Member, and (d) Holdings.

" Person " or " Persons " means an individual, a partnership (general or limited), limited liability company, corporation, joint venture, business trust, cooperative, association, or other form of business organization, whether or not regarded as a legal entity under applicable law, a trust *(inter vivos* or testamentary), an estate of a deceased, insane, or incompetent person, a quasi-governmental entity, a government or any agency, authority, political subdivision, or other instrumentality thereof, or any other entity.

" Preliminary Balance Sheet " is defined in. Section 8.2 hereof. " Profits " is defined in Section 5.1 (a) hereof.

" Qualified Appraiser " means a Third Party designated by the Managing Member, and who is a member in good standing of the American Institute of Real Estate Appraisers, or a Member, Appraisal Institute (or a member of the successor to either such organization).

" Regional Centers " means those regional retail shopping centers, including peripheral property in respect thereof, owned Directly or Indirectly by TRG on the date of this Agreement, as well as those regional retail shopping centers and any other real property acquired and/or developed by TRG after the date of this Agreement, provided that some portion of the enclosed mall portion thereof is open for business to the public generally, in each case for so long as TRG has a Direct or Indirect Beneficial Interest therein. Reference to a Regional Center includes any one of the Regional Centers.

" Regulations " (including Temporary Regulations or Proposed Regulations) means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

" Related-Party Agreement " means the Second Amended and Restated Agreement Regarding Certain Matters Related to The Taubman Company 2005 Long Term Incentive Plan and The Taubman Company LLC 2008 Omnibus Incentive Plan, dated December 30, 2011.

" Representative " is defined in Section 10.1(a)(3) hereof.

" Subject Interests " is defined in Section 8.1 hereof.

" Successor " is defined in Section 10.1(a)(4) hereof

" Taub-Co " is defined in Recital A hereto.

" Taub-Co IV Cumulative Preferred Return " means, with respect to each fiscal quarter ending after the Liquidation Date, an amount per fiscal quarter equal to the sum of (i) ten percent (10%), compounded quarterly, multiplied by Taub-Co IV's Capital Contribution Account balance of Ten Million Dollars ($10,000,000) as such Capital Contribution Account balance may be increased pursuant to Section 4.1(c) hereof, and divided by four (4), plus (ii) ten and one-half percent (10.5%), compounded quarterly, multiplied by Taub-Co's capital contribution of Two Million One Hundred

Fifty-Five Thousand Nine Hundred Seventy-Eight Dollars ($2,155,978), to which Taub-Co IV shall have succeeded as of the Liquidation Date, and divided by four (4). Such amount shall be cumulative, compounded quarterly to the extent not distributed for any fiscal quarter and prorated for any partial fiscal quarter.

" Tax Matters Member " is defined in Section 6.7(a) hereof.

" Termination Event " is defined in Section 8.1 hereof.

" Termination Notice of Intention " is defined in Section 8.1 hereof.

" Third Party " or " Third Parties " means a Person or Persons who is or are neither a Member or Members nor an Affiliate or Affiliates of a Member.

" Third Party Financing " means financing or refinancing obtained from a Third Party by the Company.

" Transfer " means any assignment, sale, transfer, conveyance, encumbrance, pledge, granting of an option or proxy, or other disposition or act of alienation.

" TREIT " means Taubman Centers, Inc., a Michigan corporation, and real estate investment trust to whom the Company shall provide certain services pursuant to the Corporate Services Agreement.

" TRG " is defined in the Preamble to this Agreement.

" TRG Interests " is defined in Section 7.2 hereof.

" TRG Partnership Agreement " means The Second Amendment and Restatement of Agreement of Limited Partnership of The Taubman Realty Group Limited Partnership, as the same has been and may be amended and/or supplemented.

" Valuation Date " is defined in Section 8.2 hereof.

III.

PURPOSES AND POWERS; LIMITATION ON PURPOSES AND POWERS.

Section 3.1. Purposes and Powers of the Company .

(a) The Company has been formed pursuant to the Limited Liability Company Law and in accordance with this Agreement for the purposes of (i) entering into the Master Services Agreement, the Owning Entity Services Agreements, and the Corporate Services Agreement; (ii) providing, or engaging Third Parties to provide, leasing, management, administrative, development, acquisition, and other services with respect to the Regional Centers, including, without limitation, services relating to the solicitation of tenants and negotiation of leases, the maintenance, renovation, repair, expansion, and alteration of the Regional Centers, billings and collections, the provision of

statements and reports for each Regional Center, and the provision of such special services as may be requested by TRG from time to time, all in accordance with the Master Services Agreement; (iii) providing, or engaging Third Parties to provide, development services, including, without limitation, investigation and analysis of potential Development Opportunities and negotiations with prospective partners, land owners, lenders, department stores, and prospective tenants, and preparing and implementing development and acquisition plans, all in accordance with the Master Services Agreement; (iv) providing, or engaging Third Parties to provide, general administrative and advisory services to TRG relating to the ongoing operation and management of TRG including, without limitation, services relating to the administration of the day-to-day operations of TRG, and assisting TRG in connection with policy and investment decisions; (v) providing, or engaging Third Parties to provide, management, leasing, administrative, development, and/or like services to Owning Entities pursuant to the Owning Entity Services Agreements; (vi) providing, or engaging Third Parties to provide, services to TREIT under the Corporate Services Agreement, including without limitation, administrative, management, accounting, shareholder relations, and other services with respect to the operation and administration of TREIT; and (vii) engaging in any other activities that are incidental or related to the foregoing that a limited liability company may engage in pursuant to the Limited Liability Company Law.

(b) The Company shall have all powers that are necessary or appropriate to carry out its purposes as described in Section 3.1(a) hereof, including, without limitation, the power to enter into, act in all respects under, and agree to any one or more amendments to, the Master Services Agreement, the Corporate Services Agreement, and each Owning Entity Services Agreement. Except as provided in this Agreement, no Member shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Company, its properties or the other Members.

Section 3.2. Limitation on Purposes and Powers; No State-Law Partnership .

(a) The Company shall be a limited liability company only for the purposes specified in Section 3.1 hereof, and this Agreement shall not be deemed to create an agreement among the Members with respect to any activities whatsoever other than the activities within the purposes of the Company as specified in Section 3.1 hereof. Except as otherwise provided in this Agreement, no Member shall have any authority to act for, bind, commit, or assume any obligation or responsibility on behalf of the Company, its properties, or the other Members. No Member, in its capacity as a Member under this Agreement, shall be responsible or liable for any indebtedness or obligation of any other Member, nor shall the Company be responsible or liable for any indebtedness or obligation of any Member, incurred either before or after the execution and delivery of this Agreement by such Member, except as to those responsibilities, liabilities, indebtedness, or obligations incurred pursuant to and as limited by the terms of this Agreement or incurred pursuant to the Limited Liability Company Law.

(b) The Members intend that the Company shall not be a partnership (including a general or limited partnership) or, in any jurisdiction in which a joint venture may be considered a partnership, a joint venture, and that no Member shall be a partner or joint venturer of any other Member by virtue of this Agreement, for any purposes other than federal and, if applicable, state

tax purposes, and neither this Agreement nor any other document entered into by the Company or any Member shall be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for federal and, if applicable, state and local income tax purposes, and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

Section 3.3. Real Estate Investment Trust Requirements .

Notwithstanding anything to the contrary contained in this Agreement, for so long as TRG is a Member and TREIT is a partner of TRG, the Company shall operate in such a manner and the Company shall take or omit to take all actions as may be necessary (including making appropriate distributions from time to time), so as to permit TREIT to continue to qualify as a real estate investment trust (as defined in Section 856 of the Code) under Sections 856 through 860 of the Code, so long as such requirements exist and as such provisions may be amended from time to time, or corresponding provisions of succeeding law.

IV.

CAPITAL CONTRIBUTIONS; OPENING CAPITAL ACCOUNT BALANCES; ANTICIPATED FINANCING; CAPITAL ACCOUNTS; MEMBERSHIP INTERESTS; PERCENTAGE INTERESTS.

Section 4.1. Capital Contributions; Opening Capital Account Balances; Certain Contributions by TRG and Taub-Co IV .

(a) The Members have made such capital contributions and have such opening Capital Account balances as are set forth on the books and records of the Company. The Company shall keep an account for each Member reflecting such Member's capital contributions to the Company (each a " Capital Contribution Account ").

(b) Capital contributions of shares of TREIT deemed made by TRG and Taub-Co IV pursuant to the Related-Party Agreement shall be credited to the Capital Accounts and the Capital Contribution Accounts of TRG and Taub-Co IV as provided in the Related-Party Agreement.

(c) In the event the Company does not have sufficient funds to meet its income tax withholding obligations with respect to the transfer of shares of TREIT pursuant to The Taubman Company 2005 Long-Term Incentive Plan or The Taubman Company LLC 2008 Omnibus Incentive Plan, then, as determined by TRG in its sole discretion, either (x) Taub-Co IV shall contribute such funds as necessary to meet such cash requirement, and the amount of such contribution shall bear the Taub-Co IV Cumulative Preferred Return from and after the date of such contribution, or (y) TRG and Taub-Co IV shall contribute such funds to the Company in the same proportion as their deemed capital contributions of the shares of TREIT are credited to their respective Capital Contribution Accounts pursuant to Section 3.(b) hereof.

Section 4.2. Anticipated Financing .

In the event that funds in excess of the Company's available cash are required to meet the needs or requirements of the Company, such funds shall be obtained from the proceeds of Third Party Financing unless TRG shall agree, in its sole discretion, to lend, or to cause one of its Affiliates to lend, such funds.

In the event that when requested by the Managing Member, TRG agrees, in its sole discretion, to lend, or to cause one of its Affiliates to lend, any such required funds, such loan shall be on such terms and conditions as shall be agreed to by the Managing Member and TRG. In the event that any lender requires a guaranty with respect to a loan to the Company, and the Managing Member requests TRG to so guaranty any such loan, TRG, in its sole discretion, may determine to so guaranty such loan. In the event that TRG is required to make any payment with respect to any Company loan that TRG has guaranteed, such payment shall be treated as a loan to the Company by TRG or a TRG Affiliate designated by TRG, shall bear interest at a rate determined by the Managing Member and TRG, and be repaid as the Managing Member and TRG shall agree.

Section 4.3. No Requirement of Further Contributions .

No Member (i) shall have the right to withdraw any part of its Capital Account or to demand or receive the return of its capital contributions, or any part thereof, or to receive any distributions from the Company, (ii) shall be entitled, except as provided in Section 4.2 hereof, to make, or have any obligation to make, any contribution to the capital of, or any loan to, or provide a guaranty with respect to any loan to, the Company, or (iii) shall have any liability for the return of the other Members' Capital Accounts or contributions to the capital of the Company. No Member shall be liable for the obligations of the Company except as otherwise expressly required by the Limited Liability Company Law.

Section 4.4. Return on Capital Contributions and Capital Accounts .

Except as provided in Section 5.2 hereof, no Member shall receive any interest or return in the nature of interest on its contributions to the capital of the Company or on the positive balance, if any, in its Capital Account.

Section 4.5. Capital Accounts .

(a) The Company shall establish and maintain a separate capital account (" Capital Account ") for each Member, including a substitute member who shall pursuant to the provisions hereof acquire a Membership Interest, which Capital Account shall be:

(1) credited with the amount of cash and the initial Book Value (net of liabilities secured by such contributed property that the Company assumes or takes subject to) of any other property contributed by such Member to the capital of the Company, such Member's distributive share of Profits, and any items in the nature of income or gain that are allocated to such Member pursuant to Section 5.1 hereof, but excluding tax items described in Regulations Section 1.704-1(b)(4)(i), and

(2) debited with the amount of cash and the Book Value (net of liabilities secured by such distributed property that such Member assumes or takes subject to) of any Company property distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses, any items in the nature of expenses or losses that are allocated to such Member pursuant to Section 5.1 hereof, but excluding tax items described in Regulations Section 1.704-1(b)(4)(i), and such Member's share, determined in accordance with its Percentage Interest, of any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i).

In the event that a Member's Membership Interest or a portion thereof is transferred within the meaning of Regulations Section 1.704-1(b)(2)(iv)(1) in accordance with the provisions of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Membership Interest or portion thereof so transferred.

In the event that the Book Values of Company assets are adjusted as described below in Section 4.5(b) hereof, the Capital Accounts of the Members shall be adjusted simultaneously to reflect the aggregate net adjustments as if the Company recognized gain or loss for federal income tax purposes equal to the amount of such aggregate net adjustment.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Section 1.704-1(b) of the Regulations, and shall be interpreted and applied as provided in the Regulations. In the event that the Managing Member reasonably determines that the manner in which the Capital Accounts, or any debits or credits thereto, are maintained or computed under the Regulations should be further reflected in an amendment hereto, the Managing Member shall be authorized, without the approval, consent or act of any other Member, to amend this Agreement, provided that such amendment shall not adversely affect the Membership Interest of any other Member without its written concurrence. In determining whether this Agreement should be amended to reflect the foregoing, the Managing Member shall be entitled to rely on the advice of the Company Accountants, provided that such advice shall not be applied to cause a material adverse effect on any Member without such Member's consent.

(b) Except as otherwise provided in this Agreement, the term " Book Value " or " Book Values " means, with respect to any asset, such asset's adjusted basis for federal income tax purposes, except:

(1) the initial Book Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset on the date of its contribution to the Company;

(2) the Book Value of all Company assets may be adjusted to equal their respective gross fair market values as of the following times, as determined by the Managing Member (unless such adjustment shall be required by Regulations Section 1.704-1(b)(2)(iv)(f): (i) the acquisition from the Company, in exchange for more than a de *minimis* capital contribution, of a Membership Interest by an additional member or of an additional

Membership Interest by an existing Member; (ii) the distribution by the Company to a Member of more than a de *minimis* amount of Company property (including money) as consideration for an interest in the Company; and (iii) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) if there is an in-kind distribution of Company property or a deemed in-kind distribution of Company property pursuant to Section 708(b)(1)(B) of the Code or an installment sale of Company assets, or if, pursuant to the penultimate sentence of Regulations Section 1.704-1(b)(2)(ii)(b), the Company establishes reserves to provide for Company liabilities in connection with the liquidation of the Company;

(3) if the Book Value of an asset has been determined or adjusted as provided in Section 4.5(b)(1) or 4.5(b)(2) hereof, the Book Value of such asset shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses; and

(4) the Book Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution.

(c) In the event that subsequent to the date of this Agreement any provision of this Article IV requires the determination of the fair market value of any asset, such fair market value shall be as determined by the Members, provided that (i) such value is reasonably agreed to by the Members in arm's-length negotiations, and (ii) the Members have sufficiently adverse interests as provided in Regulations Section 1.704-1(b)(2)(iv)(h). In the event that the requirements of clauses (i) and (ii) of this Section 4.5(c) are not met, then the fair market value shall be determined by a Qualified Appraiser. The cost of any such appraisal shall be an expense of the Company.

Section 4.6. Membership Interests; Percentage Interests .

(a) For the purpose of this Agreement, the term " Membership Interest " means, with respect to a Member, such Member's right to the allocations (and each item thereof) specified in Section 5.1 hereof and distributions from the Company, its share of expenditures of the Company described in Section 705(a)(2)(B) of the Code (or treated as such under Regulations Section 1.704-1(b)(2)(iv)(i), and its rights of management, consent, approval, or participation as provided in this Agreement.

(b) For the purpose of this Agreement, the term " Percentage Interest " means, with respect to each Member that percentage set forth opposite its name on Schedule A hereto.

V.

ALLOCATIONS; PROFITS AND LOSSES; DISTRIBUTIONS; BANK ACCOUNTS; BOOKS OF ACCOUNT; TAX RETURNS; ACCOUNTING AND REPORTS; COMPANY FISCAL YEAR.

Section 5.1. Allocations .

(a) For the purpose of this Agreement, the terms " Profits " and " Losses " mean, respectively, for each fiscal year of the Company or other period, the Company's taxable income or loss for such fiscal year or other period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), adjusted as follows:

(1) any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section 5.1(a) shall be added to such taxable income or loss;

(2) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period; and

(3) any items that are specially allocated pursuant to Sections 5.1(d), 5.1(e), 5.1(g) or 5.1(h) hereof shall not be taken into account in computing Profits or Losses.

(b) Profits of the Company (and each item thereof) for each fiscal year shall be allocated as follows:

(1) First, to the Members, in accordance with their Percentage Interests, until the aggregate amount of Profits allocated pursuant to this Section 5.1(b)(1) for such fiscal year and all prior fiscal years is equal to the aggregate amount of Losses allocated for all prior fiscal years pursuant to Section 5.1(c)(5) hereof;

(2) Second, to Taub-Co IV, until the aggregate amount of Profits allocated to Taub-Co IV pursuant to this Section 5.1(b)(2) for such fiscal year and all prior fiscal years is equal to the aggregate amount of Losses allocated to Taub-Co IV for all prior fiscal years pursuant to Section 5.1(c)(4) hereof;

(3) Third, to Holdings and TRG, pro rata based on the amount required to be allocated to each pursuant to this Section 5.1(b)(3), until the aggregate amount of Profits allocated to each of Holdings and TRG pursuant to this Section 5.1(b)(3) for such fiscal year and all prior fiscal years is equal to the aggregate amount of Losses allocated to Holdings and TRG for all prior fiscal years pursuant to Section 5.1(c)(3) hereof;

(4) Fourth, to Taub-Co IV, until the aggregate amount of Profits allocated to Taub-Co IV pursuant to this Section 5.1(b)(4) for such fiscal year and all prior fiscal years (net of any Losses allocated to Taub-Co IV pursuant to Section 5.1(c)(2) hereof for all prior fiscal years) is equal to the aggregate amount of the Taub-Co IV Cumulative Preferred Return distributed to Taub-Co IV pursuant to Section 5.2(a) for such fiscal year and all prior fiscal years; and

(5) Thereafter, any remaining Profits shall be allocated to the Members in accordance with their Percentage Interests.

(c) Losses of the Company (and each item thereof) for each fiscal year shall be allocated as follows:

(1) First, to the Members in accordance with their Percentage Interests, until the aggregate amount of Losses allocated pursuant to this Section 5.1(c)(1) for such fiscal year and all prior fiscal years is equal to the aggregate amount of Profits allocated pursuant to Section 5.1(b)(5) hereof for all prior fiscal years;

(2) Second, to Taub-Co IV, until the aggregate amount of Losses allocated to Taub-Co IV pursuant to this Section 5.1(c)(2) for such fiscal year is equal to the aggregate amount of Profits allocated to Taub-Co IV pursuant to Section 5.1(b)(4) hereof;

(3) Third, to Holdings and TRG, pro rata based on the amount required to be allocated to each pursuant to this Section 5.1(c)(3), until their respective Adjusted Capital Account Balances are reduced to zero;

(4) Fourth, to Taub-Co IV until its remaining Adjusted Capital Account Balance is reduced to zero; and

(5) Thereafter, any remaining Losses shall be allocated to the Members in accordance with their Percentage Interests.

(d) In the event that (i) any Member unexpectedly receives any adjustment, allocation, or distribution described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), and (ii) such adjustment, allocation, or distribution causes or increases a deficit balance (net of amounts which such Member is obligated to restore or deemed obligated to restore under Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5) and determined after taking into account any adjustments, allocations, or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) that, as of the end of the Company fiscal year, reasonably are expected to be made to such Member) in such Member's Capital Account as of the end of the Company fiscal year to which such adjustment, allocation, or distribution relates, then items of Gross Income (consisting of a *pro rata* portion of each item of Gross Income) for such Company fiscal year and each subsequent Company fiscal year shall be allocated to the Member until such deficit balance or increase in such deficit balance, as the case may be, has been eliminated.

(e) The Company's entire deduction for the compensatory transfer of the shares of TREIT made pursuant to the Related-Party Agreement shall be allocated to TRG and Taub-Co IV in accordance with the same priorities set forth in Section 5.1(b) or Section 5.1(c) hereof, as applicable, and in the same proportion as TRG and Taub-Co IV share in Profits or Losses pursuant to such sections.

(f) Notwithstanding anything to the contrary contained in this Section 5.1, the allocation of Profits and Losses of any fiscal year of the Company during which a Person acquires a Membership Interest (other than upon formation of the Company) shall take into account the Members' varying interests for such fiscal year pursuant to any method permissible under Section

706 of the Code that is selected by the Managing Member (notwithstanding any agreement between the assignor and assignee of such Membership Interest).

(g) In accordance with Sections 704(b) and 704(c) of the Code and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for federal income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and the initial Book Value of such property. If the Book Value of any Company property is adjusted pursuant to Section 4.5(b) hereof, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and the Book Value of such asset in the manner prescribed under Sections 704(b) and 704(c) of the Code and the Regulations thereunder.

(h) In the event of a sale or exchange of a Member's Membership Interest or a portion thereof, if the Company has not theretofore elected pursuant to Section 754 of the Code to adjust the basis of Company property, the Managing Member shall cause the Company to elect, if the Person acquiring such Membership Interest or portion thereof so requests, pursuant to Section 754 of the Code, to adjust the basis of Company property. In addition, in the event of a distribution referred to in Section 734(b) of the Code, if the Company has not theretofore elected, the Managing Member may, in the exercise of its reasonable discretion, cause the Company to elect pursuant to Section 754 of the Code to adjust the basis of Company property. Except as provided in Regulations Section 1.704-1 (b)(2)(iv)(m), such adjustment shall not be reflected in the Members' Capital Accounts and shall be effective solely for federal and (if applicable) state and local income tax purposes. Each Member hereby agrees to provide the Company with all information necessary to give effect to such election. With respect to such election:

(1) Any change in the amount of the depreciation deducted by the Company and any change in the gain or loss of the Company, for federal income tax purposes, resulting from an adjustment pursuant to Section 743(b) of the Code shall be allocated entirely to the transferee of the Membership Interest or portion thereof so transferred. Neither the capital contribution obligations of, nor the Membership Interests of, nor the amount of any cash distributions to, the Members shall be affected as a result of such election, and except as provided in Regulations Section 1.704-1(b)(2)(iv)(m), the making of such election shall have no effect except for federal and (if applicable) state and local income tax purposes.

(2) Solely for federal and (if applicable) state and local income tax purposes and not for the purpose of maintaining the Members' Capital Accounts (except as provided in Regulations Section 1.704-1(b)(2)(iv)(m)), the Company shall keep a written record for those assets, the basis of which is adjusted as a result of such election, and the amount at which such assets are carried on such record shall be debited (in the case of an increase in basis) or credited (in the case of a decrease in basis) by the amount of such basis adjustment. Any change in the amount of the depreciation deducted by the Company and any change in the gain or loss of the Company, for federal and (if applicable) state and local income tax purposes, attributable to the basis adjustment made as a result of such election shall be debited or credited, as the case may be, on such record.

(i) The Profits, Losses, gains, deductions, and credits of the Company (and all items thereof) for each fiscal year of the Company shall be determined in accordance with the accounting method followed by the Company for federal income tax purposes.

(j) Except as provided in Sections 5.1(g) and 5.1(h) hereof, for federal income tax purposes, each item of income, gain, loss, or deduction shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss, or deduction has been allocated pursuant to this Section 5.1.

Section 5.2. Distributions .

Subject to the provisions of Section 11.1(a) hereof, Available Cash shall be distributed promptly after the close of each fiscal quarter as follows:

(a) First , to Taub-Co IV until the cumulative amount of distributions to Taub-Co IV pursuant to this Section 5.2(a) for such fiscal quarter and all prior fiscal quarters ending after the Liquidation Date equals the Taub-Co IV Cumulative Preferred Return, as computed from the Liquidation Date to the close of such fiscal quarter.

(b) Thereafter , any remaining balance shall be distributed to the Members in accordance with their respective Percentage Interests in the Company.

Distributions to the Members under this Agreement shall be subject to any restrictions imposed by applicable law, and the Managing Member may refrain from making any distribution hereunder without liability if it believes that the distribution would be in violation of any applicable law.

Section 5.3. Bank Accounts .

All funds of the Company shall be deposited in one or more bank accounts in federal or state chartered banks having a shareholder capital and undistributed surplus of not less than One Hundred Million Dollars ($100,000,000), all as determined by the Managing Member. All withdrawals therefrom shall be made upon the signature of the Managing Member. Any checks of the Company may be signed by any Person(s) designated in writing, from time to time, by the Managing Member.

Section 5.4. Books of Account .

The Company shall maintain at its principal office complete and accurate books of account and records of its operations showing the assets, liabilities, costs, expenditures, receipts, profits, and losses of the Company, and which books of account and records shall include provision for separate Capital Accounts for the Members and shall provide for such other matters and information as a Member shall reasonably request, together with copies of all documents executed on behalf of the Company. Each Member and its representatives, duly authorized in writing, shall have the right to inspect and examine, at all reasonable times, at the principal office of the Company, all such books of account, records, and documents.

Section 5.5. Tax Returns .

To the extent all necessary information is available, within ninety (90) Days after the end of each Company fiscal year, and in any event within one hundred twenty (120) Days after the end of each Company fiscal year, the Company shall cause to be prepared and transmitted to the Members federal and appropriate state and local Partnership Income Tax Schedules "K-1," or any substitute therefor, with respect to such fiscal year on appropriate forms prescribed.

Section 5.6. Accounting and Reports .

Within ninety (90) Days after the end of each Company fiscal year, the Company shall cause to be prepared and transmitted to each Member, an annual report of the Company relating to the previous fiscal year containing a statement of financial condition as of the year then ended, and a statement of operations, cash flow, and Company equity, for the year then ended, which annual statements shall be prepared in accordance with GAAP and shall be audited by the Company Accountants. The Company shall also cause to be prepared and transmitted to each Member within forty-five (45) Days after the end of each of the first three (3) quarters of each fiscal year of the Company, a quarterly unaudited report of the Company's financial condition and statements of operations, cash flow, and Company equity relating to the fiscal quarter then just ended, prepared in accordance with GAAP.

Section 5.7. Company Fiscal Year .

The Company's fiscal year (and taxable year) shall be the calendar year.

VI.

MANAGEMENT; LIMITATIONS IN RESPECT OF MANAGING MEMBER; ANNUAL BUDGET; BONDS AND INSURANCE; EXECUTION OF LEGAL INSTRUMENTS; INDEMNITY AND REIMBURSEMENT; TAX MATTERS MEMBER; OTHER VENTURES; AUTHORIZED AGENTS.

Section 6.1. Management .

(a) The Company shall be managed solely and exclusively by the Managing Member. The Managing Member shall use its Best Efforts to carry out the purposes of the Company and, except as provided in Sections 6.2 and 6.3 hereof, shall have in respect of its management of the Company all of the powers of the Company and shall devote such time and attention to the Company as is reasonably necessary for the proper management of the Company and its properties. Except as provided in Sections 6.2 and 6.3 hereof, all actions, decisions, determinations, designations, directions, appointments, consents, approvals, selections, and the like to be taken, made, or given by and/or with respect to the Company, its business and its properties as well as management of all Company affairs, shall in each and every case be made by, and only by, the Managing Member, and all such actions, decisions, determinations, designations, directions, appointments, consents, approvals, selections, and the like shall be controlling and binding upon the Company.

Except as provided in Sections 6.2 and 6.3 hereof, the Managing Member shall have the full and exclusive right, power and authority, on behalf of and in the name of the Company, to carry out any and all objectives and purposes of the Company, to have all of the powers of the Company, and to perform all acts and enter into and perform all contracts and other undertakings which it may deem necessary or advisable or incidental thereto. Accordingly, the Managing Member shall have the exclusive right, power, and authority, on behalf of the Company, without limitation but subject to Sections 6.2 and 6.3 hereof and to carrying out the purposes of the Company, to negotiate, enter into, perform, amend, and take all actions in respect of any and all agreements, instruments, and documents including, without limitation, the Master Services Agreement, the Owning Entity Services Agreements, and the Corporate Services Agreement; to borrow money, incur and repay debts and liabilities and obligations, issue evidences of indebtedness; to negotiate with, defend, and resolve all matters with any Person; to commence, compromise, pursue, submit to arbitration, settle, and defend any legal action or claim from or against any Person; to retain Third Parties including, without limitation, architects, engineers, consultants, attorneys, accountants, and appraisers; to maintain insurance; to obtain, through contract or otherwise, goods and services; and to perform all acts that a Managing Member may legally do pursuant to the Limited Liability Company Law that are consistent with the terms of this Agreement.

(b) The Managing Member may at any time and from time to time designate (and remove) officers of the Company who shall exercise such powers and shall have such duties as may from time to time be assigned to each such officer or established by the Managing Member; provided, however, that in no event shall the Managing Member delegate to any such officer any powers that the Managing Member does not itself possess under this Agreement.

(c) Each Member, by its execution and delivery of this Agreement, irrevocably authorizes the Managing Member to do any act that the Managing Member has the right, power, and authority to do under the provisions of this Agreement and under the Limited Liability Company Law (but only to the extent not inconsistent with the terms of this Agreement), without any other or subsequent authorizations or consents of any kind. No Person dealing with the Company shall be required to investigate or inquire as to the authority of the Managing Member or of any Person or officer of the Company designated by the Managing Member to exercise the rights, powers, and authority herein conferred upon the Managing Member. Any Person dealing with the Company shall be entitled to rely upon any action taken and/or any document or instrument executed and delivered by the Managing Member or a Person or Persons (including officers of the Company) designated by the Managing Member, and the Company shall be bound thereby. No purchaser of any property or interest owned by the Company, or lender, shall be required to determine the sole and exclusive authority of the Managing Member or of a Person or officer of the Company designated by the Managing Member to execute and deliver on behalf of the Company any such instrument of transfer or security, or to see to the application or distribution of revenues or proceeds paid or credited in connection therewith.

(d) Notwithstanding the foregoing, for so long as TRG is a Member of the Company, TRG and Holdings shall serve as co-managing members of the Company (individually, a " Co-Managing Member " and collectively, the " Co-Managing Members "). Subject to the next sentence and the provisions of Section 6.7 hereof, each Co-Managing Member shall have the power and

right to act alone on behalf of the Company with respect to all matters as to which the Managing Member has authority under Section 6.1 and Section 6.3 hereof but subject to the limitations on the authority of the Managing Member set forth in Section 6.2 hereof. Holdings may unilaterally revoke, at any time, TRG's authority to act alone as a Co-Managing Member by delivering written notice to TRG of such revocation, in which case, for so long as TRG is a Member of the Company, all actions, decisions, terminations, designations, directions, appointments, consents, approvals, selections, and the like to be taken, made, or given by and or with respect to the Company, its business and its properties as well as management of all Company affairs, shall in each and every case require both Co-Managing Members; provided, however, that for so long as TRG is a Member, Holdings shall not revoke TRG's exclusive authority to act as the Tax Matters Member.

Section 6.2. Limitations on the Authority of the Managing Member .

Without the prior consent of all other Members, the Managing Member (unless otherwise expressly provided in the then current and approved Annual Budget) shall not have the power to bind the Company in connection with any of the following:

(i) selling, exchanging, transferring, or otherwise disposing of all or substantially all of the assets of the Company;

(ii) amending an Owning Entity Services Agreement or the Corporate Services Agreement, or entering into an Owning Entity Services Agreement;

(iii) confessing any judgment against the Company in connection with any threatened or pending legal action or the settlement of any claim unless such claim is settled in the ordinary course of business of the Company, or initiating or consenting to any act of Bankruptcy with respect to the Company;

(iv) doing any act in contravention of this Agreement or refusing to do any act required by this Agreement;

(v) removing or selecting the Company Accountants;

(vi) possessing any Company property or selling, exchanging, transferring, assigning or leasing the rights of the Company in specific Company property in each case for other than a Company purpose;

(vii) admitting any other Person as a Member;

(viii) the making of any investment in any other Person, the making of loans or guaranties, the purchase or other acquisition of any property other than in the ordinary course of business, the making of any payments of money, or entering into any binding commitment to undertake any of the foregoing actions, except in each case within the dollar limits of the related items in the then Annual Budget approved by all other Members; and

(ix) the creation, assumption, incurring or consent to any charge upon any property or assets of the Company other than in the ordinary course of business, or the

acquisition, holding or agreeing to acquire or hold any such property or assets or any portion thereof subject to any security interest.

Section 6.3. Annual Budget .

The Managing Member shall prepare and submit to the Members for approval, prior to the beginning of each fiscal year of the Company, an annual budget (the " Annual Budget "), which shall reflect the Managing Member's estimate of all of the Company's anticipated items of income and expense, including anticipated capital expenditures, during such calendar year and which shall include anticipated cash distributions, including Available Cash to the Members for such calendar year.

Until such time, each year, as the Annual Budget is approved, operating expenses shall continue to be paid so long as they are or have been incurred in the ordinary course of business and are consistent with past practices.

Section 6.4. Fidelity Bonds and Insurance .

The Company shall obtain fidelity bonds with reputable surety companies, covering all Persons having access to the Company funds, indemnifying the Company against loss resulting from fraud, theft, dishonesty, and other wrongful acts of such Persons. The Company shall carry or cause to be carried on its behalf, in companies and in amounts approved by the Managing Member, all property, liability, and workers' compensation insurance as shall be required under applicable leases, agreements, and other instruments and statutes by which the Company or its properties are bound.

Section 6.5. Execution of Legal Instruments .

All legal instruments affecting the Company or Company property need be executed by, and only by, the Managing Member or that Person or those Persons or officers of the Company (who need not be Members) designated in writing by the Managing Member, and the Managing Member's or such designated Person's(s') or officer's(s'), as the case may be, signature shall be sufficient to bind the Company and its properties.

Section 6.6. Indemnity and Reimbursement .

(a) To the fullest extent permitted by law, the Company shall and does hereby indemnify, defend, and hold harmless each Member, each officer of the Company, and each Person designated by a Member in accordance with the provisions of this Agreement (individually, an " Indemnitee ", and collectively, the " Indemnitees ") from any claim, demand, or liability, and from any loss, cost, or expense including, without limitation, attorneys' fees and court costs, which may be asserted against, imposed upon, or suffered by an Indemnitee, by reason of any act performed for or on behalf of the Company, or in furtherance of the Company's business, to the extent authorized hereby, or by reason of any omission, except for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. No Indemnitee, shall have any personal liability to the Company or its Members for monetary damages for breach of fiduciary duty except

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. Any indemnity under this Section 6.6(a) shall be provided out of and to the extent of Company assets only, and no Member shall have any personal liability on account thereof.

(b) Expenses (including attorneys' fees) incurred by an Indemnitee in defending any civil, criminal, administrative, or investigative action, suit, or proceeding relating to any action or omission in respect of the Company shall be paid by the Company in advance of the final disposition of the action, suit, or proceeding upon receipt of an undertaking by or on behalf of the Indemnitee to repay such amount if it is ultimately determined that the Indemnitee, is not entitled to be indemnified by the Company.

(c) The Company may purchase and maintain insurance, as determined by the Managing Member, in respect of each Indemnitee, and against any liability relating to any act or omission in respect of the Company, whether or not the Company may indemnity such Person against such liability.

(d) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 6.6 shall survive the liquidation, dissolution, and termination of the Company and the termination of this Agreement, shall continue as to any Person who has terminated his relationship with the Company and shall inure to the benefit of such Person's heirs, executors, and administrators and shall, to the extent permitted by the Limited Liability Company Law, be binding on the Company's successors and assigns.

Section 6.7. Tax Matters Member .

(a) As used in this Agreement, " Tax Matters Member " has the meaning ascribed to "tax matters partner" in Section 6231(a)(7) of the Code. TRG is hereby designated Tax Matters Member for the Company. The Tax Matters Member shall comply with the requirements of Sections 6221 through 6231 of the Code applicable to a tax matters partner. The Managing Member shall keep the other Members timely informed of all actions taken by it and correspondence received by it in its capacity as a Tax Matters Member. To the fullest extent permitted by law, the Company shall and does hereby indemnify, defend, and hold harmless the Tax Matters Member from and against any claim, demand, or liability, and from and against any loss, cost, or expense including, without limitation, attorneys' fees and court costs, which may be asserted against, imposed upon, or suffered by the Tax Matters Member by reason of any act performed for or on behalf of the Company in its capacity as Tax Matters Member to the extent authorized hereby, or by reason of any omission, except acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. Any indemnity under this Section 6.7(a) shall be provided out of and to the extent of Company assets only, and only with respect to amounts actually and reasonably incurred, and no Member shall have any personal liability on account thereof. The indemnity provided in this Section 6.7(a) shall survive the liquidation, dissolution, and termination of the Company and the termination of this Agreement and shall, to the extent permitted by the Limited Liability Company Law, be binding on the Company's successors and assigns.

(b) The Tax Matters Member shall have a continuing obligation to provide the Internal Revenue Service with sufficient information so that proper notice can be mailed to each Member

as provided in Section 6223 of the Code, provided that each Member shall furnish the Tax Matters Member with all such information (including information specified in Section 6230(e) of the Code) as is required with respect to such Member for such purpose.

Section 6.8. Other Ventures .

The Members acknowledge and agree that, subject to the terms of the Master Services Agreement, the Owning Entity Services Agreements, the Corporate Services Agreement, and the TRG Partnership Agreement, TRG, its constituents, and its Affiliates and Holdings, its constituents, and its Affiliates may have interests in other present or future ventures, including ventures that are competitive with the Company, and that, notwithstanding TRG's or Holdings' status as Members in the Company, TRG, its constituents, and its Affiliates, and Holdings, its constituents, and its Affiliates, in each case subject to the terms of the Master Services Agreement, the Owning Entity Services Agreements, the Corporate Services Agreement, and the TRG Partnership Agreement, shall be entitled to obtain and/or continue their respective individual participation in all such ventures without (i) accounting to the Company for any profits with respect thereto, (ii) any obligation to advise the Company of business opportunities for the Company which may come to its or its Affiliates' attention as a result of its or its Affiliates' participation in such other ventures or in the Company, and (iii) being subject to any claims whatsoever on account of such participation.

Section 6.9. Authorized Agents for TRG .

TRG shall designate one or more agents who may also be designated as an “authorized signatory” (individually, each an “ Authorized Agent ” or collectively, the “ Authorized Agents ”) who shall each have the full power and authority, acting alone, to represent and bind and act on behalf of TRG in accordance with the terms and provisions of this Agreement. All actions taken by TRG hereunder (other than the revocation of the designation of an Authorized Agent and the designation of a successor Authorized Agent) shall be taken by TRG only through its Authorized Agent at the time designated to act for TRG, and all notices given to an Authorized Agent and all reports, financial statements, certifications, opinions, requests, and other documents, instruments, or communications delivered to an Authorized Agent shall be deemed to have been given or delivered to TRG. TRG acting by written notice to Holdings shall have the right to remove (or appoint a successor to) any Authorized Agent at any time without specifying any reason therefor (provided that no appointment of any Authorized Agent shall be revoked unless such Authorized Agent is immediately replaced), but unless and until TRG shall give written notice to Holdings of any such removal and the designation of such successor, Holdings and all other Persons may conclusively rely upon the authority of the Authorized Agent most recently designated under this Section 6.9 in taking or declining to take any action which may be taken by TRG under this Agreement, and shall have no duty to inquire as to the propriety of any action so taken or not taken by such Authorized Agent on behalf of TRG or as to the due authorization by TRG of any certificate, consent, approval or other instrument executed or delivered by such Authorized Agent in the name of TRG.

VII.

TRANSFERS OF MEMBERSHIP INTERESTS.

Section 7.1. Transfers in General .

Except as provided in Section 7.2 hereof, without the prior written consent of each other Member, no Member may Transfer, or permit a Transfer of, all or any portion of its Membership Interest to any Person. Any action contrary to the preceding sentence shall be null and void and ineffective for all purposes; provided, however, that any attempted action contrary to the preceding sentence shall constitute a material breach of this Agreement.

Section 7.2. Right of First Refusal .

If at any time after the expiration of Holdings' right to acquire TRG's and Taub-Co IV's Membership Interests pursuant to Section 8.1 hereof, TRG receives a Third-Party offer to acquire all, but not less than all, of TRG's and Taub-Co IV's Membership Interests (together, the " TRG Interests ") that it desires to accept, TRG and Taub-Co IV shall be entitled to Transfer the TRG Interests subject to Holdings' right of first refusal provided for in this Section 7.2. TRG shall first submit the Third-Party offer to Holdings, and Holdings shall have thirty (30) days within which to deliver a notice (an " Election Notice ") to TRG indicating that it desires to purchase all, but not less than all, of the TRG Interests. If Holdings delivers an Election Notice within such thirty (30) day period, Holdings shall purchase the TRG Interests in accordance with the terms and conditions contained in the Third-Party offer, except that the purchase shall be closed in accordance with the provisions of Section 8.3 hereof within thirty (30) days after the date of the Election Notice with at least ten (10) days' advance written notice to TRG and shall take place at the principal office of the Company. If Holdings advises TRG that it does not intend to deliver an Election Notice or Holdings fails to deliver an Election Notice within such thirty (30) day period, TRG and Taub-Co IV shall then have thirty (30) days within which to complete the sale of the TRG Interests to the Third-Party offeror on terms and conditions and for a price not less favorable to TRG and Taub-Co IV, in each and every respect, than the terms, conditions, and price contained in the Third-Party offer. Any sale by TRG and Taub-Co IV pursuant to the provisions of this Section 7.2 shall be conditioned upon the receipt by Holdings of the agreement, in form and substance reasonably satisfactory to Holdings, of the purchaser to be bound by all of the terms hereof, including, without limitation, the provisions of this Section 7.2.

Section 7.3. Transfers of Interests in Holdings .

Without TRG's prior written consent, Holdings will not permit any Holdings Member to Transfer all or any portion of his Holdings Membership Interest, except that each Holdings Member may Transfer his Holdings Membership Interest to a Permitted Transferee of such Holdings Member provided that such Permitted Transferee agrees in writing to be bound by all of the terms and restrictions set forth in this Agreement. Any Transfer by a Holdings Member of a Holdings Membership Interest in contravention of this Section 7.3 shall constitute a material breach by Holdings of this Agreement.

VIII.

BUY-OUT; DETERMINATION OF NET BOOK VALUE OF THE COMPANY AND NET VALUE OF A MEMBER'S MEMBERSHIP INTEREST; CLOSING.

Section 8.1. Buy-Out .

Holdings shall have the right, but not the obligation, to purchase (or cause its designee to purchase) all, but not less than all, of TRG's Membership Interests, in accordance with the following provisions of this Article VIII, in the event that (i) TRG fails to renew the Master Services Agreement (an " Expiration Event ") or (ii) TRG terminates the Master Services Agreement for cause as provided therein (a " Termination Event "). For the purpose of this Section 8.1 and Sections 8.2 and 8.3 hereof, the right to acquire TRG's Membership Interest shall include any Membership Interest held by an Affiliate of TRG, including, without limitation, Taub-Co IV, (any such Membership Interest together with TRG's Membership Interest are hereinafter referred to together as the " Subject Interests "). If Holdings determines to purchase (or to cause its designee to purchase) the Subject Interests in the case of (x) an Expiration Event, Holdings shall give TRG written notice (the " Expiration Notice of Intention ") of its intention to purchase (or to cause its designee to purchase) all, but not less than all, of the Subject Interests at any time within the one (1) year period prior to the end of the then current term of the Master Services Agreement, and (y) a Termination Event, Holdings shall give TRG a written notice (the " Termination Notice of Intention ") of its intention to purchase (or to cause its designee to purchase) all, but not less than all, of the Subject Interests at any time within ninety (90) Days after the date the Company receives written notice from TRG of the Termination Event. The purchase price for the Subject Interests shall be their Net Value as determined in accordance with Section 8.2 hereof. The closing of any purchase of the Subject Interests pursuant to this Section 8.1 shall be held in accordance with Section 8.3 hereof (i) in the case of an Expiration Notice of Intention, on the last Business Day of the then current term of the Master Services Agreement, and (ii) in the case of a Termination Notice of Intention, on any Business Day selected by TRG, which shall not be later than sixty (60) Days after the date of the Termination Notice of Intention with at least ten (10) Days' advance written notice thereof to Holdings.

Section 8.2. Determination of Net Book Value of the Company and Net Value of a Member's Membership Interest .

For purposes of Section 8.1 hereof, the net value (the " Net Value ") of a Member's Membership Interest shall be equal to the amount, determined as hereinafter set forth in this Section 8.2, that would be distributed to such Member pursuant to Section 11.1(a) hereof, taking into account any and all allocations pursuant to Section 5.1 hereof (other than allocations pursuant to Section 5.1(b)(2) and Section 5.1(b)(4) hereof) and distributions pursuant to Section 5.2 hereof through the date of such determination, if all of the assets of the Company were sold for their Net Book Value; provided, however, that the Net Value of a Member's Membership Interest shall not include a Member's preferential capital, if any, or any accrued but unpaid return thereon, and shall be reduced by the amount of any distributions made to such Member subsequent to the date of the balance sheet to be prepared pursuant to this Section 8.2. To determine the Net Book Value of the Company's

assets, the Company shall cause to be prepared a balance sheet (the " Preliminary Balance Sheet ") for the Company as of the last day of the full calendar month immediately preceding the closing date of the purchase by Holdings (or its designee) of the selling Member's Membership Interest (the " Valuation Date ") as determined pursuant to Section 8.1 hereof. Such Preliminary Balance Sheet shall be prepared in the manner in which prior balance sheets of the Company have been consistently prepared. The excess of the total assets of the Company over the total liabilities of the Company (the " Net Book Value ") shall then be determined in accordance with GAAP, which Net Book Value shall be certified by the Company Accountants.

Three (3) months after the preparation of any such Preliminary Balance Sheet, the Company shall prepare a final balance sheet, in the manner set forth above (which shall be certified by the Company Accountants), for the Company to reflect any subsequent adjustment to the balance sheet accounts contained in the Preliminary Balance Sheet (the " Adjustments "). The Net Book Value of the Company's assets and the Net Value of a selling Member's Membership Interest shall be adjusted to reflect the Adjustments. A selling Member or Holdings (or its designee), as the case may be, shall pay to the other, within one hundred twenty (120) Days after the closing of any such purchase, the net amount due such Member, based upon the Adjustments. The provisions of this Section 8.2 shall survive the liquidation, dissolution, and termination of the Company and the termination of this Agreement and shall, to the extent permitted by the Limited Liability Company Law, be binding on the Company's successors and assigns.

Section 8.3. Closing Procedures .

At the closing of a buy-out of a Membership Interest pursuant to this Article VIII or a purchase of the TRG Interests pursuant to Section 7.2 hereof, the Company shall repay to the selling Member or its Affiliate, as applicable, the outstanding principal balance of any amounts loaned to the Company by such Member or its Affiliate in accordance with Section 4.2 hereof together with any accrued but unpaid interest thereon, and the selling Member shall transfer to Holdings (or its designee) such Membership Interest (including, without limitation, any rights of such Member to receive (i) distributions pursuant to Section 5.2(c) hereof and (ii) distributions on termination or dissolution), free and clear of all liens, security interests and claims of others, and shall deliver to Holdings (or its designee) such evidence of due authorization, execution, and delivery and of the absence of any liens, security interests, or claims of others as Holdings shall reasonably request.

At such closing, Holdings (or its designee) shall pay the purchase price payable by it, at the option of Holdings, by good certified or official bank check payable to the order of the selling Member or by Fedwire transfer of immediately available funds. To the extent that the selling Member has recourse liability to it on any Company obligation, Holdings (or its designee) shall obtain a release of such liability prior to such closing (or provide security or an indemnity reasonably satisfactory to the selling Member), and Holdings (and its designee, if applicable) shall also execute and deliver to the selling Member an agreement to indemnify, defend, and hold the selling Member harmless against all other obligations and liabilities of the Company. Such indemnity shall be applicable to all liabilities of the Company, excluding, however, obligations and liabilities of the Company that arose from the selling Member's acts or omissions not in good faith or which involved

intentional misconduct or knowing violation of law. The selling Member shall be entitled to distributions pursuant to Section 5.2 hereof allocable to its Membership Interest through the date of closing.

IX.

WITHHOLDING.

If the Company is required by any state, local, federal or foreign law or regulation to withhold tax attributable to allocations of Profits or items of the foregoing or distributions to a Member or if the Managing Member, in its sole discretion, determines it to be in the best interest of the Company to withhold amounts in connection with a Member's tax liability *(e.g.,* to file a unified state income tax return for nonresidents of a particular state) (all such amounts being hereinafter referred to collectively as the " Additional Tax"), any Additional Tax shall (i) be withheld from cash otherwise currently distributable to such Member, and (ii) to the extent cash is not distributable to such Member for the taxable period as to which such withholding is required, be treated as a loan from the Company to such Member, which loan shall bear interest at the Company's cost of funds, and the portion of all cash subsequently distributable to such Member shall, to the extent of the unpaid principal amount of, and the accrued interest on, such loan, be retained by the Company and applied against such loan.

For the purpose of determining a Member's Capital Account, any amount of cash allocable to a Member that is retained by the Company pursuant to this Article IX shall be treated as if such cash had been actually distributed to such Member.

X.

DISABLING EVENT IN RESPECT OF A MEMBER; SPECIAL DISTRIBUTION; WAIVER OF DISSOLUTION.

Section 10.1. Disabling Event in Respect of a Member .

(a) For purposes of this Article XI:

(1) a " Disabling Event " means, with respect to a Member, such Member's (A) in the case of a Member who is a natural Person, death, (B) Bankruptcy, (C) in the case of a Member who is a natural person, the entry by a court of competent jurisdiction adjudicating him incompetent to manage his person or his property, (D) in the case of a Member who is acting as a Member by virtue of being a trustee of a trust, the termination of the trust (but not merely the substitution of a new trustee), (E) in the case of a Member that is a separate limited liability company or partnership, the dissolution and commencement of winding up of the separate limited liability company or partnership, or (F) in the case of a Member that is a corporation, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its

charter and the expiration of ninety (90) Days after the date of notice to the corporation or revocation without a reinstatement of its charter;

(2) a " Disabled Member " means a Member who has suffered a Disabling Event or an Event of Withdrawal;

(3) a " Representative " means, with respect to a Disabled Member, (A) the personal representative(s), executor(s), or administrator(s) of the estate of a deceased Member, and (B) the committee or other legal representative(s) of the estate of an insane, incompetent, or Bankrupt Member;

(4) a " Successor " means, with respect to a Disabled Member, the legal representative(s) or successor(s) of a corporation, limited liability company, partnership or other business organization, or trust or other entity which is dissolved (without timely reconstitution or continuation) or terminated or whose legal existence has ceased; and

(5) an " Event of Withdrawal " means with respect to a Member, such Member's retirement, resignation, other withdrawal from the Company pursuant to the Limited Liability Company Law or any other event (which is not a Disabling Event) that causes a Member to cease to be a Member under the Limited Liability Company Law.

(b) Upon the occurrence of a Disabling Event or an Event of Withdrawal, the Company shall not dissolve but shall be continued in accordance with this Agreement.

(c) The Successor to or Representative of a Disabled Member shall have the rights of an assignee of the Disabled Member's Membership Interest, but shall not be admitted to the Company as a Member in respect thereof except in accordance with Section 6.2 hereof.

Section 10.2. References to "Member" and "Members" in the Event of Successors .

In the event that any Member's Membership Interest is held by one or more successors to such Member, references in this Agreement to "Member" and "Members" shall refer, as applicable and except as otherwise provided herein, to the collective Membership Interests of all successors to the Membership Interest of such Member.

Section 10.3. Waiver of Dissolution if Transfer is in Full Compliance with Agreement; Negation of Right to Dissolve Except as Herein Provided; No Withdrawal .

(a) Each of the Members hereby waives its right to terminate or cause the dissolution and winding up of the Company (as such right is or may be provided under the Limited Liability Company Law) upon the Transfer of any Member's Membership Interest, provided that any such Transfer is permitted by and completed fully in accordance with the terms of this Agreement.

(b) No Member shall have the right to terminate this Agreement or dissolve the Company by such Member's express will.

(c) No Member shall have any right to retire, resign, or otherwise withdraw from the Company and have the value of such Member's Membership Interest ascertained and receive an amount equal to the value of such Membership Interest.

(d) In the event of an Event of Withdrawal in respect of a Member in breach of this Agreement but pursuant to such Member's statutory powers under the Limited Liability Company Law, to the extent that such powers exist in the face of a prohibition against withdrawal in this Agreement, then the value of such Member's Membership Interest shall be ascertained in accordance with the Limited Liability Company Law, and such Member shall receive from the Company in exchange for the relinquishment of such Member's Membership Interest an amount equal to the lesser of (i) the value of such Member's Membership Interest as so determined less any damages incurred by the Company as a result of such Member's breach of this Agreement, and (ii) ninety percent (90%) of the value of such Member's Membership Interest as so determined. In no event shall a Member be considered to have withdrawn from the Company solely as a result of such Member having suffered a Disabling Event.

XI.

TERMINATION OF THE COMPANY, WINDING UP, AND LIQUIDATION .

Section 11.1. Liquidation of the Assets of the Company and Disposition of the Proceeds Thereof .

(a) Upon the dissolution of the Company, upon the expiration of its term as provided in Section 1.5 hereof, the Managing Member shall proceed to wind up the affairs of the Company, liquidate the property and assets of the Company, and terminate the Company, and the proceeds of such liquidation shall be applied and distributed in the following order of priority:

(1) to creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or by making a reasonable provision for payment) other than obligations of the Company to the Members and liabilities for distribution to Members on account of their respective interests in the Company; and then

(2) to the satisfaction of all obligations of the Company to Members; and then

(3) to the Members in accordance with and in proportion to their positive Capital Account balances. For this purpose, the determination of the Members' Capital Account balances shall be made after adjustment to reflect the allocation of all Profits, Losses, and items in the nature of income, gain, expense, or loss under Section 5.1 hereof, and all distributions to the Members pursuant to Section 5.2 hereof, in each case for all fiscal years of the Company through and including the fiscal year of liquidation of the Company. All distributions pursuant to this Section 11.1 shall be made by the end of the fiscal year of liquidation (or if later, within ninety (90) Days after the date of such liquidation).

(b) Subject to the requirements of Regulations Section 1.704-1(b)(2)(ii)(b)(2), a reasonable time shall be allowed for the orderly liquidation of the property and assets of the Company

and the payment of the debts and liabilities of the Company in order to minimize the losses normally attendant upon a liquidation.

(c) Each Member hereby appoints the Managing Member as its true and lawful attorney-in-fact to hold, collect, and disburse, in accordance with this Agreement, the applicable requirements of Regulations Section 1.704-1(b), and the terms of any receivables, any Company receivables existing at the time of the termination of the Company and the proceeds of the collection of such receivables, including those arising from the sale of Company property and assets. Notwithstanding anything to the contrary in this Agreement, the foregoing power of attorney shall terminate upon the distribution of the proceeds of all such receivables in accordance with the provisions of this Agreement.

Section 11.2. Cancellation of Certificates .

After the affairs of the Company have been wound up, the property and assets of the Company have been liquidated, and the proceeds thereof have been applied and distributed as provided in Section 11.1(a) hereof and the Company has been terminated, appropriate Persons shall, if required by law, execute and file a certificate of dissolution or cancellation of the Certificate of Formation and/or assumed or fictitious name certificate (or a similar writing) to effect the cancellation, of record, of the Certificate(s) of Formation of the Company (or similar writing).

Section 11.3. Return of Capital .

Anything in this Agreement to the contrary notwithstanding, no Member shall be personally liable for the return of the capital contributions or Capital Account of any other Member, or any portion thereof, it being expressly understood that any such return shall be made only from and to the extent of Company assets.

XII.

POWER OF ATTORNEY .

Each Member hereby constitutes and appoints the Managing Member its true and lawful attorney-in-fact with full power of substitution, and with power and authority to act in its name and on its behalf, to make, execute and deliver, swear to, acknowledge, file, and record:

(a) this Agreement (and copies hereof and amendments hereto or restatements hereof adopted pursuant to the provisions hereof (including, without limitation, any such amendment required upon the admission of a substituted or additional member, the continuation of the Company, the formation of a successor company, or the doing of any act requiring the amendment of this Agreement under the Limited Liability Company Law or under the applicable laws of any other jurisdiction in which the Managing Member deems such action to be necessary or desirable, or by any regulatory agency) and, upon termination of the Company (or its successor), a certificate or agreement of dissolution and termination, as and if the same may be required by applicable law, or by any regulatory agency;

(b) the Certificate of Formation (and copies thereof and any amendments thereto or restatements thereof adopted pursuant to the provisions hereof (including, without limitation, any amendment required upon the admission of a substituted or additional member, the continuation of the Company, the formation of a successor company, or the doing of any act requiring the amendment of the Certificate of Formation under applicable law or regulatory agency, or the filing of a new or restated or amended Certificate of Formation (or amendment thereto) after the filing of a Certificate of Discontinuance or Dissolution or Termination, a cancellation, or the like, to evidence a new or changed constituency of, or a termination of, the Company, as the Managing Member deems said filing to be necessary or desirable);

(c) any certificate of fictitious or assumed name and any amendment thereto, if required by law;

(d) any other certificates or instruments as may be required under applicable laws or by any regulatory agency, as the Managing Member deems necessary or desirable;

(e) all such other instruments as the Managing Member deems necessary or desirable and not inconsistent with this Agreement to carry out the provisions hereof in accordance with the terms hereof; and

(f) any document(s) to confirm the foregoing.

Such attorney-in-fact shall, as such, have the right, power, and authority as such to amend or modify this Agreement and all certificates and the like required when acting in such capacity, so long as such amendment, modification, and/or filing is(are) specifically permitted by this Agreement.

The power of attorney granted in this Article XII (and each other power of attorney granted under or pursuant to this Agreement) is a special power of attorney coupled with an interest, is irrevocable, and shall survive the Transfer by a Member of its Membership Interest and shall survive its Bankruptcy and may be exercised by the attorney-in-fact by its signature on behalf of all Members.

XIII.

MISCELLANEOUS.

Section 13.1. Notices .

(a) Any and all notices, approvals, consents, offers, elections, and other communications (herein sometimes referred to collectively as the " Communications " and individually as a " Communication ") required or permitted under this Agreement shall be deemed adequately given only if in writing.

(b) All Communications to be sent hereunder shall be given or served only if addressed to a Member at its address set forth in the records of the Company, and if delivered by hand (with

delivery receipt required), by telecopier (confirmation of receipt requested), or by certified mail, return receipt requested, or Federal Express or similar expedited overnight commercial carrier.

(c) All Communications shall be deemed to have been properly given or served, if delivered by hand or mailed, on the date of receipt or date of refusal to accept shown on the delivery receipt or return receipt, if delivered by telecopier, upon receipt of confirmation of receipt, and, if delivered by Federal Express or similar expedited overnight commercial carrier or courier, on the date that is one Business Day after the date upon which the same shall have been delivered to Federal Express or similar expedited overnight commercial carrier, addressed to the recipient, with all shipping charges prepaid, provided that the same is actually received (or refused) by the recipient in the ordinary course. The time to respond to any Communication given pursuant to this Agreement shall run from the date of receipt or confirmed delivery.

(d) By giving to the other parties written notice thereof, the parties hereto and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change the Person to receive Communications, and their respective addresses effective upon receipt by the other parties of such notice and each shall have the right to specify as its address any other address within the United States of America.

Section 13.2. Applicable Law .

This Agreement shall be governed by and construed in accordance with the laws (other than the law governing choice of law) of the State of Delaware. In the event of a conflict between any provision of this Agreement and any non-mandatory provision of the Limited Liability Company Law, the provisions of this Agreement shall control and take precedence.

Section 13.3. Entire Agreement .

This Agreement contains the entire agreement among the parties hereto relative to the Company.

Section 13.4. Word Meanings; Gender .

The words such as “herein,” “hereinafter,” “hereof,” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa, unless the context otherwise requires.

Section 13.5. Section Titles .

Section titles are for descriptive purposes only and shall not control or alter the meaning of this Agreement as set forth in the text.

Section 13.6. Waiver .

No consent or waiver, express or implied, by a Member to or of any breach or default by any other Member in the performance by such other Member of its obligations hereunder shall

be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Member of the same or any other obligation of such Member hereunder. A consent or waiver by a Member to or of any breach or default by any other Member under this Agreement shall be effective only if in writing and signed by the Member against whom enforcement of the consent or waiver is sought. Failure on the part of a Member to object to any act or failure to act of any other Member or to declare any other Member in default, irrespective of how long such failure continues, shall not constitute a waiver by such Member of its rights hereunder.

Section 13.7. Separability of Provisions .

Each provision of this Agreement shall be considered separable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable, or illegal under any existing or future law, such invalidity, unenforceability, or illegality shall not impair the operation of or affect the other portions of this Agreement.

Section 13.8. Binding Agreement .

Subject to the restrictions on Transfers set forth herein, this Agreement shall inure to the benefit of and be binding upon the undersigned Members and their respective permitted successors and assigns. Whenever, in this instrument, a reference to any party or Member is made, such reference shall be deemed to include a reference to the permitted successor and assigns of such party or Member.

Section 13.9. Equitable Remedies .

Except as otherwise provided in this Agreement, the rights and remedies of the Members hereunder shall not be mutually exclusive, *i.e.,* the exercise of a right or remedy under any given provision hereof shall not preclude or impair exercise of any other right or remedy hereunder. Each of the Members confirms that damages at law may not always be an adequate remedy for a breach or threatened breach of this Agreement and agrees that, in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any rights at law or by statute or otherwise of any party aggrieved as against the other for a breach or threatened breach of any provision hereof.

Section 13.10. Partition .

No Member nor any successor-in-interest to a Member shall have the right while this Agreement remains in effect to have any property of the Company partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Company partitioned, and each Member, on behalf of itself and its successors and assigns, hereby waives any such right. It is the intention of the Members that the rights of the parties hereto and their successors-in-interest to Company property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Members and their successors-in-interest to Transfer any interest in the Company shall be subject to the limitations and restrictions set forth in this Agreement.

Section 13.11. Amendment .

Except as otherwise provided in Section 4.5(a) hereof, a proposed amendment to this Agreement may be adopted and effective as an amendment hereto if it receives the written concurrence of all of the Members.

Section 13.12. No Third Party Rights Created Hereby .

The provisions of this Agreement are solely for the purpose of defining the interests of the Members, *inter se;* and no other person, firm, or entity *(i.e.,* a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title, or interest by way of subrogation or otherwise, in and to the rights, powers, titles, and provisions of this Agreement.

Section 13.13. Liability of Members .

Any liability or debt of the Company shall first be satisfied out of the assets of the Company, including the proceeds of any liability insurance which the Company may recover, and thereafter, in accordance with the applicable provisions of the Limited Liability Company Law.

Section 13.14. Additional Acts and Instruments .

Each Member hereby agrees to do such further acts and things and to execute any and all instruments necessary or desirable and as reasonably required in the future to carry out the full intent and purpose of this Agreement.

Section 13.15. Organization Expenses .

The Company shall elect, pursuant to Section 709(b) of the Code, to treat all amounts paid or incurred to organize the Company as deferred expenses to be deducted ratably over a period of sixty (60) months beginning with the month in which the Company began business.

Section 13.16. Agreement in Counterparts .

This Agreement may be executed in two (2) or more counterparts, all of which as so executed shall constitute one (1) Agreement, binding on all of the parties hereto, notwithstanding that all the parties are not signatory to the original or the same counterpart; provided, however, that no provision of this Agreement shall become effective and binding unless and until all parties hereto have duly executed this Agreement, at which time this Agreement shall then become effective and binding as of the date first above written.

Section 13.17. Attorneys-In-Fact .

Any Member may execute a document or instrument or take any action required or permitted to be executed or taken under the terms of this Agreement by and through an attorney-in-fact duly appointed for such purpose (or for purposes including such purpose) under the terms of a written power of attorney (including any power of attorney granted herein).

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP, a Delaware limited partnership

By: /s/ Lisa Payne

Lisa Payne

Its: Authorized Signatory

TAUB-CO MANAGEMENT IV, INC., a Michigan corporation

By: /s/ Robert s. Taubman

Robert S. Taubman

Its: President

TAUB-CO HOLDINGS LLC, a Delaware limited liability company

By: /s/Jeffrey M. Davison

Jeffrey M. Davidson

Its: Authorized Signatory

Each of the undersigned hereby agrees not to Transfer or attempt to Transfer all or any portion of his Holdings Membership Interest except as permitted pursuant to Section 7.3 hereof.

THE A. ALFRED TAUBMAN RESTATED REVOCABLE TRUST, as amended and restated in its entirety by Instrument dated July 26, 2011, as amended

By: /s/Alfred Taubman

A. Alfred Taubman, Trustee

/s/ Robert S. Taubman
ROBERT S. TAUBMAN

/s/ William S. Taubman
WILLIAM S. TAUBMAN

SCHEDULE A

Member	Capital Contribution Balance as of the Liquidation Date	Account Percentage Interest
Taub-Co Holdings LLC	$ 22.00	0.2092%
The Taubman Realty Group Limited Partnership	$ 44,000.00	95.9520%
Taub-Co Management IV, Inc.	$ 12,155,878.00	3.8388%
	$ 12,200,000.00	100.0000%

Exhibit 10.3.1

FIRST AMENDMENT TO
AMENDED AND RESTATED OPERATING AGREEMENT
OF
THE TAUBMAN COMPANY LLC

a Delaware limited liability company

THIS FIRST AMENDMENT (this " Amendment ") TO AMENDED AND RESTATED OPERATING AGREEMENT OF THE TAUBMAN COMPANY LLC (the " Agreement ") is entered into effective as of December 21, 2018, by, between, and among THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP (" TRG "), a Delaware limited partnership, TAUB-CO MANAGEMENT IV, INC. (" Taub-Co IV "), a Michigan corporation, and TAUB-CO HOLDINGS LLC (" Holdings "), a Delaware limited liability company.

Recitals :

A. On December 30, 2011, TRG, Taub-Co IV, and Holdings entered into the Amended and Restated Operating Agreement of the Company (the " Agreement ").

B **.** In April 2018, but effective as of January 1, 2018, the State of Connecticut amended its income tax law to enact an entity-level tax on partnerships, limited liability companies, and certain other pass-through entities (the " Pass-Through Entity Tax "), which tax is deductible by the entity in determining its federal taxable income allocable to its members, and which provides the members of the entity with a Connecticut personal income tax credit for their allocable shares of the tax paid by the entity, so that the members will not owe any Connecticut personal income tax on income derived from their investment in the entity.

C. The Company provides services to West Farms Associates, a Connecticut general partnership, and to Rich-Taubman Associates, a Connecticut general partnership, and as a result has income taxable by the State of Connecticut.

D. As of January 1, 2018, the "New Partnership Audit Rules" as enacted pursuant to Section 1101(c)(1) of the Bipartisan Budget Act of 2015 became effective (the " New Partnership Audit Rules ") and provide a new centralized procedure for federal income tax audits.

E. The parties hereto hereby wish to amend the Agreement to specially allocate the federal income tax deduction arising from the Connecticut entity-level tax and the Connecticut personal income tax credit for payment of such tax, to specially allocate the federal income tax deduction arising from any similar tax imposed by any other state and the personal income tax credit for payment of such tax, to reflect the provisions of the New Partnership Audit Rules, and for certain other reasons.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Agreement is amended as follows:

1. Article II of the Agreement is hereby amended to delete the definition of "Additional Tax" and to add the following definitions in their proper alphabetical placement:

" Adjustment Liability " is defined in Section 6.7(g) hereof.

" Alternative Base Method " is defined in Section 5.1(k) hereof.

" Alternative Procedure " is defined in 6.7(g) hereof.

" Company Representative " is defined in Section 6.7(c) hereof.

" Designated Individual " is defined in Section 6.7(c) hereof.

" Failure to Comply Remedies " is defined in Section 5.1(k) hereof.

" Further Push-Out Election " is defined in Section 6.7(f) hereof.

" Imputed Underpayment " is defined in Section 6.7(d) hereof.

" Interest Rate " is defined in Section 5.1(k) hereof.

" Lender " is defined in Section 5.8 hereof.

" NOPPA " is defined in Section 6.7(g) hereof.

" Pass-Through Entity Tax " means the entity-level tax imposed by the State of Connecticut on partnerships, limited liability companies, and certain other pass-through entities pursuant to Section 12-726 of the Connecticut General Statutes, as amended from time to time, and any regulations or other guidance published thereunder, and any similar tax that may be imposed on the Company by any other state.

" Pass-Through Partner " is defined in Section 6.7(g) hereof.

" Push-Out Election " is defined in Section 6.7(d) hereof.

" Reviewed Year " is defined in Section 6.7(e) hereof.

" Reviewed Year Member " is defined in Section 6.7(e) hereof.

" Special Allocation Formula " is defined in Section 5.1(k) hereof.

" State Allocable Share " is defined in Section 5.1(k) hereof.

" Subject Members " means each direct and indirect Member in the Company that is an individual trust, estate, or pass-through entity having individuals, trusts, or estates as its direct or indirect members.

" Subsidiary Partnership " is defined in Section 6.7(f) hereof.

" Taxable Partnerships " means, collectively, West Farms Associates, a Connecticut general partnership, Rich-Taubman Associates, a Connecticut general partnership, any other Connecticut partnership or other pass-through entity subject to the Pass-Through Entity Tax to which the Company provides or subsequently provides services that is or may become subject to an entity-level tax similar to the Pass-Through Entity Tax.

" Tax Loan " is defined in Section 5.1(k) hereof.

" Withholding Tax " is defined in Article IX hereof.

2. Section 5.1 of the Agreement is hereby amended to add the following new Section 5.1(k) at the end thereof:

(k) The Company provides services to each of the Taxable Partnerships and is subject to the Pass-Through Entity Tax. The Company shall (i) timely elect the "alternative base method" provided under the Pass-Through Entity Tax for calculating each Subject Member's Pass-Through Entity Tax liability (the " Alternative Base Method "), (ii) allocate the federal income tax deduction to each Subject Member in proportion to each Subject Member's allocable share (the " State Allocable Share ") of such tax, determined in accordance with the ratio that each Subject Member's share of the income of the Company (before deduction of the Pass-Through Entity Tax) subject to the Pass-Through Entity Tax (computed under the Alternative Base Method) bears to the aggregate income of the Company (before deduction of the Pass-Through Entity Tax) subject to the Pass-Through Entity Tax (computed under the Alternative Base Method) of all the Subject Members (the " Special Allocation Formula "), and (iii) allocate the corresponding Connecticut personal income tax credit for payment of the Pass-Through Entity Tax to the Subject Members in accordance with the Special Allocation Formula.

To the extent a Member (or any direct or indirect member of a Member) is not subject to the Pass-Through Entity Tax on its share of the Company's income subject to such tax, then such Member shall provide the Company with written notice thereof within thirty (30) Days prior to the due date for payment of the Pass-Through Entity Tax by the Company.

The Company shall give each Subject Member written notice, setting forth such Subject Member's State Allocable Share of the Pass-Through Entity Tax. The Company shall (i) withhold from cash otherwise currently distributable to each Subject Member pursuant to Section 5.2 or Section 11.1(a)(3) hereof, as applicable, such Subject Member's State Allocable Share of the Pass-Through Entity Tax, and

(ii) to the extent cash is not distributable to such Subject Member for the taxable quarter (or if the tax is not payable quarterly, then for such other taxable period during which the tax must be paid) in which the Pass-Through Entity Tax must be paid by the Company, each Subject Member shall make a payment to the Company in readily available funds within ten (10) Days after written notice from the Company of such Subject Member's amount due. In the event a Subject Member fails to timely remit its State Allocable Share of the Pass-Through Entity Tax, the Company may (x) treat, subject to any required consent under any Third-Party Financing, such Subject Member's State Allocable Share of the Pass-Through Entity Tax as a loan from the Company (or from an Affiliate of the Company) (hereinafter, together with any loan made pursuant to Section 6.7 hereof or Article IX hereof, referred to as a " Tax Loan ") to such Subject Member, which Tax Loan shall have a maturity of one (1) year, shall bear interest at the Company's cost of funds plus ten (10) percentage points, or the maximum rate permitted by applicable law, whichever is less (the " Interest Rate "), and shall be subject to the provisions of Section 5.8 hereof, and all cash subsequently distributable to such Subject Member shall, to the extent of the unpaid principal amount of and the accrued interest on such Tax Loan, be retained by the Company and applied against the principal and accrued interest on such Tax Loan, or (y) pursue any and all remedies available to the Company at law or in equity, including instituting a lawsuit against such Subject Member to collect such Subject Member's State Allocable Share with interest calculated at the Interest Rate (the " Failure to Comply Remedies ").

The Members acknowledge that in the event the Company provides services to any other pass-through entity that is or becomes subject to taxation under a state law providing tax benefits to the direct or indirect members of an entity subject to such tax, then the provisions of this Section 5.1(k) shall apply with respect to such tax.

For the purpose of determining a Subject Member's Capital Account in the Company, any amount distributable to a Subject Member that is retained by the Company pursuant to this Section 5.1(k) shall be treated as if such cash had been actually distributed to such Member pursuant to Section 5.2 or Section 11.1(a)(3) hereof, as applicable, and remitted to the Company by the Subject Member. The amount deemed remitted or actually remitted to the Company for payment of the Pass-Through Entity Tax (not including any payments of principal and interest on a Tax Loan) and the principal amount (at the time loaned) of any Tax Loan made by the Company to the Subject Member pursuant to this Section 5.1(k) shall constitute a capital contribution and increase such Subject Member's Capital Account in the Company.

Each Member consents to any amendment to this Section 5.1(k) that is determined by the Partnership Representative to be reasonably necessary or appropriate to address any additional guidance provided by the State of Connecticut with respect to its Pass-Through Entity Tax, or to reflect the provisions of any other state's Pass-Through Entity Tax to which the Company may become subject.

The provisions of this Section 5.1(k) and a Member's obligation to reimburse the Company pursuant to this Section 5.1(k) shall survive a Subject Member's membership in the Company and the dissolution, liquidation, winding up, and termination of the Company, and for purposes of this Section 5.1(k), the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against a Subject Member under this Section 5.1(k), including instituting a lawsuit to collect such reimbursement with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions of this Section 5.1(k) shall be binding on the Company's successors and assigns.

3. Article V of the Agreement is hereby amended to add the following new Section 5.8 at the end thereof:

5.8 Security with Respect to Tax Loans.

Any Tax Loan made to a Member pursuant to this Agreement shall be secured by a security interest in such Member's Membership Interest. Each Member receiving a Tax Loan hereby grants the Company or an Affiliate of the Company, as the case may be (each, the " Lender "), a security interest in its interest in the Company, including a security interest in all distributions such Member may be entitled to receive under this Agreement and any and all rights to manage or consent under this Agreement. The Lender is hereby authorized to prepare and file a UCC-1 statement covering such Member's Membership Interest and reflecting the security interest granted to the Lender. A Member receiving a Tax Loan hereby agrees to cooperate with the Lender and execute and deliver, or cause to be executed and delivered, all such promissory notes, security agreements, financing statements, transfer powers, proxies, instruments, and documents and take such other action as the Lender may reasonably request from time to time to carry out the provisions of this Section 5.8. Each Member receiving a Tax Loan grants the Lender an irrevocable power of attorney to execute any and all such documents and instruments on such Member's behalf in the event such Member fails to timely execute and deliver any of the foregoing. The power of attorney hereby granted is coupled with an interest and shall survive the granting Member's death or disability.

Notwithstanding anything in this Agreement to the contrary, if the Lender is an Affiliate of the Company, such Affiliate shall be a third-party beneficiary of this Section 5.8 as well as all other provisions in this Agreement regarding Tax Loans.

4. Section 6.1(d) of the Partnership Agreement is hereby amended to delete the last clause thereof and to replace it with the following:

; provided, however, that for so long as TRG is a Member, Holdings shall not revoke TRG's exclusive authority to act as the Tax Matters Member or as the Company Representative.

5. Section 6.7(a) of the Agreement is hereby amended to delete the second sentence thereof and to replace it with the following:

For taxable years ending on or before December 31, 2017, TRG is designated Tax Matters Member of the Company, and the provisions of this Section 6.7(a) and Section 6.7(b) hereof shall apply with respect to all such years.

6. The Agreement is hereby amended to add the following new Sections 6.7(c) through 6.7(o) thereto:

6.7 (c) For taxable years beginning on and after January 1, 2018, TRG is hereby designated as the "partnership representative" under Section 6223(a) of the Code (the " Company Representative "). The Company Representative shall recommend to the Company on an annual basis or at such other time as the individual resigns or its designation is revoked an individual who meets the requirements of Section 6223 of the Code and the Regulations promulgated thereunder to serve as the designated individual (the " Designated Individual ") to act on the Company's behalf, and each Member agrees to accept the Company Representative's recommendation of the Designated Individual. No Member may revoke the authority of the Company Representative or of the Designated Individual without the Company Representative's prior written consent. The Company Representative shall have full authority to bind the Company in all proceedings with the Internal Revenue Service, and each Member agrees to be bound by the actions taken by the Company Representative as provided in Section 6223(b) of the Code.

(d) The Company Representative shall or shall cause the Company to make the election under Section 6226(a) of the Code (the " Push-Out Election ") to apply the alternative procedure to the Company's payment of any "imputed underpayment" as determined under Section 6225 of the Code (the " Imputed Underpayment ") and associated interest, adjustments to tax, and penalties arising from a partnership-level adjustment that are imposed on the Company so that they are borne by the Members and former Members to whom such Imputed Underpayment relates as determined by the Company Representative. The Company Representative is authorized to take any other actions as shall be necessary or appropriate to effectuate and comply with the Push-Out Election. Each Member consents to the Push-Out Election and agrees to take any action requested by the Company Representative to effectuate the Push-Out Election and to furnish the Company Representative with any information necessary to give effect to the Push-Out Election.

(e) In connection with the Push-Out Election, the Company Representative shall provide each Member or former Member for the reviewed year (as defined in Proposed Regulations Section 301.6241-1(a)(8)) (the " Reviewed Year ") a statement as required by Proposed Regulations Section 301.6226-2 setting forth the applicability of any penalty, additions to tax, or additional amounts and the adjustments to which those penalties, additions to tax, or additional amounts relate, and each Member for the Reviewed Year (the " Reviewed Year Member ") shall

compute any penalties, additions to tax, or additional amounts applicable to it as if each correction amount was an underpayment or understatement for the first affected year (or interim year). Each Reviewed Year Member or former Reviewed Year Member shall provide the Company Representative such reasonable documentation as may be requested by the Company Representative proving payment of the liability pushed out to such Reviewed Year Member pursuant to the Push-Out Election or a further Push-Out Election made by such Reviewed Year Member.

(f) In the event the Company is a direct or indirect member of another partnership or limited liability company (the " Subsidiary Partnership ") that is under audit and makes a Push-Out Election (including the case in which there are successive Push-Out Elections through a chain of Subsidiary Partnerships), then the Company Representative shall or shall cause the Company to make a further Push-Out election (the " Further Push-Out Election ") so that the Imputed Underpayment and associated interest, adjustments to tax, and penalties arising from an audit of a Subsidiary Partnership are borne by the Members and former Members of the Company to whom such Imputed Underpayment relates as determined by the Company Representative. If a Further Push-Out Election is made, the provisions of Section 6.7(d) and Section 6.7(e) hereof shall apply with respect to the Further Push-Out Election.

(g) If for any reason, including without limitation, the inability to make an effective Push-Out Election or Further Push-Out Election, the Company is required to pay the Imputed Underpayment, associated interest, adjustments to tax, or penalties (all such amounts being referred to as the " Adjustment Liability "), the Company shall effect a modification of the Imputed Underpayment by applying the procedure set forth in Section 6225(c)(2) of the Code and require the Members to pay the Adjustment Liability directly to the Internal Revenue Service so that the Adjustment Liability is borne by the Members and former Members to whom such Imputed Underpayment relates as determined by the Company Representative. The Company shall give written notice to each Reviewed Year Member and former Reviewed Year Member of its share of the Adjustment Liability and the information required for the alternative procedure to filing an "amended return modification" as provided in Proposed Regulations Section 301.6225-2(d)(2)(x) (the " Alternative Procedure "), including the mailing date of the notice of proposed partnership adjustment (the " NOPPA "), and each Member agrees to follow the Alternative Procedure and to timely pay its share of the Adjustment Liability, if any, directly to the Internal Revenue Service. Each Member further agrees to provide the Company the documentation required by Proposed Regulations Section 301.6225-2(c)(2) and (d)(2) (and by any additional Internal Revenue Service guidance provided pursuant to the Proposed Regulations) evidencing its payment to the Internal Revenue Service of its share of the Adjustment Liability not later than sixty (60) Days prior to the due date for the Company's request for modification of the Imputed Underpayment, which is two hundred seventy (270) Days after the date of the mailing of the NOPPA. If the Member is a " Pass-Through Partner " (as defined in Proposed Regulations Section 301.6241-1(a)(5)), then such Pass-Through Partner shall (x) require its partners or members to follow the Alternative Procedure and provide such Pass-

Through Partner with the documentation required by Proposed Regulations Section 301.6225-2(c)(2) and (d)(2) (and by any additional Internal Revenue Service guidance provided pursuant to the Proposed Regulations) supporting the computation and payment of the Adjustment Liability by its partners or members, and (y) provide such documentation to the Company not later than sixty (60) Days prior to the due date for the Company's request for a modification of the Imputed Underpayment.

If a Member fails to timely submit all required evidence of proper execution of the Alternative Procedure and the payment to the Internal Revenue Service of its share of the Adjustment Liability or of its partners' or members' payment of their respective shares of the Adjustment Liability to the Internal Revenue Service, then the Company shall (i) withhold such Member's share of the Adjustment Liability, if any, from cash otherwise currently distributable to such Member pursuant to this Agreement, and (ii) to the extent cash is not distributable to such Member for the taxable quarter in which the Adjustment Liability must be paid, but in all events prior to the date on which the Adjustment Liability must be paid, the Failure to Comply Remedies shall apply.

In the event the Internal Revenue Service denies the Company's modification request in whole or in part, then the Company shall give written notice to each Member not less than thirty (30) Days prior to the date the Company must make the payment of the Adjustment Liability to the Internal Revenue Service, setting forth each Member's share, if any, of the Adjustment Liability and the date on which the Company must make the payment, and each Member shall, not later than three (3) Business Days prior to the date the Company must pay the Adjustment Liability to the Internal Revenue Service, make a payment to the Company in readily available funds of such Member's share of the Adjustment Liability. If a Member fails to timely make such payment to the Company, then the Failure to Comply Remedies shall apply.

(h) In the event a Subsidiary Partnership does not or is unable to make an effective Push-Out Election, is required to pay its Adjustment Liability, and elects to follow the Alternative Procedure, then each Member and each Pass-Through Partner shall follow the procedures and timing set forth above in Section 6.7(g) hereof for payment of its share of the Adjustment Liability to the Internal Revenue Service and the provision of the required documentation to the Company. If a Member fails to timely submit all required evidence of proper execution of the Alternative Procedure and the payment to the Internal Revenue Service of its share of the Adjustment Liability or of its partners' or members' respective shares of the Adjustment Liability to the Internal Revenue Service, then the Failure to Timely Comply Remedies shall apply. Alternatively, if the Subsidiary Partnership does not elect to follow the Alternative Procedure, or if the Internal Revenue Service denies the Subsidiary Partnership's modification request in whole or in part, then the Company shall give written notice to each Member not less than thirty (30) Days prior to the date the Company must make the payment to the Subsidiary Partnership, setting forth each Member's share, if any, of the Adjustment Liability and the date

on which the Company must make the payment, and each Member shall, not later than three (3) Business Days prior to the date the Company must pay the Adjustment Liability to the Subsidiary Partnership, make a payment to the Company in readily available funds of such Member's share of the Adjustment Liability. If a Member fails to timely make such payment to the Company, then the Failure to Comply Remedies shall apply.

(i) For the purpose of determining a Member's Capital Account, any amount of cash otherwise distributable to a Member that is retained by the Company pursuant to this Section 6.7 shall be treated as if such cash had been actually distributed to such Member pursuant to Section 5.2 or Section 11.1(a)(3) hereof, as applicable. Any Adjustment Liability actually remitted or deemed remitted to the Company by a Member pursuant to this Section 6.7 shall not increase such Member's Capital Account and shall be treated as a reimbursement to the Company by such Member of such Member's share of the Adjustment Liability paid or to be paid by the Company to the Internal Revenue Service on such Member's behalf.

(j) The Company Representative shall keep the Company apprised of the status of any Company audit or court proceeding.

(k) Any and all expenses incurred by the Company Representative in serving as such shall be at the Company's expense and shall be paid by the Company. Notwithstanding the foregoing, it shall be the responsibility of each Member, at its own expense, to employ tax counsel to represent its separate interests. No Member shall file a notice with the Internal Revenue Service under Section 6222(c) of the Code in connection with such Member's intention to treat an item on such Member's federal income tax return in a manner that is inconsistent with the treatment of such item on the Company's federal income tax return, unless such Member has, not less than thirty (30) Days prior to the filing of such notice, provided the Company Representative with a copy of the notice and thereafter in a timely manner provides such other information related thereto as the Company Representative shall reasonably request.

(l) To the fullest extent permitted by law, the Company shall and does hereby indemnify, defend, and hold harmless the Company Representative and its agents, including, without limitation, the Designated Individual, from and against any and all (i) loss, cost, or expense, including without limitation, attorneys' fees and court costs, that may be asserted against, imposed on, or suffered by the Company Representative or its agents by reason of any act performed for or on behalf of the Company in its capacity as Company Representative or agent thereof to the extent authorized hereby, or by reason of any omission, and (ii) such claims, actions, and demands, and any losses or damages therefrom, including amounts paid in settlement or compromise of any such claim, action, or demand; provided that this indemnity shall not extend to acts or omissions by the Company Representative or its agents adjudged (x) to have been undertaken in bad faith or (y) to have constituted recklessness or intentional wrongdoing by the Company Representative or its agents.

(m) The Company Representative shall be responsible for representing the Company in all dealings with any state, local, or foreign tax authority and shall have the authority to make all state, local, and foreign tax elections and to settle any state, local, or foreign tax audits.

(n) Each Member hereby consents to any amendment to the provisions of Section 6.7(c) through Section 6.7(m) hereof that is determined by the Company Representative to be reasonably necessary and appropriate to address any additional guidance provided in Regulations or other Internal Revenue Service guidance relating to the "New Partnership Audit Rules" as enacted pursuant to Section 1101(c)(1) of the Bipartisan Budget Act of 2015 or to take into account subsequently enacted amendments thereto.

(o) The provisions of Section 6.7(c) through Section 6.7(n) hereof and a Member's obligation to reimburse the Company pursuant to this Section 6.7 shall survive such Member's membership in the Company and the dissolution, liquidation, winding up, and termination of the Company, and for purposes of this Section 6.7, the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against a Member under this Section 6.7, including instituting a lawsuit to collect reimbursement with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions contained in this Section 6.7 shall be binding on the Company's successors and assigns.

7. Article IX of the Agreement is hereby deleted in its entirety and the following is substituted in the place thereof:

If any local, state, federal, or foreign law or regulation requires or permits the Company to withhold tax attributable to allocations of Profits or items of the foregoing or distributions to a Member or if the Managing Member, in its sole discretion, determines, subject to the provisions of Section 5.1(k) and Section 6.7 hereof, it to be in the best interest of the Company to withhold amounts in connection with a Member's tax liability (*e.g* ., to file a unified state income tax return for nonresidents of a particular state) (all such amounts being herein referred to collectively as the " Withholding Tax "), (i) any Withholding Tax shall be withheld from cash otherwise currently distributable to such Member pursuant to Section 5.2 hereof or Section 11.1(a)(3) hereof, and (ii) to the extent cash is not distributable to such Member within the taxable period as to which such withholding is required (*i.e.,* quarterly, semi-annually, or annually), such Member shall make a payment to the Company in readily available funds within ten (10) Days after written notice from the Company of such Member's Withholding Tax. In the event a Member fails to timely remit the Withholding Tax, the Failure to Comply Remedies shall apply.

For the purpose of determining a Member's Capital Account, any amount of cash allocable to a Member that is retained by the Company pursuant to this Article IX shall be treated as if such cash had been actually distributed to such Member. Any amount of cash deemed remitted or actually remitted to the Company by a

Member pursuant to this Article IX shall not constitute a capital contribution and shall not increase a Member's Capital Account.

The provisions of this Article IX and a Member's obligation to reimburse the Company pursuant to this Article IX shall survive a Member's membership in the Company and the dissolution, liquidation, winding up, and termination of the Company, and for purposes of this Article IX, the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against a Member under this Article IX, including instituting a lawsuit to collect such reimbursement with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions of this Article IX shall be binding on the Company's successors and assigns.

8. Section 13.11 of the Agreement is hereby amended to delete the first clause thereof and to replace it with the following:

Except as provided in Sections 4.5(a), 5.1(k), and 6.7(n) hereof,

9. Section 13.12 of the Agreement is hereby amended to read as follows:

Except as provided in Section 5.8 hereof, the provisions of this Agreement are solely for the purpose of defining the interests of the Members, *inter se* ; and no other person, firm, or entity (*i.e.* , a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title, or interest by way of subrogation or otherwise in and to the rights, powers, titles, and provisions of this Agreement.

10. As amended by this Amendment, all of the provisions of the Agreement are hereby ratified and confirmed and shall remain in full force and effect.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned have entered into this Amendment as of the date first-above written.

THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP, a Delaware limited partnership

By: /s/ Simon J. Leopold
Simon J. Leopold

Its: Authorized Signatory

TAUB-CO MANAGEMENT IV, INC., a Michigan corporation

By: /s/ Robert S. Taubman
Robert S. Taubman

Its: President

TAUB-CO HOLDINGS LLC, a Delaware limited liability company

By: /s/ Jeffrey M. Davidson
Jeffrey M. Davidson

Its: Authorized Signatory

Exhibit 10.8.2

SECOND AMENDMENT TO THE THIRD AMENDMENT AND RESTATEMENT OF AGREEMENT OF LIMITED PARTNERSHIP OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

THIS SECOND AMENDMENT (this " *Amendment* ") TO THE THIRD AMENDMENT AND RESTATEMENT OF AGREEMENT OF LIMITED PARTNERSHIP OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP (the " *Partnership Agreement* ") is entered into effective as of December 18, 2018, and is made by and between TAUBMAN CENTERS, INC., a Michigan corporation (" *TCO* "), and TG PARTNERS, LLC, a Delaware limited liability company (" *TG* "), who, as the Appointing Persons, have the full power and authority pursuant to Section 13.11 of the Partnership Agreement, to amend the Partnership Agreement on behalf of all of the Partners of the Partnership with respect to the matters herein provided.

Recitals :

A. On December 12, 2012, TCO and TG entered into the Partnership Agreement as an amendment and restatement of the then-existing partnership agreement, as authorized under Section 13.11 of such agreement.

B. On June 1, 2016, TCO and TG entered into that certain First Amendment to the Partnership Agreement to provide for the issuance of Profits Units to certain employees of The Taubman Company LLC in accordance with the provisions of an Award Agreement under The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan, as amended, and for certain other reasons. (The Partnership Agreement as amended by the First Amendment is hereby referred to as the " *Amended Partnership Agreement.* ")

C. In April 2018, but effective as of January 1, 2018, the State of Connecticut amended its income tax law to enact an entity-level tax on partnerships and certain other pass-through entities (the " *Pass-Through Entity Tax* "), which tax is deductible by the partnership in determining its federal taxable income allocable to its partners, and which provides the partners in the partnership with a Connecticut personal income tax credit for their shares of the tax paid by the partnership, so that the partners will not owe any Connecticut personal income tax on income derived from their investment in the partnership.

D. The Partnership holds, directly or indirectly, a partnership interest in West Farms Associates, a Connecticut general partnership, and in Rich-Taubman Associates, a Connecticut general partnership, and a membership interest in The Taubman Company LLC, a Delaware limited liability company (collectively, the " *Initial Taxable Partnerships* "), each of which has income subject to the Pass-Through Entity Tax.

E. The partnership agreement or operating agreement of each Initial Taxable Partnership has been or will be amended to reflect the provisions of the Pass-Through Entity Tax, to elect the "alternative base method" provided therein for calculating each Initial Taxable Partnership's Pass-Through Entity Tax liability, and to specially allocate the federal income tax deduction and the Connecticut personal income tax credit for such tax to each partner therein that is an individual, trust, estate or pass-through entity having individuals, trusts or estates as its direct or indirect members (the " *Special Allocations* ").

F. As of January 1, 2018, the "New Partnership Tax Audit Rules" as enacted pursuant to Section 1101(c)(1) of the Bipartisan Budget Act of 2015 became effective (the " *New Partnership Audit Rules* "), providing a new centralized procedure for federal partnership income tax audits, and since such date both proposed and final Treasury Regulations have been promulgated thereunder.

G. The parties hereto hereby wish to further amend the Amended Partnership Agreement to reflect the Special Allocations arising from the Pass-Through Entity Tax, to update the provisions regarding the New Partnership Audit Rules, and for certain other reasons.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Amended Partnership Agreement is amended as follows:

1. Article II of the Amended Partnership Agreement is hereby amended to delete the definition of "Additional Tax" and to add the following definitions in their proper alphabetical placement:

" *Adjustment Liability* " is defined in Section 6.11(e) hereof.

" *Alternative Base Method* " is defined in Section 5.1(d)(7) hereof.

" *Alternative Procedure* " is defined in Section 6.11(e) hereof.

" *Designated Individual* " is defined in Section 6.11(a) hereof.

" *Failure to Comply Remedies* " is defined in Section 5.1(d)(7) hereof.

" *Further Push-Out Election* " is defined in Section 6.11(d) hereof.

" *Imputed Underpayment* " is defined in Section 6.11(b) hereof.

" *Interest Rate* " is defined in Section 5.1(d)(7) hereof.

" *Lender* " is defined in Section 6.12 hereof.

" *NOPPA* " is defined in Section 6.11(e) hereof.

" *Partnership Representative* " is defined in Section 6.11(a) hereof.

" *Pass-Through Entity Tax* " means the entity-level tax imposed by the State of Connecticut on partnerships and certain other pass-through entities pursuant to Section 12-726 of the Connecticut General Statutes, as amended from time to time, and any regulations or other guidance published thereunder.

" *Pass-Through Partner* " is defined in Section 6.11(e) hereof.

" *Push-Out Election* " is defined in Section 6.11(b) hereof.

" *Reviewed Year* " is defined in Section 6.11(c) hereof.

" *Reviewed Year Partner* " is defined in Section 6.11(c) hereof.

" *Special Allocation Formula* " is defined in Section 5.1(d)(7) hereof.

" *State Allocable Share* " is defined in Section 5.1(d)(7) hereof.

" *Subject Partners* " means each partner in the Taxable Partnerships that is an individual, trust, estate, or pass-through entity having individuals, trusts, or estates as its direct or indirect members.

" *Subsidiary Partnership* " is defined in Section 6.11(d) hereof.

" *Taxable Partnerships* " means, collectively, West Farms Associates, a Connecticut general partnership, Rich-Taubman Associates, a Connecticut general partnership, TTC, any other Connecticut partnership or other pass-through entity subject to the Pass-Through Entity Tax in which the Partnership may subsequently invest, and any other pass-through entity in which the Partnership has invested or subsequently invests that is or may become subject to an entity-level tax similar to the Pass-Through Entity Tax.

" *Tax Loan* " is defined in Section 5.1(d)(7) hereof.

" *Withholding Tax* " is defined in Article IX hereof.

2. Section 5.1(d) of the Amended Partnership Agreement is hereby amended to add the following new Section 5.1(d)(7) at the end thereof:

(7) The Partnership is a partner in each of the Taxable Partnerships. Each Taxable Partnership has or shall elect the "alternative base method" provided under the Pass-Through Entity Tax for calculating each Subject Partner's Pass-Through Entity Tax liability (the " *Alternative Base Method* "). The partnership agreement or operating agreement governing each Taxable Partnership specially allocates the federal income tax deduction for the Pass-Through Entity Tax to the Subject Partners in such Taxable Partnerships in proportion to each such Subject Partner's allocable share (the " *State Allocable Share* ") of such tax, determined in accordance with the ratio that each Subject Partner's share of the income of such Taxable Partnership (before deduction of the Pass-Through Entity Tax) subject to the Pass-Through Entity Tax (computed under the Alternative Base Method) bears to the aggregate income of such Taxable Partnership (before deduction of the Pass-Through Entity Tax) subject to the Pass-Through Entity Tax (computed under the Alternative Base Method) of all the Subject Partners of such Taxable Partnership (the " *Special Allocation Formula* "). The Partners hereby acknowledge and agree that the federal income tax deduction for the payment of the Pass-Through Entity Tax liability shall be allocated to each of the Subject Partners of the Partnership in accordance with their State Allocable Shares determined in accordance with the Special Allocation Formula. The partnership agreement or operating agreement governing each Taxable Partnership allocates the corresponding Connecticut personal income tax credit for payment of the Pass-Through Entity Tax to its Subject Partners in accordance with the Special Allocation Formula. The Partners hereby acknowledge and agree that the Connecticut personal income tax credit shall be allocated to the Subject Partners in the Partnership in accordance with the Special Allocation Formula. To the extent a Partner (or any direct or indirect member of a Partner) is not subject to the Pass-Through Entity Tax on its share of the Partnership's income subject to such tax, then such Partner shall provide the Partnership with written notice thereof within thirty (30) Days prior to the due date for payment by the Partnership of the Pass-Through Entity Tax.

The Partnership shall give each Subject Partner written notice setting forth such Subject Partner's State Allocable Share of the Pass-Through Entity Tax. The Partnership shall (i) withhold from cash otherwise currently distributable to each Subject Partner pursuant to Section 5.2 or Section 11.1(a) hereof, as applicable, such Subject Partner's State Allocable Share of the Pass-Through Entity Tax, and (ii) to the extent cash is not distributable to such Subject Partner for the taxable quarter (or if the tax is not payable quarterly, then for such other taxable period during which the tax must be paid) in which the Pass-Through Entity Tax must be paid by the Partnership, each Subject Partner shall make a payment to the Partnership in readily available funds within ten (10) Days after written notice from the Partnership of such Subject Partner's amount due. In the event a Subject Partner fails to timely remit its State Allocable Share of the Pass-Through Entity Tax, the Managing General Partner may determine, in its sole discretion, either to (x) treat, subject to any required consent under any Third-Party Financing, such Subject Partner's State Allocable Share of the Pass-Through Entity Tax as a loan from the Partnership (or from an Affiliate of the Partnership) (hereinafter, together with any loan made pursuant to Section 6.11(f) hereof or Article IX hereof, referred to as a " *Tax Loan* ") to such Subject Partner, which Tax Loan shall have a maturity of one (1) year, shall bear interest at the Partnership's cost of funds plus ten (10) percentage points, or the maximum rate permitted by applicable law, whichever is less (the " *Interest Rate* "), and shall be subject to the provisions of Section 6.12 hereof, and all cash subsequently distributable to such Subject Partner shall, to the extent of the unpaid principal amount of and the accrued interest on such Tax Loan, be retained by the Partnership and applied against the principal and accrued interest on such Tax Loan, or (y) pursue any and all remedies available to the Partnership at law or in equity, including instituting a lawsuit against such Subject Partner to collect such Subject Partner's State Allocable Share with interest calculated at the Interest Rate (the " *Failure to Comply Remedies* ").

The Partners acknowledge that in the event the Partnership is or becomes a partner or a member in any other pass-through entity that is or becomes subject to taxation under a state law providing tax benefits to the direct or indirect members of such entity, then the provisions of this Section 5.1(d)(7) shall apply with respect to such entity and such tax.

For the purpose of determining a Subject Partner's Capital Account in the Partnership, any amount distributable to a Subject Partner that is retained by the Partnership pursuant to this Section 5.1(d)(7) shall be treated as if such cash had been actually distributed to such Partner pursuant to Section 5.2 or Section 11.1(a) hereof, as applicable, and remitted to the Partnership by the Subject Partner. The amount deemed remitted or any amount actually remitted to the Partnership for payment of the Pass-Through Entity Tax by the Subject Partner (not including any payments of principal and interest on a Tax Loan) and the principal amount (at the time loaned) of any Tax Loan made by the Partnership (or its Affiliate) to the Subject Partner pursuant to this Section 5.1(d)(7) shall constitute a capital contribution and increase such Subject Partner's Capital Account in the Partnership.

The provisions of this Section 5.1(d)(7) shall survive a Subject Partner's membership in the Partnership and the dissolution, liquidation, winding up, and termination of the Partnership, and for purposes of this Section 5.1(d)(7), the Partnership shall be treated as continuing in existence. The Partnership may pursue and enforce all rights and remedies it may have against a Subject Partner under this Section 5.1(d)(7), including instituting a lawsuit to collect such reimbursement with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions of this Section 5.1(d)(7) shall be binding on the Partnership's successors and assigns.

3. Section 6.10(a) of the Amended Partnership Agreement is hereby amended to delete the first sentence thereof and to replace it with the following:

The provisions of this Section 6.10 shall apply for taxable years ending on or before December 31, 2017, and all Code references in this Section 6.10 shall refer to the provisions of the Code as in effect prior to amendment by Section 1101(c)(1) of the Bipartisan Budget Act of 2015.

4. The Amended Partnership Agreement is hereby amended to delete Section 6.10(c) thereof and to replace it with the following new Section 6.11:

Section 6.11 Partnership Representative.

(a) For taxable years beginning on or after January 1, 2018, the Managing General Partner is hereby designated as the "partnership representative" under Section 6223(a) of the Code (the *"Partnership Representative"*). The Partnership Representative shall recommend to the Partnership, on an annual basis or at such other time as the individual resigns or its designation is revoked, an individual who meets the requirements of Section 6223 of the Code and the Regulations promulgated thereunder to serve as the designated individual (the " *Designated Individual* ") to act on the Partnership's behalf, and each Partner hereby agrees to accept the Partnership Representative's recommendation of the Designated Individual. No Partner may revoke the authority of the Partnership Representative or of the Designated Individual without the Partnership Representative's prior written consent. The Partnership Representative shall have full authority to bind the Partnership in all proceedings with the Internal Revenue Service, and each Partner agrees to be bound by the actions taken by the Partnership Representative as provided in Section 6223(b) of the Code.

(b) The Partnership Representative shall or shall cause the Partnership to make the election under Section 6226(a) of the Code (the " *Push-Out Election* ") to apply the alternative procedure to the Partnership's payment of any "imputed underpayment" as determined under Section 6225 of the Code (the " *Imputed Underpayment* ") and associated interest, adjustments to tax, and penalties arising from a partnership-level adjustment that are imposed on the Partnership so that they are borne by the Partners and former Partners to whom such Imputed Underpayment relates as determined by the Partnership Representative. The Partnership Representative is authorized to take any other actions as shall be necessary or appropriate to effectuate and comply with the Push-Out Election. Each Partner consents to the Push-Out Election and agrees to take any action requested by the Partnership Representative to effectuate the Push-Out Election and to furnish the Partnership Representative with any information necessary to give effect to the Push-Out Election.

(c) In connection with the Push-Out Election, the Partnership Representative shall provide each Partner or former Partner for the reviewed year (as defined in Proposed Regulations Section 301.6241-1(a)(8)) (the " *Reviewed Year* ") a statement as required by Proposed Regulations Section 301.6226-2 setting forth the applicability of any penalty, additions to tax, or additional amounts, and the adjustments to which those penalties, additions to tax, or additional amounts relate, and each Partner for the Reviewed Year (the " *Reviewed Year Partner* ") shall compute any penalties, additions to tax, or additional amounts applicable to it as if each correction amount were an underpayment or understatement for the first affected year (or interim year). Each Reviewed Year Partner or former Reviewed Year Partner shall provide the Partnership Representative such reasonable documentation as may be requested by the Partnership Representative proving payment of the liability pushed out to such Reviewed Year Partner pursuant to the Push-Out Election or a further Push-Out Election made by such Reviewed Year Partner.

(d) In the event the Partnership is a direct or indirect member of another partnership or limited liability company (the " *Subsidiary Partnership"*) that is under audit and makes a Push-Out Election (including the case in which there are successive Push-Out Elections through a chain of Subsidiary Partnerships), then the Partnership Representative shall or shall cause the Partnership to make a further Push-Out election (the " *Further Push-Out Election"*) so that the Imputed Underpayment and associated interest, adjustments to tax, and penalties arising from an audit of a Subsidiary Partnership are borne by the Partners and former Partners of the Partnership to whom such Imputed Underpayment relates as determined by the Partnership Representative. If a Further Push-Out Election is made, the provisions of Section 6.11(b) and Section 6.11(c) hereof shall apply with respect to the Further Push-Out Election.

(e) If for any reason, including without limitation, the inability to make an effective Push-Out Election or Further Push-Out Election, the Partnership is assessed the Imputed Underpayment, associated interest, adjustments to tax, or penalties (all such amounts being referred to as the " *Adjustment Liability* "), the Partnership shall effect a modification of the Imputed Underpayment by applying the procedure set forth in Section 6225(c)(2) of the Code and require the Partners to pay the Adjustment Liability directly to the Internal Revenue Service so that the Adjustment Liability is borne by the Partners and former Partners to whom such Imputed Underpayment relates as determined by the Partnership Representative. The Partnership shall give written notice to each Reviewed Year Partner and former Reviewed Year Partner of its share of the Adjustment Liability and the information required for the alternative procedure to filing an "amended return modification" as provided in Proposed Regulations Section 301.6225-2(d)(2)(x) (the " *Alternative Procedure* "), including the mailing date of the notice of proposed partnership adjustment (the " *NOPPA* "), and each Partner agrees to follow the Alternative Procedure and to timely pay its share of the Adjustment Liability, if any, directly to the Internal Revenue Service. Each Partner further agrees to provide the Partnership the documentation required by Proposed Regulations Section 301.6225-2(c)(2) and (d)(2) (and by any additional Internal Revenue Service guidance provided pursuant to the Proposed Regulations) evidencing its payment to the Internal Revenue Service of its share of the Adjustment Liability not later than sixty (60) Days prior to the due date for the Partnership's request for modification of the Imputed Underpayment, which is two hundred seventy (270) Days after the date of the mailing of the NOPPA. If the Partner is a " *Pass-Through Partner* " (as defined in Proposed Regulations Section 301.6241-1(a)(5)), then such Pass-Through Partner shall (x) require its partners or members to follow the Alternative

Procedure and provide such Pass-Through Partner with the documentation required by Proposed Regulations Section 301.6225-2(c)(2) and (d)(2) (and by any additional Internal Revenue Service guidance provided pursuant to the Proposed Regulations) supporting the computation and payment of the Adjustment Liability by its partners or members, and (y) provide such documentation to the Partnership not later than sixty (60) Days prior to the due date for the Partnership's request for a modification of the Imputed Underpayment.

If a Partner fails to timely submit all required evidence of proper execution of the Alternative Procedure and the payment to the Internal Revenue Service of its share of the Adjustment Liability or of its partners' or members' payment of their respective shares of the Adjustment Liability to the Internal Revenue Service, then the Partnership shall (i) withhold such Partner's share of the Adjustment Liability, if any, from cash otherwise currently distributable to such Partner pursuant to this Agreement, and (ii) to the extent cash is not distributable to such Partner for the taxable quarter in which the Adjustment Liability must be paid, but in all events prior to the date on which the Adjustment Liability must be paid, the Failure to Comply Remedies shall apply.

In the event the Internal Revenue Service denies the Partnership's modification request in whole or in part, then the Partnership shall give written notice to each Partner not less than thirty (30) Days prior to the date the Partnership must make the payment of the Adjustment Liability to the Internal Revenue Service, setting forth each Partner's share, if any, of the Adjustment Liability and the date on which the Partnership must make the payment, and each Partner shall, not later than three (3) Business Days prior to the date the Partnership must pay the Adjustment Liability to the Internal Revenue Service, make a payment to the Partnership in readily available funds of such Partner's share of the Adjustment Liability. If a Partner fails to timely make such payment to the Partnership, then the Failure to Comply Remedies shall apply.

(f) In the event a Subsidiary Partnership does not or is unable to make an effective Push-Out Election, is required to pay its Adjustment Liability, and elects to follow the Alternative Procedure, then each Partner and each Pass-Through Partner shall follow the procedures and timing set forth above in Section 6.11(e) hereof for payment of its share of the Adjustment Liability to the Internal Revenue Service and the provision of the required documentation to the Partnership. If a Partner fails to timely submit all required evidence of proper execution of the Alternative Procedure and the payment to the Internal Revenue Service of its share of the Adjustment Liability or of its partners' or members' respective shares of the Adjustment Liability to the Internal Revenue Service, then the Failure to Timely Comply Remedies shall apply. Alternatively, if the Subsidiary Partnership does not elect to follow the Alternative Procedure, or if the Internal Revenue Service denies the Subsidiary Partnership's modification request in whole or in part, then the Partnership shall give written notice to each Partner not less than thirty (30) Days prior to the date the Partnership must make the payment to the Subsidiary Partnership, setting forth each Partner's share, if any, of the Adjustment Liability and the date on which the Partnership must make the payment, and each Partner shall, not later than three (3) Business Days prior to the date the Partnership must pay the Adjustment Liability to the Subsidiary Partnership, make a payment to the Partnership in readily available funds of such Partner's share of the Adjustment Liability. If a Partner fails to timely make such payment to the Partnership, then the Failure to Comply Remedies shall apply.

(g) For the purpose of determining a Partner's Capital Account, any amount of cash otherwise distributable to a Partner that is retained by the Partnership pursuant to this Section 6.11 shall be treated as if such cash had been actually distributed to such Partner pursuant to Section 5.2 or Section 11.1(a) hereof, as applicable. Any Adjustment Liability actually remitted or deemed remitted to the Partnership by a Partner pursuant to this Section 6.11 shall not increase such Partner's Capital Account and shall be treated as a reimbursement to the Partnership by such Partner of such Partner's share of the Adjustment Liability paid or to be paid by the Partnership to the Internal Revenue Service on such Partner's behalf.

(h) The Partnership Representative shall keep the Partnership apprised of the status of any Partnership audit or court proceeding.

(i) Any and all expenses incurred by the Partnership Representative in serving as such shall be at the Partnership's expense and shall be paid by the Partnership. Notwithstanding the foregoing, it shall be the responsibility of each Partner, at its own expense, to employ tax counsel to represent its separate interests. No Partner shall file a notice with the Internal Revenue Service under Section 6222(c) of the Code in connection with such Partner's intention to treat an item on such Partner's federal income tax return in a manner that is inconsistent with the treatment of such item on the Partnership's federal income tax return, unless such Partner has, not less than thirty (30) Days prior to the filing of such notice, provided the Partnership Representative with a copy of the notice and thereafter in a timely manner provides such other information related thereto as the Partnership Representative shall reasonably request.

(j) To the fullest extent permitted by law, the Partnership shall and does hereby indemnify, defend, and hold harmless the Partnership Representative and its agents, including, without limitation, the Designated Individual, from and against any and all (i) loss, cost, or expense, including without limitation, attorneys' fees and court costs, that may be asserted against, imposed on, or suffered by the Partnership Representative or its agents by reason of any act performed for or on behalf of the Partnership in its capacity as Partnership Representative or agent thereof to the extent authorized hereby, or by reason of any omission, and (ii) such claims, actions, and demands, and any losses or damages therefrom, including amounts paid in settlement or compromise of any such claim, action, or demand; provided that this indemnity shall not extend to acts or omissions by the Partnership Representative or its agents adjudged (x) to have been undertaken in bad faith or (y) to have constituted recklessness or intentional wrongdoing by the Partnership Representative or its agents.

(k) The provisions of this Section 6.11 and a Partner's obligation to reimburse the Partnership pursuant to this Section 6.11 shall survive such Partner's membership in the Partnership and the dissolution, liquidation, winding up, and termination of the Partnership, and for purposes of this Section 6.11, the Partnership shall be treated as continuing in existence. The Partnership may pursue and enforce all rights and remedies it may have against a Partner under this Section 6.11, including instituting a lawsuit to collect reimbursement with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions contained in this Section 6.11 shall be binding on the Partnership's successors and assigns.

(l) The Partnership Representative shall be responsible for representing the Partnership in all dealings with any state, local, or foreign tax authority and shall have the authority to make all state, local, and foreign tax elections and to settle any state, local, or foreign tax audits.

5. The Amended Partnership Agreement is hereby amended to add the following new Section 6.12 thereto:

Section 6.12 Security with Respect to Tax Loans.

Any Tax Loan made to a Partner pursuant to this Agreement shall be secured by a security interest in such Partner's partnership interest. Each Partner receiving a Tax Loan hereby grants the Partnership or an Affiliate of the Partnership, as the case may be (each, the " *Lender* "), a security interest in its interest in the Partnership, including a security interest in all distributions such Partner may be entitled to receive under this Agreement and any and all rights to consent under this Agreement. The Lender is hereby authorized to prepare and file a UCC-1 statement covering such Partner's Partnership Interest and reflecting the security interest granted to the Lender. A Partner receiving a Tax Loan hereby agrees to cooperate with the Lender and execute and deliver, or cause to be executed and delivered, all such promissory notes, security agreements, financing statements, transfer powers, proxies, instruments, and documents and take such other action as the Lender may reasonably request from time to time to carry out the provisions of this Section 6.12. Each Partner receiving a Tax Loan grants the Lender an irrevocable power of attorney to execute any and all such documents and instruments on such Partner's behalf in the event such Partner fails to timely execute and deliver any of the foregoing. The power of attorney hereby granted is coupled with an interest and shall survive the granting Partner's death or disability.

Notwithstanding anything in this Agreement to the contrary, if the Lender is an Affiliate of the Partnership, such Affiliate shall be a third-party beneficiary of this Section 6.12 as well as all other provisions in this Agreement regarding Tax Loans.

6. Article IX of the Amended Partnership Agreement is hereby deleted, and the following is substituted in the place thereof:

IX.
WITHHOLDING AND DOCUMENTATION.

Section 9.1 Withholding.

If any local, state, federal, or foreign law or regulation requires or permits the Partnership to withhold tax attributable to allocations of Profits or items of the foregoing or distributions to a Partner or if the Managing General Partner, in its sole discretion, determines, subject to the provisions of Section 5.1(d)(7) and Section 6.11 hereof, it to be in the best interest of the Partnership to withhold amounts in connection with a Partner's tax liability (*e.g* ., to file a unified state income tax return for nonresidents of a particular state) (all such amounts being herein referred to collectively as the *"Withholding Tax"*), (i) any Withholding Tax shall be withheld from cash otherwise currently distributable to such Partner pursuant to Section 5.2 hereof or Section 11.1(a) hereof, and (ii) to the extent cash is not distributable to such Partner within the taxable period as to which such withholding is required (*i.e.,* quarterly, semi-annually, or annually), such Partner shall make a payment to the Partnership in readily

available funds within ten (10) Days after written notice from the Partnership of such Partner's Withholding Tax. In the event a Partner fails to timely remit the Withholding Tax, the Failure to Comply Remedies shall apply.

For the purpose of determining a Partner's Capital Account, any amount of cash otherwise distributable to a Partner that is retained by the Partnership pursuant to this Section 9.1 shall be treated as if such cash had been actually distributed to such Partner and remitted to the Partnership. Any amount remitted to the Partnership for payment of a Tax Loan made by the Partnership (or its Affiliate) shall be treated as a payment to the Partnership (or its Affiliate) as a lender and from the Partner as a borrower. Any amount of cash deemed remitted or actually remitted to the Partnership by a Partner pursuant to this Section 9.1 shall not constitute a capital contribution and shall not increase a Partner's Capital Account.

The provisions of this Section 9.1 shall survive a Partner's membership in the Partnership and the dissolution, liquidation, winding up, and termination of the Partnership, and for purposes of this Section 9.1, the Partnership shall be treated as continuing in existence. The Partnership may pursue and enforce all rights and remedies it may have against a Partner under this Section 9.1, including instituting a lawsuit to collect such reimbursement with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions of this Section 9.1 shall be binding on the Partnership's successors and assigns.

Section 9.2 Documentation.

Each Partner agrees to furnish the Partnership with any representations, forms, or information, including without limitation an updated Internal Revenue Service Form W-9 or Form W-8BEN or equivalent certificate, as applicable, as shall reasonably be requested by the Managing General Partner from time to time (i) to assist the Partnership in determining the extent of, and in fulfilling, its withholding, reporting, or other tax obligations, including any obligations under the Foreign Account Tax Compliance Act or equivalent law of any other jurisdiction, (ii) as will permit distributions or allocations of income made to or by the Partnership to be made without withholding or at a reduced rate of withholding, (iii) to reduce the amount of tax borne by the Partnership, or (iv) that the Managing General Partner deems necessary to ensure compliance with any laws or regulations applicable to the Partnership or its business including the laws of any foreign jurisdiction affecting the ability of the Partnership to claim the benefit of an income tax treaty with such jurisdiction. Each Partner (A) represents and warrants to the Partnership that such information and forms furnished by such Partner are and at all times shall be true, correct, and complete, (B) agrees to promptly update any such information or forms (x) if at any time the Partner becomes aware that such previously provided information or forms are no longer true, correct, and complete, (y) upon the expiration, invalidity, or obsolescence of any such provided forms or representations, or (z) if requested to do so by the Partnership, and (C) agrees to indemnify the Partnership and each of the Partners and hold them harmless on an after-tax basis from any and all damage, cost, loss, and expense resulting from a breach by such Partner of the foregoing representation, warranty, and/or covenant. In the event of any claimed over-withholding of tax, a Partner shall be limited to an action against the taxing authority in the applicable jurisdiction.

The indemnity provided in this Section 9.2 shall survive a Partner's membership in the Partnership and the dissolution, liquidation, winding up, and termination of the Partnership, and for purposes of this Section 9.2, the Partnership shall be treated as continuing in existence. The Partnership and each Partner may pursue and enforce all rights and remedies it may have

against a Partner that breaches a representation, warranty, and/or covenant under this Section 9.2, including instituting a lawsuit to collect an indemnity payment with interest calculated at the Interest Rate. To the extent permitted by applicable law, the provisions of this Section 9.2 shall be binding on the Partnership's successors and assigns.

7. Section 13.12 of the Amended Partnership Agreement is hereby amended to read as follows:

Except as provided in Section 6.12 hereof, the provisions of this Agreement are solely for the purpose of defining the interests of the Partners, *inter se* ; and no other person, firm, or entity (*i.e.* , a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title, or interest by way of subrogation or otherwise in and to the rights, powers, titles, and provisions of this Agreement.

8. As amended by this Amendment, all of the provisions of the Amended Partnership Agreement are hereby ratified and confirmed and shall remain in full force and effect.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned Appointing Persons, in accordance with Section 13.11 of the Partnership Agreement, on behalf of all of the Partners, have entered into this Amendment as of the date first-above written.

TAUBMAN CENTERS, INC., a Michigan corporation

By: /s/ Simon J. Leopold Simon J. Leopold

Its: Chief Financial Officer

TG PARTNERS, LLC, a Delaware limited liability company

By:TG Michigan, Inc., a Michigan corporation, Manager

By: /s/ Robert S. Taubman
Robert S. Taubman

Its: President and Chief Executive Officer

Exhibit 21

TAUBMAN CENTERS, INC.
LIST OF SUBSIDIARIES

NAME	JURISDICTION OF FORMATION	DOING BUSINESS AS
Anseong Holdings LLC	Delaware	N/A
Beverly Associates L.P. 1	Delaware	N/A
Beverly Partners 1, Inc.	Delaware	N/A
CCK Solar LLC	Delaware	N/A
Cherry Creek Holdings LLC	Delaware	N/A
City Creek Center Associates LLC	Delaware	City Creek Center
Club Beverly LLC	Delaware	N/A
Dolphin Mall Associates LLC	Delaware	Dolphin Mall
Dolphin Mall N-M Holding LLC	Delaware	N/A
Great Lakes Crossing Land, LLC	Delaware	N/A
Great Lakes Crossing, L.L.C.	Delaware	N/A
Green Hills Land TRG LLC	Delaware	N/A
Green Hills Mall TRG LLC	Delaware	The Mall at Green Hills
International Plaza Holding Company, LLC	Delaware	N/A
La Cienega Partners Limited Partnership	Delaware	Beverly Center
Lakeside/Novi Land Partnership LLC	Michigan	N/A
LCA Holdings, L.L.C.	Delaware	N/A
Plaza Internacional Puerto Rico LLC	Puerto Rico	The Mall of San Juan
Short Hills Associates L.L.C.	Delaware	The Mall at Short Hills
Short Hills Holdings LLC	Delaware	N/A
Short Hills Solar LLC	Delaware	N/A
Short Hills SPE LLC	Delaware	N/A
Stony Point Land LLC	Delaware	N/A
Taub-Co Fairfax, Inc.	Delaware	N/A
Taub-Co Land Holdings, Inc.	Michigan	N/A
Taub-Co Landlord LLC	Delaware	N/A
Taub-Co License LLC	Delaware	N/A
Taub-Co Management IV, Inc.	Michigan	N/A
Taub-Co TRS Services, Inc.	Michigan	N/A
Taubman (Hong Kong) Limited	Hong Kong	N/A
Taubman Asia Investments Limited	Cayman Islands	N/A
Taubman Asia Limited	Cayman Islands	N/A
Taubman Asia Management II LLC	Delaware	N/A
Taubman Asia Management Limited	Cayman Islands	N/A
Taubman Auburn Hills Associates Limited Partnership	Delaware	Great Lake Crossing Outlets
Taubman Cherry Creek Shopping Center, L.L.C.	Delaware	Cherry Creek
Taubman China FTZ (Hong Kong) Limited	Hong Kong	N/A
Taubman China FTZ Holdings Limited	Cayman Islands	N/A
Taubman China FTZ LP (Hong Kong) Limited	Hong Kong	N/A
Taubman China Holdings Limited	Cayman Islands	N/A
Taubman China Holdings One LLC	Delaware	N/A
Taubman Consulting Limited	Peoples Republic of China	N/A
Taubman Consulting (Shanghai) Limited	Peoples Republic of China	N/A
Taubman Macau Limited	Macau	N/A
Taubman MSC LLC	Delaware	N/A
Taubman Office Center LLC	Delaware	N/A
Taubman One Management Consulting (Shanghai) LP	Peoples Republic of China	N/A
Taubman Prestige Outlets of Chesterfield LLC	Delaware	Taubman Prestige Outlets Chesterfield

NAME	JURISDICTION OF FORMATION	DOING BUSINESS AS
Taubman Equity Investment Fund (Shanghai) LP	Peoples Republic of China	N/A
Taubman Equity Investment Fund Management (Shanghai) Co., Ltd.	Peoples Republic of China	N/A
Taubman Imaginary VC Holdings LLC	Delaware	N/A
Taubman Properties Asia III LLC	Delaware	N/A
Taubman Properties Asia LLC	Delaware	N/A
Taubman Puerto Rico LLC	Puerto Rico	N/A
Taubman San Juan CRL, LLC	Delaware	N/A
Taubman Stamford Holdings, LLC	Delaware	N/A
Taubman Two Management Consulting (Shanghai) LP	Peoples Republic of China	N/A
Taubman Xian (Hong Kong) Limited	Hong Kong	N/A
Taubman Xian Holdings Limited	Cayman Islands	N/A
Taubman Zhengzhou (Hong Kong) Limited	Hong Kong	N/A
Taubman Zhengzhou Holdings Limited	Cayman Islands	N/A
Taubman-Cherry Creek Limited Partnership	Colorado	Cherry Creek (west end only)
The Gardens on El Paseo LLC	Delaware	The Gardens on El Paseo
The Taubman Company Asia Limited	Cayman Islands	N/A
The Taubman Company LLC	Delaware	The Taubman Company
The Taubman Realty Group Limited Partnership	Delaware	N/A
TM Restaurant LLC	Delaware	N/A
TM-BC Food Hall LLC	Delaware	N/A
TM-BC Restaurant LLC	Delaware	N/A
TM-IMP Food Hall LLC	Delaware	N/A
TM-IMP Restaurant LLC	Delaware	Stripsteak
T-O Associates Holdings LLC	Delaware	N/A
TPA Hanam Union Square GP LLC	Delaware	N/A
TPA Hanam Union Square Holdings LP	Delaware	N/A
TPOC Chesterfield LLC	Delaware	N/A
TRG Auburn Hills LLC	Delaware	N/A
TRG CCP Holdings LLC	Delaware	N/A
TRG Development LLC	Delaware	N/A
TRG Forsyth LLC	Delaware	N/A
TRG IMP LLC	Delaware	International Market Place
TRG Properties-Orlando, L.L.C.	Delaware	N/A
TRG Properties-Waterside L.L.C.	Delaware	N/A
TRG Sarasota Company LLC	Delaware	N/A
TRG Short Hills LLC	Delaware	N/A
TRG Stamford Holdings, L.L.C.	Delaware	N/A
TRG SunValley LLC	Delaware	N/A
TRG/F-T Waterside, L.L.C.	Delaware	N/A
TRG-Fairfax L.L.C.	Delaware	N/A
TRG-Waikiki LLC	Delaware	N/A
TVO Mall Owner LLC	Delaware	Twelve Oaks Mall
Twelve Oaks Mall LLC	Michigan	N/A
Woodland GP, Inc.	Delaware	N/A
Woodland Holdings Investments LLC	Delaware	N/A
Woodland Shopping Center Limited Partnership	Delaware	N/A

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Taubman Centers, Inc.:

We consent to the incorporation by reference in the registration statements, including amendments thereto, on Form S-8 (Nos. 333-225921, 33-65934, 333-81577, 333-125066, 333-151982, and 333-169996) and on Form S-3 (Nos. 33-73038, 333-125065, 333-185702) of Taubman Centers, Inc. of our reports dated February 28, 2019 , with respect to the consolidated balance sheet of Taubman Centers, Inc. as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income, changes in equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement schedules listed in the Index at Item 15(a)(2)) (collectively, the "consolidated financial statements", and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 10-K of Taubman Centers, Inc.

/s/ KPMG LLP
Chicago, Illinois
February 28, 2019

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert S. Taubman, certify that:

1. I have reviewed this annual report on Form 10-K of Taubman Centers, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/s/ Robert S. Taubman

Robert S. Taubman

Chairman of the Board of Directors, President, and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to 15 U.S.C. Section 10A, as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Simon J. Leopold, certify that:

1. I have reviewed this annual report on Form 10-K of Taubman Centers, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2019

/s/ Simon J. Leopold

Simon J. Leopold

Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Robert S. Taubman, Chief Executive Officer of Taubman Centers, Inc. (the "Registrant"), certify that based upon a review of the Annual Report on Form 10-K for the year ended December 31, 2018 (the "Report"):

(i) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Robert S. Taubman Date: February 28, 2019

Robert S. Taubman

Chairman of the Board of Directors, President, and Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I, Simon J. Leopold Chief Financial Officer of Taubman Centers, Inc. (the "Registrant"), certify that based upon a review of the Annual Report on Form 10-K for the year ended December 31, 2018 (the "Report"):

(i) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Simon J. Leopold Date: February 28, 2019

Simon J. Leopold

Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 99

UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2018

(in thousands)

	Initial Cost to Company			Gross Amount at Which Carried at Close of Period								
	Land	Buildings, Improvements, and Equipment	Cost Capitalized Subsequent to Acquisition	Land	Buildings, Improvements, and Equipment	Total	Accumulated Depreciation (A/D)	Total Cost Net of A/D	Encumbrances	Year Opened / Expanded	Year Acquired	Depreciable Life
Shopping Centers:												
CityOn.Xi'an, Xi'an,China	$ 40,480	$ 234,417		$ 40,480	$ 234,417	$ 274,897	$ 27,370	$ 247,527		2016		50 Years
CityOn.Zhengzhou, Zhengzhou,China	52,139	252,715	$ 1,696	52,139	254,411	306,550	19,211	287,339	$ 81,057	2017		50 Years
Country Club Plaza, Kansas City, MO	29,917	525,244	9,562	29,917	534,806	564,723	41,944	522,779	320,000	1922 / 1977 / 2000 / 2015	2016	50 Years
Fair Oaks, Fairfax, VA	7,666	33,147	113,807	7,666	146,954	154,620	84,487	70,133	258,067	1980 / 1987 / 1988 / 2000		55 Years
International Plaza, Tampa, FL		281,473	43,004		324,477	324,477	147,713	176,764	465,975	2001 / 2015		50 Years
The Mall at Millenia, Orlando, FL	22,517	177,322	6,626	22,517	183,948	206,465	87,320	119,145	450,000	2002		50 Years
Stamford Town Center, Stamford, CT	9,537	40,044	99,190	9,537	139,234	148,771	83,725	65,046		1982 / 2007		40 Years
Starfield Hanam, Hanam, South Korea	250,536	628,340	10,861	250,536	639,201	889,737	68,843	820,894	332,062	2016		50 Years
Sunvalley, Concord, CA	350	65,740	57,780	350	123,520	123,870	74,318	49,552	168,998	1967 / 1981	2002	40 Years
The Mall at University Town Center, Sarasota, FL	78,008	231,592	8,729	78,008	240,321	318,329	53,661	264,668	280,000	2014		50 Years
Waterside Shops, Naples, FL	12,604	66,930	74,075	12,604	141,005	153,609	55,813	97,796	165,000	1992 / 2006 / 2008	2003	50 Years
Westfarms, Farmington, CT	5,287	38,638	163,118	5,287	201,756	207,043	124,970	82,073	282,464	1974 / 1983 / 1997		34 Years
Other:												
Taubman Land Associates (Sunvalley), Concord, CA	42,693			42,693		42,693		42,693	21,164	2006		
Peripheral Land	4			4		4		4				
Construction in Process and Development - Pre-construction costs			13,058		13,058	13,058		13,058				
Total	$ 551,738	$ 2,575,602	$ 601,506	$ 551,738	$ 3,177,108	$ 3,728,846 (1)	$ 869,375	$ 2,859,471				

Exhibit 99

UNCONSOLIDATED JOINT VENTURES OF THE TAUBMAN REALTY GROUP LIMITED PARTNERSHIP

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2018

(in thousands)

The changes in total real estate assets and accumulated depreciation for the years ended December 2018, 2017, and 2016 are as follows:

	Total Real Estate Assets				Accumulated Depreciation		
	2018	2017	2016		2018	2017	2016
Balance, beginning of year	$ 3,756,890	$ 3,371,216	$ 1,628,492	Balance, beginning of year	$ (767,678)	$ (661,611)	$ (589,145)
Acquisitions			618,515	Depreciation for year	(109,582)	(119,261)	(80,093)
New development and improvements	41,771	363,601	1,131,952	Disposals	5,456	14,654	7,627
Disposals/Write-offs	(21,135)	(78,189) (2)	(7,743)	Changes in exchange rates	2,429	(1,460)	
Changes in exchange rates	(48,680)	100,262		Balance, end of year	$ (869,375)	$ (767,678)	$ (661,611)
Balance, end of year	$ 3,728,846	$ 3,756,890	$ 3,371,216				

(1) The unaudited aggregate cost for federal income tax purposes as of December 31, 2018 was $4.408 billion.

(2) Primarily represents the book balance of the Valencia Place office tower at Country Club Plaza, which was sold in March 2017.