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

Form 10-Q

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

For the Quarterly Period Ended: September 30, 2017
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)

(248) 258-6800

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

☒ Yes ☐ No

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. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)
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 a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

As of November 1, 2017 , there were outstanding 60,712,665 shares of common stock, par value $0.01 per share.

TAUBMAN CENTERS, INC.
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SIGNATURES

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

	September 30, 2017	December 31, 2016
Assets:		
Properties	$ 4,384,058	$ 4,173,954
Accumulated depreciation and amortization	(1,245,581)	(1,147,390)
	$ 3,138,477	$ 3,026,564
Investment in Unconsolidated Joint Ventures (Note 4)	563,012	604,808
Cash and cash equivalents	37,796	40,603
Restricted cash (Note 5)	3,660	932
Accounts and notes receivable, less allowance for doubtful accounts of $8,552 and $4,311 in 2017 and 2016	68,727	60,174
Accounts receivable from related parties	2,591	2,103
Deferred charges and other assets	293,695	275,728
Total Assets	$ 4,107,958	$ 4,010,912
Liabilities:		
Notes payable, net (Note 5)	$ 3,438,307	$ 3,255,512
Accounts payable and accrued liabilities	315,136	336,536
Distributions in excess of investments in and net income of Unconsolidated Joint Ventures (Note 4)	503,291	480,863
	$ 4,256,734	$ 4,072,911
Commitments and contingencies (Notes 5, 6, 7, 8, and 9)		
Redeemable noncontrolling interest (Note 6)	$ 9,150	$ 8,704
Equity (Deficit):		
Taubman Centers, Inc. Shareowners' Equity:		
Series B Non-Participating Convertible Preferred Stock, $0.001 par and liquidation value, 40,000,000 shares authorized, 24,938,214 and 25,029,059 shares issued and outstanding at September 30, 2017 and December 31, 2016	$ 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 September 30, 2017 and December 31, 2016		
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 September 30, 2017 and December 31, 2016		
Common Stock, $0.01 par value, 250,000,000 shares authorized, 60,712,037 and 60,430,613 shares issued and outstanding at September 30, 2017 and December 31, 2016	607	604
Additional paid-in capital	666,836	657,281
Accumulated other comprehensive income (loss) (Note 12)	(24,051)	(35,916)
Dividends in excess of net income	(628,965)	(549,914)
	$ 14,452	$ 72,080
Noncontrolling interests (Note 6)	(172,378)	(142,783)
	$ (157,926)	$ (70,703)
Total Liabilities and Equity	$ 4,107,958	$ 4,010,912

See notes to consolidated financial statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Revenues:				
Minimum rents	$ 84,487	$ 81,402	$ 255,577	$ 246,073
Percentage rents	3,600	6,264	7,354	9,960
Expense recoveries	51,960	52,151	154,385	147,291
Management, leasing, and development services (Note 2)	1,147	1,399	3,439	26,323
Other	12,028	6,805	36,226	16,719
	$ 153,222	$ 148,021	$ 456,981	$ 446,366
Expenses:				
Maintenance, taxes, utilities, and promotion	$ 42,351	$ 39,053	$ 121,581	$ 109,908
Other operating	23,939	18,592	65,356	57,782
Management, leasing, and development services	524	1,268	1,698	3,034
General and administrative	9,482	11,578	29,649	34,651
Restructuring charge (Note 1)	1,751		4,063	
Costs associated with shareowner activism (Note 1)	3,500		12,000	
Interest expense	27,782	22,129	80,074	61,845
Depreciation and amortization	45,805	40,637	122,958	100,099
	$ 155,134	$ 133,257	$ 437,379	$ 367,319
Nonoperating income, net	2,494	4,569	8,347	8,715
Income before income tax benefit (expense) and equity in income of Unconsolidated Joint Ventures	$ 582	$ 19,333	$ 27,949	$ 87,762
Income tax benefit (expense) (Note 3)	(54)	460	(375)	(284)
Equity in income of Unconsolidated Joint Ventures (Note 4)	13,723	15,391	47,099	49,779
Net income	$ 14,251	$ 35,184	$ 74,673	$ 137,257
Net income attributable to noncontrolling interests (Note 6)	(3,528)	(10,111)	(20,581)	(40,248)
Net income attributable to Taubman Centers, Inc.	$ 10,723	$ 25,073	$ 54,092	$ 97,009
Distributions to participating securities of TRG (Note 8)	(576)	(537)	(1,723)	(1,573)
Preferred stock dividends	(5,784)	(5,784)	(17,353)	(17,353)
Net income attributable to Taubman Centers, Inc. common shareowners	$ 4,363	$ 18,752	$ 35,016	$ 78,083
Net income	$ 14,251	$ 35,184	$ 74,673	$ 137,257
Other comprehensive income (Note 12):				
Unrealized gain (loss) on interest rate instruments	(120)	1,520	(3,907)	(15,024)
Fair value adjustment for marketable equity securities	(187)		(4,165)	
Cumulative translation adjustment	9,076	7,222	19,528	7,529
Reclassification adjustment for amounts recognized in net income	1,034	3,241	5,311	8,612
	$ 9,803	$ 11,983	$ 16,767	$ 1,117
Comprehensive income	$ 24,054	$ 47,167	$ 91,440	$ 138,374
Comprehensive income attributable to noncontrolling interests	(6,385)	(13,744)	(25,467)	(40,937)
Comprehensive income attributable to Taubman Centers, Inc.	$ 17,669	$ 33,423	$ 65,973	$ 97,437
Basic earnings per common share (Note 10)	$ 0.07	$ 0.31	$ 0.58	$ 1.29
Diluted earnings per common share (Note 10)	$ 0.07	$ 0.31	$ 0.58	$ 1.29
Cash dividends declared per common share	$ 0.6250	$ 0.5950	$ 1.8750	$ 1.7850
Weighted average number of common shares outstanding – basic	60,710,184	60,396,902	60,654,026	60,341,863

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(in thousands, except share data)

	Taubman Centers, Inc. Shareowners' 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, January 1, 2016	39,544,939	$ 25	60,233,561	$ 602	$652,146	$ (27,220)	$ (512,746)	$ 8,004	$ 120,811
Issuance of common stock pursuant to Continuing Offer (Notes 8 and 9)	(15,880)		15,880						—
Share-based compensation under employee and director benefit plans (Note 8)			155,656	2	13,106				13,108
Former Taubman Asia President redeemable equity adjustment (Note 6)					(13,582)				(13,582)
Adjustments of noncontrolling interests (Note 6)					2,167			(2,529)	(362)
Dividends and distributions (excludes $7,150 of distributions attributable to redeemable noncontrolling interest) (Note 6)							(126,703)	(184,503)	(311,206)
Other					2		(697)		(695)
Net income (excludes $362 of net loss attributable to redeemable noncontrolling interest) (Note 6)							97,009	40,610	137,619
Other comprehensive income (Note 12):									
Unrealized loss on interest rate instruments and other						(10,615)		(4,409)	(15,024)
Cumulative translation adjustment						5,320		2,209	7,529
Reclassification adjustment for amounts recognized in net income						6,085		2,527	8,612
Balance, September 30, 2016	39,529,059	$ 25	60,405,097	$ 604	$653,839	$ (26,430)	$ (543,137)	$ (138,091)	$ (53,190)
Balance, January 1, 2017	39,529,059	$ 25	60,430,613	$ 604	$657,281	$ (35,916)	$ (549,914)	$ (142,783)	$ (70,703)
Issuance of common stock pursuant to Continuing Offer (Notes 8 and 9)	(90,845)		90,850	1	(1)				—
Share-based compensation under employee and director benefit plans (Note 8)			190,574	2	10,490				10,492
Former Taubman Asia President redeemable equity adjustment (Note 6)					(446)				(446)
Adjustments of noncontrolling interests (Note 6)					(490)	(16)		(215)	(721)
Dividends and distributions							(132,884)	(55,568)	(188,452)
Other					2		(259)		(257)
Net income (excludes $721 of net loss attributable to redeemable noncontrolling interest) (Note 6)							54,092	21,302	75,394
Other comprehensive income (Note 12):									
Unrealized loss on interest rate instruments						(2,769)		(1,138)	(3,907)
Fair value adjustment for marketable equity securities						(2,952)		(1,213)	(4,165)
Cumulative translation adjustment						13,839		5,689	19,528
Reclassification adjustment for amounts recognized in net income						3,763		1,548	5,311
Balance, September 30, 2017	39,438,214	$ 25	60,712,037	$ 607	$666,836	$ (24,051)	$ (628,965)	$ (172,378)	$(157,926)

See notes to consolidated financial statements.

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

	Nine Months Ended September 30	
	2017	2016
Cash Flows From Operating Activities:		
Net income	$ 74,673	$ 137,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122,958	100,099
Provision for bad debts	7,612	4,731
Gains on sales of peripheral land	(945)	(1,827)
Other	13,349	12,909
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Receivables, restricted cash, deferred charges, and other assets	(15,203)	(13,363)
Accounts payable and accrued liabilities	(2,169)	2,117
Net Cash Provided By Operating Activities	$ 200,275	$ 241,923
Cash Flows From Investing Activities:		
Additions to properties	$ (249,845)	$ (377,192)
Proceeds from sales of peripheral land	1,300	11,258
Cash provided to escrow or deposits related to center construction projects	(9,106)	(103,463)
Funding development deposit (Note 2)	(10,998)	
Contributions to Unconsolidated Joint Ventures	(3,524)	(42,322)
Contribution for acquisition of Country Club Plaza (Note 2)		(314,245)
Distributions from Unconsolidated Joint Ventures in excess of income (Note 2)	80,627	177,614
Other	64	61
Net Cash Used In Investing Activities	$ (191,482)	$ (648,289)
Cash Flows From Financing Activities:		
Proceeds from revolving lines of credit, net	$ 152,190	$ 209,505
Debt proceeds	336,749	732,081
Debt payments	(307,064)	(365,978)
Debt issuance costs	(6,665)	(1,620)
Issuance of common stock and/or TRG Units in connection with incentive plans	1,642	1,806
Distributions to noncontrolling interests	(55,568)	(191,653)
Distributions to participating securities of TRG	(1,723)	(1,573)
Contributions from noncontrolling interests (Note 6)		2,000
Cash dividends to preferred shareowners	(17,353)	(17,353)
Cash dividends to common shareowners	(113,808)	(107,777)
Net Cash (Used In) Provided By Financing Activities	$ (11,600)	$ 259,438
Net Decrease In Cash and Cash Equivalents	$ (2,807)	$ (146,928)
Cash and Cash Equivalents at Beginning of Period	40,603	206,635
Cash and Cash Equivalents at End of Period	$ 37,796	$ 59,707

See notes to consolidated financial statements.

Note 1 - Interim Financial Statements

General

Taubman Centers, Inc. (the Company or 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 (the Operating Partnership or TRG) is a majority-owned partnership subsidiary of TCO that owns direct or indirect interests in all of the Company's real estate properties. In this report, the term "Company" refers to TCO, the Operating Partnership, and/or the Operating Partnership's subsidiaries as the context may require. The Company engages in the ownership, management, leasing, acquisition, disposition, development, and expansion of regional and super-regional retail shopping centers and interests therein. The Company's owned portfolio as of September 30, 2017 included 24 urban and suburban shopping centers operating in 11 U.S. states, Puerto Rico, South Korea, and China.

Taubman Properties Asia LLC and its subsidiaries (Taubman Asia), which is the platform for the Company's operations and developments in China and South Korea, is headquartered in Hong Kong.

The unaudited interim financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 . In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial statements for the interim periods have been made. The results of interim periods are not necessarily indicative of the results for a full year.

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 the Company include all accounts of the Company, the Operating Partnership, and its consolidated subsidiaries, including The Taubman Company LLC (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, the Company evaluates the characteristics of associated entities and determines whether an entity is a variable interest entity (VIE), and, if so, determines whether the Company is the primary beneficiary by analyzing whether the Company has 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. The Company consolidates a VIE when it has determined that it is the primary beneficiary. All of the Company's consolidated joint ventures, including the Operating Partnership, meet the definition and criteria as VIEs, as either the Company or an affiliate of the Company is the primary beneficiary of each VIE.

The Company's sole significant asset is its investment in the Operating Partnership and, consequently, substantially all of the Company's consolidated assets and liabilities are assets and liabilities of the Operating Partnership. All of the Company's debt (Note 5) is an obligation of the Operating Partnership or its consolidated subsidiaries. Note 5 also provides disclosure of guarantees provided by the Operating Partnership to certain consolidated joint ventures. Note 6 provides additional disclosures of the carrying balance of the noncontrolling interests in its consolidated joint ventures and other information, including a description of certain rights of the noncontrolling owners.

Investments in entities not controlled but over which the Company may exercise significant influence (Unconsolidated Joint Ventures or UJVs) are accounted for under the equity method. The Company has evaluated its investments in the Unconsolidated Joint Ventures under guidance for determining whether an entity is a VIE and has concluded that the ventures are not VIEs. Accordingly, the Company accounts for its 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). The Company’s 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 the Company has concluded that the equity method of accounting is appropriate for these interests. Specifically, the Company’s 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. The Company provides its beneficial interest in certain financial information of its Unconsolidated Joint Ventures (Notes 4 and 5). This beneficial information is derived as the Company's ownership interest in the investee multiplied by the specific financial statement item being presented. Investors are cautioned that deriving the Company's beneficial interest in this manner may not accurately depict the legal and economic implications of holding a noncontrolling interest in the investee.

Ownership

In addition to common stock, there were three classes of preferred stock outstanding (Series B, J, and K) as of September 30, 2017 . Dividends on the 6.5% Series J Cumulative Redeemable Preferred Stock (Series J Preferred Stock) and the 6.25% Series K Cumulative Redeemable Preferred Stock (Series K Preferred Stock) are cumulative and are paid on the last business day of each calendar quarter. The Company owns corresponding Series J and Series K Preferred Equity interests in the Operating Partnership that entitle the Company to income and distributions (in the form of guaranteed payments) in amounts equal to the dividends payable on the Company’s Series J and Series K Preferred Stock.

The Company also is obligated to issue to partners in the Operating Partnership other than the Company, upon subscription, one share of nonparticipating Series B Preferred Stock per each unit of limited partnership in TRG (TRG Unit) . The Series B Preferred Stock entitles its holders to one vote per share on all matters submitted to the Company’s shareowners and votes together with the common stock on all matters as a single class. The holders of Series B Preferred Stock are not entitled to dividends or earnings. The Series B Preferred Stock is convertible into common stock at a ratio of 14,000 shares of Series B Preferred Stock for one share of common stock .

Outstanding voting securities of the Company at September 30, 2017 consisted of 24,938,214 shares of Series B Preferred Stock and 60,712,037 shares of common stock.

The Operating Partnership

At September 30, 2017 , the Operating Partnership’s equity included two classes of preferred equity (Series J and K) and the net equity of the TRG unitholders. Net income and distributions of the Operating Partnership are allocable first to the preferred equity interests, and the remaining amounts to the general and limited partners in the Operating Partnership in accordance with their percentage ownership. The Series J and Series K Preferred Equity are owned by the Company and are eliminated in consolidation.

The Company's ownership in the Operating Partnership at September 30, 2017 consisted of a 71% managing general partnership interest, as well as the Series J and Series K Preferred Equity interests. The Company's average ownership percentage in the Operating Partnership for both the nine months ended September 30, 2017 and 2016 was 71% . At September 30, 2017 , the Operating Partnership had 85,667,471 TRG Units outstanding, of which the Company owned 60,712,037 TRG Units. Disclosures about TRG Units outstanding exclude TRG Profits Units granted or other share-based grants for which TRG Units may eventually be issued (Note 8).

Restructuring Charge

The Company is undergoing a restructuring to reduce its 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 three and nine months ended September 30, 2017, the Company incurred $1.8 million and $4.1 million , respectively, of expenses related to the restructuring. These expenses have been separately classified as Restructuring Charge on the Consolidated Statement of Operations and Comprehensive Income. As of September 30, 2017 , $1.8 million of the restructuring costs recognized during 2017 were unpaid and remained accrued.

Costs Associated with Shareowner Activism

During the three and nine months ended September 30, 2017 , the Company incurred $3.5 million and $12.0 million , respectively, of expense associated with activities related to a shareowner activist campaign, largely legal and advisory services. Due to the unusual and infrequent nature of these expenses in the Company's history, they have been separately classified as Costs Associated with Shareowner Activism in the Company's Consolidated Statement of Operations and Comprehensive Income.

Management’s Responsibility to Evaluate the Company’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 the Company's 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 Quarterly Report on Form 10-Q.

Note 2 - Acquisition, Redevelopments, Developments, and Service Agreement

Acquisition

Country Club Plaza

In March 2016, a joint venture that the Company 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. The Company has a 50% ownership interest in the center, which is jointly managed by both companies. The Company's 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 for $75.2 million ($37.6 million at TRG's share), which was a component of the mixed-use property acquired.

U.S. Redevelopments

Redevelopments

The Company has ongoing redevelopment projects at Beverly Center and The Mall at Green Hills, which are expected to be completed in 2018 and 2019, respectively. In total, these two redevelopment projects are expected to cost approximately $700 million . As of September 30, 2017 , the Company's total capitalized costs related to these redevelopment projects were $342.9 million .

U.S. Development

International Market Place

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

Asia Developments

Operating Centers

The Company has 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 centers opened in April 2016, September 2016, and March 2017, respectively (Note 4). These investments are classified within Investment in Unconsolidated Joint Ventures on the Consolidated Balance Sheet.

South Korea Project

The Company was previously exploring a second development opportunity in South Korea with Shinsegae Group, the Company's partner in Starfield Hanam. In March 2017, the Company made a refundable deposit of $11 million relating to a potential development site. After performing due diligence, the Company has decided not to proceed with the project. The return of the deposit, including a 5% return, is secured by a letter of credit from Shinsegae Group. The Company's $11 million deposit is classified within Deferred Charges and Other Assets on the Consolidated Balance Sheet.

Restricted Deposits

During the nine months ended September 30, 2017 and 2016 , the Company provided $6.4 million and $108.2 million , respectively, of restricted deposits related to its Asia joint ventures and other investments. These deposits are classified within Deferred Charges and Other Assets on the Consolidated Balance Sheet.

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, the Company 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)

The Company's income tax expense (benefit) for the three and nine months ended September 30, 2017 and 2016 consisted of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Federal current	$ 253	$ 52	$ (1,103)	$ 1,849
Federal deferred	(204)	(666)	823	(1,852)
Foreign current	370	72	712	222
Foreign deferred	(176)	168	(136)	99
State current	(202)	45	(61)	252
State deferred	13	(131)	140	(286)
Total income tax expense (benefit)	$ 54	$ (460)	$ 375	$ 284

Deferred Taxes

Deferred tax assets and liabilities as of September 30, 2017 and December 31, 2016 were as follows:

	2017	2016
Deferred tax assets:		
Federal	$ 1,313	$ 3,230
Foreign	2,005	1,673
State	590	935
Total deferred tax assets	$ 3,908	$ 5,838
Valuation allowances	(1,636)	(1,812)
Net deferred tax assets	$ 2,272	$ 4,026
Deferred tax liabilities:		
Foreign	$ 1,319	$ 1,124
Total deferred tax liabilities	$ 1,319	$ 1,124

The Company believes that it is more likely than not that 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.

Note 4 - Investments in Unconsolidated Joint Ventures

General Information

The Company owns beneficial interests in joint ventures that own shopping centers. The Operating Partnership is the sole direct or indirect managing general partner or managing member of Fair Oaks, International Plaza, Stamford Town Center, Sunvalley, The Mall at University Town Center, and Westfarms. The Operating Partnership also provides certain management, leasing, and/or development services to the other shopping centers noted below.

Shopping Center	Ownership as of September 30, 2017 and December 31, 2016
CityOn.Xi'an	50%
CityOn.Zhengzhou	49
Country Club Plaza	50
Fair Oaks	50
International Plaza	50.1
The Mall at Millenia	50
Stamford Town Center	50
Starfield Hanam	34.3
Sunvalley	50
The Mall at University Town Center	50
Waterside Shops	50
Westfarms	79

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

In its Consolidated Balance Sheet, the Company separately reports its 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 centers further decrease the net equity of the 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 the Operating Partnership's beneficial interest in the combined operations information. The combined information of the Unconsolidated Joint Ventures as of December 31, 2016 excludes the balances of CityOn.Zhengzhou, which opened in March 2017. Beneficial interest is calculated based on the Operating Partnership's ownership interest in each of the Unconsolidated Joint Ventures.

	September 30, 2017	December 31, 2016
Assets:		
Properties	$ 3,693,394	$ 3,371,216
Accumulated depreciation and amortization	(733,742)	(661,611)
	$ 2,959,652	$ 2,709,605
Cash and cash equivalents	120,860	83,882
Accounts and notes receivable, less allowance for doubtful accounts of $4,626 and $1,965 in 2017 and 2016	115,665	87,612
Deferred charges and other assets	120,857	67,167
	$ 3,317,034	$ 2,948,266
Liabilities and accumulated equity (deficiency) in assets:		
Notes payable, net [(1)]	$ 2,829,847	$ 2,706,628
Accounts payable and other liabilities	533,800	359,814
TRG's accumulated deficiency in assets	(98,402)	(166,226)
Unconsolidated Joint Venture Partners' accumulated equity in assets	51,789	48,050
	$ 3,317,034	$ 2,948,266
TRG's accumulated deficiency in assets (above)	$ (98,402)	$ (166,226)
TRG's investment in and advances to CityOn.Zhengzhou	45,607	112,861
TRG basis adjustments, including elimination of intercompany profit	62,905	126,240
TCO's additional basis	49,611	51,070
Net investment in Unconsolidated Joint Ventures	$ 59,721	$ 123,945
Distributions in excess of investments in and net income of Unconsolidated Joint Ventures	503,291	480,863
Investment in Unconsolidated Joint Ventures	$ 563,012	$ 604,808

(1) The Notes Payable, Net amount excludes the construction financing outstanding for CityOn.Zhengzhou of $70.5 million ($34.5 million at TRG's share) as of December 31, 2016 .

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Revenues	$ 146,406	$ 119,277	$ 429,679	$ 325,231
Maintenance, taxes, utilities, promotion, and other operating expenses	$ 59,494	$ 43,248	$ 159,854	$ 114,960
Interest expense	32,108	26,583	97,198	73,669
Depreciation and amortization	31,907	26,613	95,103	61,736
Total operating costs	$ 123,509	$ 96,444	$ 352,155	$ 250,365
Nonoperating income (expense)	340	(594)	2,551	512
Income tax expense	(276)	(315)	(4,139)	(315)
Gain on disposition, net of tax (1)			3,713	
Net income	$ 22,961	$ 21,924	$ 79,649	$ 75,063
Net income attributable to TRG	$ 12,585	$ 11,058	$ 42,833	$ 40,851
Realized intercompany profit, net of depreciation on TRG’s basis adjustments	1,626	4,821	5,726	10,388
Depreciation of TCO's additional basis	(488)	(488)	(1,460)	(1,460)
Equity in income of Unconsolidated Joint Ventures	$ 13,723	$ 15,391	$ 47,099	$ 49,779
Beneficial interest in Unconsolidated Joint Ventures’ operations:				
Revenues less maintenance, taxes, utilities, promotion, and other operating expenses	$ 47,063	$ 44,975	$ 147,310	$ 125,102
Interest expense	(16,574)	(14,274)	(50,204)	(39,009)
Depreciation and amortization	(16,646)	(14,995)	(49,819)	(35,999)
Income tax expense	(120)	(315)	(2,271)	(315)
Gain on disposition, net of tax (1)			2,083	
Equity in income of Unconsolidated Joint Ventures	$ 13,723	$ 15,391	$ 47,099	$ 49,779

(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

In 2016, the Company issued a note receivable to one of its Unconsolidated Joint Ventures for purposes of funding development costs. The balance of the note receivable was $45.6 million and $43.2 million as of September 30, 2017 and December 31, 2016 , respectively, and was classified within Investment in Unconsolidated Joint Ventures on the Consolidated Balance Sheet.

Note 5 - Beneficial Interest in Debt and Interest Expense

The Operating Partnership'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. The Operating Partnership's beneficial interest in the consolidated subsidiaries excludes debt and interest related to the noncontrolling interest in Cherry Creek Shopping Center (50%), International Market Place (6.5%), and The Mall of San Juan (5%) through its loan payoff in March 2017.

	At 100%		At Beneficial Interest	
	Consolidated Subsidiaries	Unconsolidated Joint Ventures	Consolidated Subsidiaries	Unconsolidated Joint Ventures
Debt as of:				
September 30, 2017	$ 3,438,307	$ 2,829,847	$ 3,144,885	$ 1,447,922
December 31, 2016	3,255,512	2,777,162	2,949,440	1,425,511
Capitalized interest:				
Nine Months Ended September 30, 2017	$ 9,552 (1)	$ 456 (2)	$ 9,480 (1)	$ 456 (2)
Nine Months Ended September 30, 2016	17,892 (1)	2,188 (2)	17,841 (1)	2,188 (2)
Interest expense:				
Nine Months Ended September 30, 2017	$ 80,074	$ 97,198	$ 71,136	$ 50,204
Nine Months Ended September 30, 2016	61,845	73,669	54,459	39,009

(1) The Company capitalizes interest costs incurred in funding its equity contributions to development projects accounted for as Unconsolidated Joint Ventures. The capitalized interest cost is included in the Company's basis in its investment in Unconsolidated Joint Ventures. Such capitalized interest reduces interest expense on the Company's 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 financings is presented at the Company's beneficial interest in both the Unconsolidated Joint Ventures (at 100%) and Unconsolidated Joint Ventures (at Beneficial Interest) columns.

2017 Financings

In July 2017, the Company added 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 April 2017, the Company extended the $65.0 million secondary secured revolving line of credit for one year upon maturity. All significant terms remain unchanged as a result of the extension.

In March 2017, the Company 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. The Company funded the repayment using its revolving lines of credit.

In February 2017, the Company completed a $300 million unsecured term loan that matures in February 2022 . TRG is the borrower under the loan and the loan bears interest at a range of LIBOR plus 1.25% to LIBOR plus 1.90% based on the Company's total leverage ratio. In March 2017, the Company entered into forward starting swaps to fix the LIBOR rate on the $300 million unsecured term loan from January 2018 through the term of the loan (Note 7). Also in February 2017, the Company amended its $1.1 billion primary unsecured revolving line of credit. The amended agreement extends the maturity date to February 2021 , with two six-month extension options. The facilities include an accordion feature which would increase the Company's maximum aggregate total commitment to $2.0 billion between the two facilities if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, and covenant compliance for the unencumbered asset pool.

Upcoming Maturity

The construction facility for International Market Place matures in August 2018. As of September 30, 2017 , the outstanding balance of this construction facility was $293.8 million . The Company is currently evaluating options related to refinancing or exercising the initial one-year extension option.

Debt Covenants and Guarantees

Certain loan agreements contain various restrictive covenants, including the following corporate covenants on the Company's primary unsecured revolving line of credit, $475 million and $300 million unsecured term loans, and the construction facility 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, the Company's primary unsecured revolving line of credit and unsecured term loans have unencumbered pool covenants, which currently apply to Beverly Center, Dolphin Mall, The Gardens on El Paseo, and Twelve Oaks Mall 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 September 30, 2017 , the corporate total leverage ratio was the most restrictive covenant. The Company was in compliance with all of its covenants and loan obligations as of September 30, 2017 . 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 the Company's tax status, pay preferred distributions, and for distributions related to the sale of certain assets.

In connection with the financing of the construction facility at International Market Place, the Operating Partnership has provided an unconditional guarantee of the construction loan principal balance and all accrued but unpaid interest during the term of the loan. The Operating Partnership has also provided a guarantee as to the completion of construction of the center. The maximum amount of the construction facility is $330.9 million . The outstanding balance of the International Market Place construction facility as of September 30, 2017 was $293.8 million . Accrued but unpaid interest as of September 30, 2017 was $0.7 million . The Company believes the likelihood of a payment under the guarantees to be remote.

In connection with the $175 million additional financing at International Plaza, which is owned by an Unconsolidated Joint Venture, the Operating Partnership 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 September 30, 2017 , the interest rate swap was in a liability position of less than $0.1 million and had unpaid interest of $0.1 million . The Company believes the likelihood of a payment under the guarantee to be remote.

Other

The Company is required to escrow cash balances for specific uses stipulated by certain of its lenders and other various agreements. As of September 30, 2017 and December 31, 2016 , the Company's cash balances restricted for these uses were $3.7 million and $0.9 million , respectively.

Note 6 - Noncontrolling Interests

Redeemable Noncontrolling Interests

Taubman Asia President

In September 2016, the Company 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 the Company 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 the Operating Partnership for Taubman Asia's operating and investment activities subsequent to the Former Asia President obtaining his ownership interest. The Operating Partnership 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 the Operating Partnership'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 the Operating Partnership's preferred interest. The Company has 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. The Company presents 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 September 30, 2017 and December 31, 2016 , the carrying amount of this redeemable equity was $9.2 million and $8.7 million , respectively. Any adjustments to the redemption value are recorded through equity.

In April 2016, the Company 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 the Operating Partnership for Taubman Asia's operating and investment activities subsequent to the Successor Asia President obtaining his ownership interest. The Operating Partnership 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 the Operating Partnership'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 the Operating Partnership's preferred interest. The Company has determined that the Successor 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. As of September 30, 2017 , the carrying amount of this redeemable equity was zero . Any adjustments to the redemption value are recorded through equity.

International Market Place

The Company owns 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 nor the right to contribute capital. The Company is entitled to a preferential return on its capital contributions. The Company has the right to purchase the joint venture partner's interest and the joint venture partner has the right to require the Company 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, the Company accounts for the joint venture partner's interest as a contingently redeemable noncontrolling interest with a carrying value of zero at both September 30, 2017 and December 31, 2016 . Any adjustments to the redemption value are recorded through equity.

Reconciliation of Redeemable Noncontrolling Interest

	Nine Months Ended September 30	
	2017	2016
Balance, January 1	$ 8,704	
Former Taubman Asia President vested redeemable equity	446	$ 13,582
Distributions		(7,150)
Contributions		2,000
Allocation of net loss	(721)	(362)
Adjustments of redeemable noncontrolling interest	721	362
Balance, September 30	$ 9,150	$ 8,432

Equity Balances of Non-redeemable Noncontrolling Interests

The net equity balance of the non-redeemable noncontrolling interests as of September 30, 2017 and December 31, 2016 included the following:

	2017	2016
Non-redeemable noncontrolling interests:		
Noncontrolling interests in consolidated joint ventures	$ (159,561)	$ (155,919)
Noncontrolling interests in partnership equity of TRG	(12,817)	13,136
	$ (172,378)	$ (142,783)

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to the noncontrolling interests for the three months ended September 30, 2017 and 2016 included the following:

	Three Months Ended September 30	
	2017	2016
Net income (loss) attributable to noncontrolling interests:		
Non-redeemable noncontrolling interests:		
Noncontrolling share of income of consolidated joint ventures	$ 1,524	$ 1,779
Noncontrolling share of income of TRG	2,298	8,449
	$ 3,822	$ 10,228
Redeemable noncontrolling interest:	(294)	(117)
	$ 3,528	$ 10,111

Net income (loss) attributable to the noncontrolling interests for the nine months ended September 30, 2017 and 2016 included the following:

	Nine Months Ended September 30	
	2017	2016
Net income (loss) attributable to noncontrolling interests:		
Non-redeemable noncontrolling interests:		
Noncontrolling share of income of consolidated joint ventures	$ 5,000	$ 6,175
Noncontrolling share of income of TRG	16,302	34,435
	$ 21,302	$ 40,610
Redeemable noncontrolling interest:	(721)	(362)
	$ 20,581	$ 40,248

Equity Transactions

The following table presents the effects of changes in Taubman Centers, Inc.'s ownership interest in consolidated subsidiaries on Taubman Centers, Inc.'s equity for the nine months ended September 30, 2017 and 2016 :

	Nine Months Ended September 30	
	2017	2016
Net income attributable to Taubman Centers, Inc. common shareowners	$ 35,016	$ 78,083
Transfers (to) from the noncontrolling interest:		
(Decrease) increase in Taubman Centers, Inc.'s paid-in capital for adjustments of noncontrolling interest [1]	(490)	2,167
Net transfers (to) from noncontrolling interests	(490)	2,167
Change from net income attributable to Taubman Centers, Inc. and transfers (to) from noncontrolling interests	$ 34,526	$ 80,250

(1) In 2017 and 2016, adjustments of the noncontrolling interest were made as a result of changes in the Company's ownership of the Operating Partnership in connection with the Company's share-based compensation under employee and director benefit plans (Note 8) and issuances of common stock pursuant to the Continuing Offer (Note 9). In 2017 and 2016, adjustments of the noncontrolling interest were also made in connection with the accounting for the Former Asia President's redeemable ownership interest.

Finite Life Entities

Accounting Standards Codification (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 September 30, 2017 , the Company 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 $360 million at September 30, 2017 , compared to a book value of $(159.6) million that is classified in Noncontrolling Interests on the Company's Consolidated Balance Sheet. The fair value of the noncontrolling interest was calculated as the noncontrolling interest's ownership share of the underlying property's fair value. The property's fair value was estimated by considering its in-place net operating income, current market capitalization rate, and mortgage debt outstanding.

Note 7 - Derivative and Hedging Activities

Risk Management Objective and Strategies for Using Derivatives

The Company uses 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. The Company may also enter into forward starting swaps or treasury lock agreements to set the effective interest rate on a planned fixed-rate financing. The Company's interest rate swaps involve the receipt of variable-rate amounts from a counterparty in exchange for the Company 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 the Company cash settles in anticipation of a fixed rate financing or refinancing, the Company 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.

The Company does 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 September 30, 2017 , the Company 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%	1.45% (1)	3.09% (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%	1.45% (1)	3.09% (1)	February 2019
Receive variable (LIBOR) /pay-fixed swap (2)	100%	100,000	(2)	(2)	(2)	February 2022
Receive variable (LIBOR) /pay-fixed swap (2)	100%	100,000	(2)	(2)	(2)	February 2022
Receive variable (LIBOR) /pay-fixed swap (2)	100%	50,000	(2)	(2)	(2)	February 2022
Receive variable (LIBOR) /pay-fixed swap (2)	100%	50,000	(2)	(2)	(2)	February 2022
Receive variable (LIBOR) /pay-fixed swap (3)	100%	12,000	2.09% (3)	1.40% (3)	3.49% (3)	March 2024
Unconsolidated Joint Ventures:						
Receive variable (LIBOR) /pay-fixed swap (4)	50%	130,801	2.40%	1.70%	4.10%	April 2018
Receive variable (LIBOR) /pay-fixed swap (4)	50%	130,801	2.40%	1.70%	4.10%	April 2018
Receive variable (LIBOR) /pay-fixed swap (5)	50.1%	166,500	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. The Company is currently using these swaps to manage interest rate risk on the $475 million unsecured term loan. The credit spread on this loan can also vary within a range of 1.35% to 1.90% , depending on the Company's total leverage ratio at the measurement date, resulting in an effective rate in the range of 2.99% to 3.55% during the 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. The Company anticipates using these forward starting swaps to manage interest rate risk on the $300 million unsecured term loan beginning with the January 2018 effective date. Beginning in January 2018, the LIBOR rate will be swapped to a fixed rate of 2.14% . The credit spread on this loan can vary within a range of 1.25% to 1.90% , depending on the Company's 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 notional amount on this swap is equal to the outstanding principal balance of the floating rate loan on the U.S. headquarters building.

(4) The notional amount on each of these swaps is equal to 50% of the outstanding principal balance of the loan on Fair Oaks.

(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

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the unrealized gain or loss on the derivative is reported as a component of Other Comprehensive Income (OCI). The ineffective portion of the change in fair value, if any, is recognized directly in earnings. 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 Accumulated Other Comprehensive Income (Loss) (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 the Company's 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.

The Company expects that approximately $3.4 million of the AOCI of Taubman Centers, Inc. and the noncontrolling interests will be reclassified from AOCI and recognized as a reduction of income in the following 12 months.

The following tables present the effect of derivative instruments on the Company's Consolidated Statement of Operations and Comprehensive Income for the three and nine months ended September 30, 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.

During the three months ended September 30, 2017 and 2016 , the Company recognized an inconsequential amount and $0.5 million , respectively, of hedge ineffectiveness income related to the swaps used to hedge the $475 million unsecured term loan. The hedge ineffectiveness for both periods was recorded in Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income.

	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)	
	Three Months Ended September 30			Three Months Ended September 30	
	2017	2016		2017	2016
Derivatives in cash flow hedging relationships:					
Interest rate contracts – consolidated subsidiaries	$ 472	$ 2,933	Interest Expense	$ (533)	$ (1,446)
Interest rate contracts – UJVs	454	1,682	Equity in Income of UJVs	(523)	(940)
Cross-currency interest rate contract – UJV	(13)	146	Equity in Income of UJVs	22	(855)
Total derivatives in cash flow hedging relationships	$ 913	$ 4,761		$ (1,034)	$ (3,241)

During the nine months ended September 30, 2017 and 2016 , the Company recognized an inconsequential amount of hedge ineffectiveness expense and $0.2 million of hedge ineffectiveness income, respectively, related to the swaps used to hedge the $475 million unsecured term loan. The hedge ineffectiveness for both periods was recorded in Nonoperating Income, Net on the Consolidated Statement of Operations and Comprehensive Income.

	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)	
	Nine Months Ended September 30			Nine Months Ended September 30	
	2017	2016		2017	2016
Derivatives in cash flow hedging relationships:					
Interest rate contracts – consolidated subsidiaries	$ (257)	$ (4,366)	Interest Expense	$ (2,409)	$ (4,457)
Interest rate contracts – UJVs	1,693	(1,712)	Equity in Income of UJVs	(1,920)	(2,876)
Cross-currency interest rate contract – UJV	(32)	(334)	Equity in Income of UJVs	(982)	(1,279)
Total derivatives in cash flow hedging relationships	$ 1,404	$ (6,412)		$ (5,311)	$ (8,612)

The Company records all derivative instruments at fair value on the Consolidated Balance Sheet. The following table presents the location and fair value of the Company’s derivative financial instruments as reported on the Consolidated Balance Sheet as of September 30, 2017 and December 31, 2016 .

	Consolidated Balance Sheet Location	Fair Value	
		September 30, 2017	December 31, 2016
Derivatives designated as hedging instruments:			
Asset derivative:			
Cross-currency interest rate swap - UJV	Investment in UJVs		$ 381
Total assets designated as hedging instruments		$ —	$ 381
Liability derivatives:			
Interest rate contracts – consolidated subsidiaries	Accounts Payable and Accrued Liabilities	$ (3,806)	$ (3,548)
Interest rate contracts – UJVs	Investment in UJVs	(803)	(2,496)
Cross-currency interest rate swap – UJV	Investment in UJVs	(537)	
Total liabilities designated as hedging instruments		$ (5,146)	$ (6,044)

Contingent Features

All of the Company's 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 the Operating Partnership's indebtedness. As of September 30, 2017 , the Company is not in default on any indebtedness that would trigger a credit-risk-related default on its current outstanding derivatives.

As of September 30, 2017 and December 31, 2016 , the fair value of derivative instruments with credit-risk-related contingent features that were in a liability position was $5.1 million and $6.0 million , respectively. As of September 30, 2017 and December 31, 2016 , the Company was not required to post any collateral related to these agreements. If the Company breached any of these provisions it would be required to settle its obligations under the agreements at their fair value. See Note 5 regarding guarantees and Note 11 for fair value information on derivatives.

Note 8 - Share-Based Compensation

General

The Taubman Company LLC 2008 Omnibus Long-Term Incentive Plan (2008 Omnibus Plan), as amended, which is shareowner approved, provides for the award to directors, officers, employees, and other service providers of the Company of restricted shares, restricted TRG Units, options to purchase 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 8.5 million common shares or TRG Units. TRG Units to be awarded also include "TRG Profits Units", which 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.

Non-option awards granted after an amendment of the 2008 Omnibus Plan in 2010 are deducted at a ratio of 1.85 common shares or TRG Units. Options are deducted on a one-for-one basis. The amount available for future grants is adjusted when the number of contingently issuable common shares or units are settled, for grants that are forfeited, and for options that expire without being exercised.

2017 Awards - TRG Profits Units

During 2017, the following types of TRG Profits Units awards have been granted to certain senior management individuals: (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 2017 Awards - 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 TRG Units being issued at vesting under both the TRG Profits Units and the Performance Share Unit programs.

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, the Company accounts for these TRG Profits Units as participating securities in the Operating Partnership. 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 the Operating Partnership's actual cash distributions during the vesting period .

All TRG Profits Units issued in 2017 vest in March 2020, 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.

2017 Awards - Other Management Employee Grants

During 2017, other types of awards granted to management employees include those described below. These primarily vest in March 2020, 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 the Company's market performance relative to that of a peer group. The 2017 TSR PSU grant includes 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 the Company's 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 the Company’s share-based compensation plans was $2.8 million and $8.3 million for the three and nine months ended September 30, 2017 , respectively. The compensation cost charged to income for the Company's share-based compensation plans was $3.2 million and $9.2 million for the three and nine months ended September 30, 2016 , respectively. Compensation cost capitalized as part of properties and deferred leasing costs was $0.3 million and $0.6 million for the three and nine months ended September 30, 2017 , respectively, and $0.6 million and $1.9 million for the three and nine months ended September 30, 2016 , respectively.

Valuation Methodologies

The Company 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 the Company’s 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. The Company assumes 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 the Company's 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. The Company estimated the value of grants dependent on TSR performance using a Monte Carlo simulation and considering historical returns of the Company and the peer group.

For awards dependent on NOI performance, the Company considers the NOI measure a performance condition under applicable accounting standards, and as such, has 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 Nine Months Ended September 30, 2017

Restricted TRG Profits Units

	Number of Restricted TRG Profits Units	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2017	45,940	$ 59.49
Granted	46,076	57.84
Outstanding at September 30, 2017	92,016	$ 58.66

As of September 30, 2017 , there was $3.5 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 2.0 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, 2017	103,369	$ 26.42
Granted	103,666	23.14
Outstanding at September 30, 2017	207,035	$ 24.78

As of September 30, 2017 , there was $3.3 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 2.0 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, 2017	103,369	$ 19.41
Granted	103,666	19.35
Outstanding at September 30, 2017	207,035	$ 19.38

As of September 30, 2017 , there was $2.6 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 2.0 years .

TSR - Based Performance Share Units

	Number of TSR PSU	Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2017	166,027	$ 138.93
Vested - 2015 three-year grant	(2,885) (1)	112.30
Vested - 2014 three-year grant	(43,803) (1)	88.10
Vested - 2012 and 2013 special grants	(79,764) (1)	181.99
Granted	5,046	80.16
Outstanding at September 30, 2017	44,621	$ 106.91

(1) Based on the Company's market performance relative to that of a peer group, the actual number of shares of common stock issued upon vesting during the nine months ended September 30, 2017 was 2,193 shares (0.76x), 27,166 shares (0.62x), and zero shares for the 2015 TSR PSU three-year grant, 2014 TSR PSU three-year grant, and the 2012 and 2013 TSR PSU special grants, respectively. 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. These 2015 TSR PSU three-year grants vested due to a retirement.

As of September 30, 2017 , there was $0.9 million of total unrecognized compensation cost related to nonvested TSR PSU outstanding. This cost is expected to be recognized over an average period of 0.6 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
Outstanding at September 30, 2017	5,046	$	67.04

As of September 30, 2017 , there was $0.3 million of total unrecognized compensation cost related to nonvested NOI PSU outstanding. This cost is expected to be recognized over an average period of 2.4 years .

Restricted Share Units

	Number of RSU		Weighted Average Grant-Date Fair Value
Outstanding at January 1, 2017	231,903	$	70.40
Vested	(111,617)		66.33
Granted	87,350		64.45
Forfeited	(9,097)		71.44
Outstanding at September 30, 2017	198,539	$	70.02

As of September 30, 2017 , there was $6.2 million of total unrecognized compensation cost related to nonvested RSU outstanding. This cost is expected to be recognized over an average period of 1.8 years .

Options

As of September 30, 2017 , the Company has 107,997 options outstanding at an exercise price of $45.90 and a remaining contractual term of 0.4 years . All options outstanding are fully vested and there is no unrecognized compensation cost related to options. No options were granted during the nine months ended September 30, 2017 . Cash received from option exercises for the nine months ended September 30, 2017 and 2016 was $4.8 million and $3.8 million , respectively.

Unit Option Deferral Election

Under both a prior option plan and the 2008 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, the Company's 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 the Operating Partnership 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 the Operating Partnership.

Note 9 - Commitments and Contingencies

Cash Tender

At the time of the Company's initial public offering and acquisition of its partnership interest in TRG in 1992, the Company entered into an agreement (the Cash Tender Agreement) with the A. Alfred Taubman Restated Revocable Trust (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 the Company 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 the Company to purchase the tendered interests at a purchase price based on a market valuation of the Company 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.

The Company 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, the Company expects to finance these purchases through the sale of new shares of its 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 the sole benefit of the Company. The Company accounts for the Cash Tender Agreement as a freestanding written put option. As the option put price is defined by the current market price of common 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 September 30, 2017 of $49.70 per share for the Company's common stock, the aggregate value of TRG Units that may be tendered under the Cash Tender Agreement was $1.2 billion . The purchase of these interests at September 30, 2017 would have resulted in the Company owning an additional 28% interest in TRG.

Continuing Offer

The Company has 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 the Company may, in its 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

The Company carries liability insurance to mitigate its exposure to certain losses, including those relating to personal injury claims. We believe the Company's 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

As a result of Hurricane Maria, 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. The shopping center closed for business for approximately one month . The Company is expeditiously working to repair and restore the damaged areas. The shopping center has reopened with reduced hours of operation and fewer tenants open. The Company has substantial insurance to cover hurricane and flood damage, as well as business and service interruption, with a single deductible of not more than $2 million and policy limits of $900 million , all subject to various terms and conditions.

Beyond physical damage, the Company believes the situation in Puerto Rico will adversely affect The Mall of San Juan’s business for the foreseeable future. With existing infrastructure challenges and residents and tourism being highly disrupted, the Company cannot provide the timing for the recovery of business and the return of normal consumer spending in Puerto Rico, which will depend on restoration of power to the island and the overall pace and progress of the rebuilding and recovery efforts. The Company expects that full recovery will span a significant period of time.

During the quarter ended September 30, 2017, the Company recognized an estimated expense of $2 million relating to property damage, included within depreciation expense. The Company continues to assess physical loss and will update this estimate if necessary. The Company anticipates that a portion of the adverse impact to the future operations of the center may be mitigated through business interruption insurance. Business interruption insurance proceeds for decreases in revenues the center experiences will be recognized in income when received, which will lag any declines in revenues.

Under both the Nordstrom and Saks Fifth Avenue agreements, they are required to rebuild and reopen as expeditiously as possible. Nordstrom has indicated they are proceeding quickly and will open as soon as they are able, but given the damage it is likely to be well into 2018 before they reopen. Saks Fifth Avenue has not provided any timeline for reopening. As such, the Company has filed in the Puerto Rico superior court a complaint to compel Saks Fifth Avenue to promptly commence reconstruction of its building, and to complete the repair to be ready for occupancy as expeditiously as reasonably possible.

The Mall of San Juan has not yet contributed materially to net income or net operating income of the Company, with both such amounts being less than 2% of the totals for the nine months ended September 30, 2017.

Hurricane Irma and Florida Centers

The Company has investments in five centers in Florida. As a result of Hurricane Irma, these centers experienced certain cosmetic exterior damage and brief power outages. The impact of Hurricane Irma on the Florida centers was immaterial to the Company’s results for the quarter ended September 30, 2017.

Other

See Note 5 for the Operating Partnership's guarantees of certain notes payable, including guarantees relating to Unconsolidated Joint Ventures, Note 6 for contingent features relating to certain joint venture agreements, Note 7 for contingent features relating to derivative instruments, and Note 8 for obligations under existing share-based compensation plans.

Note 10 - 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 9), outstanding options for TRG Units, 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 8). 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.

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Net income attributable to Taubman Centers, Inc. common shareowners (Numerator):				
Basic	$ 4,363	$ 18,752	$ 35,016	$ 78,083
Impact of additional ownership of TRG	7	42	74	171
Diluted	$ 4,370	$ 18,794	$ 35,090	$ 78,254
Shares (Denominator) – basic	60,710,184	60,396,902	60,654,026	60,341,863
Effect of dilutive securities	288,967	434,161	364,829	432,926
Shares (Denominator) – diluted	60,999,151	60,831,063	61,018,855	60,774,789
Earnings per common share – basic	$ 0.07	$ 0.31	$ 0.58	$ 1.29
Earnings per common share – diluted	$ 0.07	$ 0.31	$ 0.58	$ 1.29

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 the Company 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.

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average noncontrolling TRG Units outstanding	4,164,979	3,979,571	4,082,322	3,991,803
Unissued TRG Units under unit option deferral elections	871,262	871,262	871,262	871,262

Note 11 - 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 the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the reporting date. The Company’s valuations of its 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 the Company’s own nonperformance risk and the respective counterparty's nonperformance risk.

Other

The Company's valuations of both its investments in an insurance deposit and in 250,000 Simon Property Group (SPG) common shares utilize unadjusted quoted prices determined by active markets for the specific securities the Company has invested in, and therefore fall into Level 1 of the fair value hierarchy.

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 September 30, 2017 Using		Fair Value Measurements as of December 31, 2016 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	$ 40,253		$ 44,418	
Insurance deposit	16,663		15,440	
Total assets	$ 56,916	$ —	$ 59,858	$ —
Derivative interest rate contracts (Note 7)		$ (3,806)		$ (3,548)
Total liabilities		$ (3,806)		$ (3,548)

The insurance deposit shown above represents an escrow account maintained in connection with a property and casualty insurance arrangement for the Company’s 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

Simon Property Group Limited Partnership Units

At both September 30, 2017 and December 31, 2016 , the Company owned 340,124 partnership units in Simon Property Group Limited Partnership (SPG LP Units). The fair value of the SPG LP Units, which is derived from SPG's common share price and therefore falls into Level 2 of the fair value hierarchy, was $54.8 million at September 30, 2017 and $60.4 million at December 31, 2016 . The SPG LP Units were classified as Deferred Charges and Other Assets on the Consolidated Balance Sheet and had a book value of $44.8 million at both September 30, 2017 and December 31, 2016 .

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 September 30, 2017 and December 31, 2016 , the Company primarily employed the credit spreads at which the debt was originally issued. The Company does not believe that the use of different interest rate assumptions would have resulted in a materially different fair value of notes payable as of September 30, 2017 or December 31, 2016 . To further assist financial statement users, the Company has included with its fair value disclosures an analysis of interest rate sensitivity.

The estimated fair values of notes payable at September 30, 2017 and December 31, 2016 were as follows:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable, net	$ 3,438,307	$ 3,402,921	$ 3,255,512	$ 3,184,036

The fair values of the notes payable are dependent on the interest rates used in estimating the values. An overall 1% increase in interest rates employed in making these estimates would have decreased the fair values of the debt shown above at September 30, 2017 by $135.3 million or 4.0% .

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 is estimated using cash flows discounted at current market rates and therefore falls into Level 2 of the fair value hierarchy.

See Note 7 regarding additional information on derivatives.

Note 12 - Accumulated Other Comprehensive Income

Changes in the balance of each component of AOCI for the nine months ended September 30, 2017 were as follows:

	Taubman Centers, Inc. AOCI				Noncontrolling Interests AOCI			
	Cumulative translation adjustment	Unrealized gains (losses) on interest rate instruments	Fair value adjustment for marketable equity securities	Total	Cumulative translation adjustment	Unrealized gains (losses) on interest rate instruments	Fair value adjustment for marketable equity securities	Total
January 1, 2017	$ (23,147)	$ (12,467)	$ (302)	$ (35,916)	$ (9,613)	$ 7,191	$ (126)	$ (2,548)
Other comprehensive income (loss) before reclassifications	13,839	(2,769)	(2,952)	8,118	5,689	(1,138)	(1,213)	3,338
Amounts reclassified from AOCI		3,763		3,763		1,548		1,548
Net current period other comprehensive income (loss)	$ 13,839	$ 994	$ (2,952)	$ 11,881	$ 5,689	$ 410	$ (1,213)	$ 4,886
Adjustments due to changes in ownership	(69)	53		(16)	69	(53)		16
September 30, 2017	$ (9,377)	$ (11,420)	$ (3,254)	$ (24,051)	$ (3,855)	$ 7,548	$ (1,339)	$ 2,354

Changes in the balance of each component of AOCI for the nine months ended September 30, 2016 were as follows:

	Taubman Centers, Inc. AOCI			Noncontrolling Interests AOCI		
	Cumulative translation adjustment	Unrealized gains (losses) on interest rate instruments and other	Total	Cumulative translation adjustment	Unrealized gains (losses) on interest rate instruments and other	Total
January 1, 2016	$ (10,890)	$ (16,330)	$ (27,220)	$ (4,531)	$ 5,595	$ 1,064
Other comprehensive income (loss) before reclassifications	5,320	(10,615)	(5,295)	2,209	(4,409)	(2,200)
Amounts reclassified from AOCI		6,085	6,085		2,527	2,527
Net current period other comprehensive income (loss)	$ 5,320	$ (4,530)	$ 790	$ 2,209	$ (1,882)	$ 327
Adjustments due to changes in ownership	(7)	7	—	7	(7)	—
September 30, 2016	$ (5,577)	$ (20,853)	$ (26,430)	$ (2,315)	$ 3,706	$ 1,391

The following table presents reclassifications out of AOCI for the nine months ended September 30, 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	$ 2,409	Interest Expense
Realized loss on interest rate contracts - UJVs	1,920	Equity in Income of UJVs
Realized loss on cross-currency interest rate contract - UJV	982	Equity in Income of UJVs
Total reclassifications for the period	$ 5,311	

The following table presents reclassifications out of AOCI for the nine months ended September 30, 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	$ 4,457	Interest Expense
Realized loss on interest rate contracts - UJVs	2,876	Equity in Income of UJVs
Realized loss on cross-currency interest rate contract - UJV	1,279	Equity in Income of UJVs
Total reclassifications for the period	$ 8,612	

Note 13 - Cash Flow Disclosures and Non-Cash Investing and Financing Activities

Interest paid for the nine months ended September 30, 2017 and 2016 , net of amounts capitalized of $9.6 million and $17.9 million , respectively, was $74.5 million and $56.4 million , respectively. Income taxes paid for the nine months ended September 30, 2017 and 2016 were $2.4 million and $2.8 million , respectively. Other non-cash additions to properties during the nine months ended September 30, 2017 and 2016 were $98.9 million and $89.4 million , respectively, and primarily represent accrued construction and tenant allowance costs.

Note 14 - New Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (FASB) issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities", which provides guidance related to changes in hedge accounting recognition and presentation requirements. The purpose of this updated guidance is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2018. This adoption method will require the Company to recognize the cumulative effect of initially applying the ASU as an adjustment to AOCI with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. The Company is currently evaluating the application of this ASU, although it expects adoption to have an immaterial impact on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation-Stock Compensation - Scope of Modification Accounting", which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU No. 2017-09 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. ASU No. 2017-09 indicates an entity should account for effects of a modification unless all of the following conditions are met: (1) the fair value of the modified award remains the same, (2) the vesting conditions of the award remain the same, and (3) the classification of the modified award as an equity instrument or liability instrument remains the same. Upon adoption, the Company would apply it in the event potential modifications of share-based grants occur in the future. This may impact the Consolidated Statement of Operations and Comprehensive Income as share-based payment benefit or expense depending on the application of modification accounting. The Company does not expect there will be a material impact to the consolidated financial statements and expects to adopt the new standard on its effective date.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets", which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets and for partial sales of nonfinancial assets. ASU No. 2017-05 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. The Company currently accounts for the derecognition of nonfinancial assets according to industry-specific guidance as the Company's nonfinancial assets are considered in-substance real estate. The Company expects the most likely outcome to be that in the event the Company sells a controlling interest in a shopping center, but retains a noncontrolling ownership interest, the Company would measure the retained interest at fair value. This would result in full gain/loss recognition upon such a sale of the controlling interest, a change from current practice. The Company does not expect there will be a material impact to the consolidated financial statements and expects to adopt the new standard on its effective date.

In January 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business", which provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses. ASU No. 2017-01 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. Early adoption of this ASU is permitted for transactions occurring before the amendment date if the transaction has not been reported in previous filings. The Company previously generally accounted for acquisitions of shopping centers as acquisitions of businesses under ASC Topic 805, "Business Combinations". In January 2017, the Company early adopted ASU No. 2017-01, and will account for any future acquisitions of shopping centers as asset acquisitions. This will impact the Consolidated Statement of Operations and Comprehensive Income as transaction costs associated with asset acquisitions will now be capitalized.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows - Restricted Cash", which provides guidance for the presentation of restricted cash and changes in restricted cash. ASU No. 2016-18 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. This ASU will require restricted cash and certain other deposits to be presented in combination with cash and cash equivalents on the Consolidated Statement of Cash Flows. The Company expects to adopt this standard on its effective date.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments", which provides guidance for the presentation of certain cash receipts and payments, including the classification of distributions received from equity method investees. ASU No. 2016-15 provides companies with two alternatives of presentation; the nature of the distribution approach or the cumulative earnings approach. ASU No. 2016-15 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. The Company expects to adopt the new standard on its effective date and expects to use the cumulative earnings approach to calculate and present distributions received from equity method investees.

In February 2016, the FASB issued ASU No. 2016-02, "Leases", which provides for significant changes to the current lease accounting standard. The primary objectives 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. The Company expects to adopt the new standard on its effective date. The Company is currently evaluating the application of this ASU and its effect on the Company's financial position and results of operations. From initial implementation efforts, the Company preliminarily expects the most significant impacts of adoption to include (1) the potential need to expense certain internal leasing costs currently being capitalized, including costs associated with the Company's leasing department, (2) the bifurcation of certain lease revenues between rental and reimbursement (non-lease) components, and (3) the recognition of lease obligations and right-of-use assets for ground and office leases under which the Company or its ventures are the lessee. Under the new ASU, certain common area maintenance recoveries must be accounted for as a non-lease component. The Company will be evaluating whether bifurcating of common area maintenance will affect the timing or recognition of such revenues.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Amongst its changes, ASU No. 2016-01 requires an entity to measure equity investments at fair value through net income, except for those that result in consolidation or are accounted for under the equity method of accounting. ASU No. 2016-01 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2017. The Company expects to adopt the new standard on its effective date. As of September 30, 2017, the Company owned 340,124 SPG LP Units that are currently being accounted for as a cost method investment and 250,000 SPG common shares that are currently being recorded at fair value (Note 11). Upon the Company's adoption of ASU No. 2016-01 any outstanding SPG LP Units will be remeasured at fair value and an offsetting cumulative effect adjustment will be recorded in equity. After the Company's adoption of ASU No. 2016-01, changes in the fair value of any outstanding SPG LP Units and SPG common shares will be recorded in net income. Both the SPG LP Units and SPG common shares are recorded in Deferred Charges and Other Assets on the Consolidated Balance Sheet.

In May 2014, the FASB issued ASU No. 2014-09 , "Revenue from Contracts with Customers". This standard 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, plant and equipment, real estate, and intangible assets. ASU No. 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance. In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of ASU No. 2014-09 one year to annual reporting periods beginning after December 15, 2017 for public entities. ASU No. 2015-14 permits public entities to adopt ASU No. 2014-09 early, but not before the original effective date of annual periods beginning after December 15, 2016. ASU No. 2014-09 may be applied either retrospectively or as a cumulative effect adjustment as of the date of adoption. The Company is currently evaluating the application of this ASU. The Company has preliminarily determined the revenue streams that could be most significantly impacted by this ASU relate to the Company's management, leasing and development services, certain recoveries from tenants, and other miscellaneous income. The Company expects that the revenue recognition from these services and other miscellaneous income will be generally consistent with current recognition methods, and therefore does not expect material changes to the consolidated financial statements as a result of adoption. For the three and nine month periods ending September 30, 2017, these revenues were less than 10% of consolidated revenue. Recoveries from tenants to be impacted by ASU No. 2014-09 will not be addressed until the Company's adoption of ASU No. 2016-02, considering its revisions to accounting for common area maintenance described above. The Company also continues to evaluate the scope of revenue-related disclosures it expects to provide pursuant to the new requirements. The Company expects to adopt the standard using the modified retrospective approach, which requires a cumulative adjustment, if any, as of the date of the adoption. The Company will adopt the standard on its effective date beginning with the first quarter of 2018.

Item 2. 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. Except as required by law, we assume no obligation to update these forward looking statements, even if new information becomes available in the future. Other risks and uncertainties are 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 our most recent Annual Report on Form 10-K. The following discussion should be read in conjunction with the accompanying consolidated financial statements of Taubman Centers, Inc. and the notes thereto.

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 (the Operating Partnership or 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, the Operating Partnership, and/or the Operating Partnership's subsidiaries as the context may require. We own, manage, lease, acquire, dispose of, develop, and expand regional and super-regional 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 (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 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 renovation 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 2016 have been restated to include comparable centers to 2017 . 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 and the expectation that the center’s performance will be impacted for the foreseeable future. See “Hurricane Maria and The Mall of San Juan” within this report.

Current Operating Trends

The U.S. mall industry is currently facing a number of challenges. Across the industry, department store sales continue to weaken and store closures have increased, with mature mall tenants and anchors rationalizing square footage. Tenant sales are now in an extended period of flattened growth. While over time we believe high-quality mall portfolios such as ours will continue to gain market share of tenant sales and rents, the current retail headwinds have the potential to be prolonged and ultimately may still result in lost rent and increased 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 some cash flow. During the nine months ended September 30, 2017 , 2.8% of our tenants sought the protection of the bankruptcy laws, as compared to 0.8% of our tenants for the year ended December 31, 2016 and although our occupancy and lease space statistics remain around historically high levels, lease cancellation revenue is increasing.

Our comparable mall tenants reported a 1.6% increase in mall tenant sales per square foot in the third quarter of 2017 from the same period in 2016 . For the nine months ended September 30, 2017 , our comparable mall tenant sales per square foot increased 2.0% from the comparable period in 2016 . For the trailing 12-month period ended September 30, 2017 , comparable mall tenant sales per square foot were $ 802 , a 2.8% increase from $ 780 for the trailing 12-month period ended September 30, 2016 .

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, percentage 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 the ability of mall tenants to pay occupancy costs and earn profits over long periods of time increases as mall tenant sales per square foot increase, whether through inflation or real growth in customer spending. Because most mall tenants have certain fixed expenses, the occupancy costs that they can afford to pay and still be profitable are a higher percentage of mall tenant sales at higher sales per square foot.

Mall tenant sales directly impact the amount of percentage 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 percentage rents represent. Percentage 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.

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 percentage rent upon renewal.

While mall tenant sales are critical over the long term, the high quality regional mall business has 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.

Mall tenant occupancy costs (the sum of minimum rents, percentage rents, and expense recoveries, excluding utilities) as a percentage of sales in our Consolidated Businesses and Unconsolidated Joint Ventures are as follows:

	Trailing 12-Months Ended September 30 (1)	
	2017	2016
Consolidated Businesses:		
Minimum rents	9.6%	9.4%
Percentage rents	0.4	0.5
Expense recoveries	4.9	4.7
Mall tenant occupancy costs	15.0%	14.6%
Unconsolidated Joint Ventures:		
Minimum rents	9.3%	9.0%
Percentage rents	0.7	0.4
Expense recoveries	4.2	4.7
Mall tenant occupancy costs	14.2%	14.1%
Combined:		
Minimum rents	9.5%	9.2%
Percentage rents	0.6	0.4
Expense recoveries	4.6	4.7
Mall tenant occupancy costs	14.6%	14.4%

(1) Based on reports of sales furnished by mall tenants of all centers reported during that period.
(2) Amounts in this table may not add due to rounding.

Mall tenant ending occupancy and leased space statistics as of September 30, 2017 and 2016 are as follows:

	2017 (1)	2016 (1)
Ending occupancy - all centers	93.5%	93.6%
Ending occupancy - comparable centers	93.6	95.0
Leased space - all centers	95.9	95.9
Leased space - comparable centers	96.3	96.7

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

The difference between leased space and occupancy is that leased space includes spaces where leases have been signed but the tenants are not yet open. The occupancy statistic represents those spaces upon which we are currently collecting rent from mall tenants. The spread between comparable center leased space and occupied space, at 2.7% this quarter, is consistent with our history of 1% to 3% in the third quarter.

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. Average rent per square foot statistics reflect the contractual rental terms of the lease currently in effect and include the impact of rental concessions. In periods of increasing sales, rents on new leases will generally tend to rise. In periods of slower growth or declining sales, such as we are currently experiencing, rents on new leases will grow more slowly or will decline for the opposite reason, as tenants' expectations of future growth become less optimistic.

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. Rent per square foot information for our comparable centers in our Consolidated Businesses and Unconsolidated Joint Ventures are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Average rent per square foot: (1)				
Consolidated Businesses	$ 63.78	$ 62.83	$ 65.02	$ 64.07
Unconsolidated Joint Ventures	57.26	57.46	58.35	58.02
Combined	60.61	60.23	61.78	61.16

(1) Statistics exclude non-comparable centers.

	Trailing 12-Months Ended September 30 (1) (2)	
	2017	2016
Opening base rent per square foot:		
Consolidated Businesses	$ 65.70	$ 82.36
Unconsolidated Joint Ventures	52.28	60.32
Combined	60.33	72.64
Square feet of GLA opened:		
Consolidated Businesses	483,319	447,807
Unconsolidated Joint Ventures	322,576	353,619
Combined	805,895	801,426
Closing base rent per square foot:		
Consolidated Businesses	$ 60.52	$ 66.95
Unconsolidated Joint Ventures	50.42	50.42
Combined	56.54	60.14
Square feet of GLA closed:		
Consolidated Businesses	544,912	459,800
Unconsolidated Joint Ventures	353,876	321,939
Combined	898,788	781,739
Releasing spread per square foot:		
Consolidated Businesses	$ 5.18	$ 15.41
Unconsolidated Joint Ventures	1.86	9.90
Combined	3.79	12.50
Releasing spread per square foot growth:		
Consolidated Businesses	8.6%	23.0%
Unconsolidated Joint Ventures	3.7%	19.6%
Combined	6.7%	20.8%

(1) Statistics exclude non-comparable centers.
(2) Opening and closing statistics exclude spaces greater than or equal to 10,000 square feet.
(2) Opening and closing statistics exclude spaces gr

The spread between opening and closing rents 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.

Seasonality

The regional 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 percentage 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.

	2017			2016				
	3 rd Quarter	2 nd Quarter	1 st Quarter	Total	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
	(in thousands, except occupancy and leased space data)							
Mall tenant sales: (1)								
Comparable	$ 1,110,111	$ 1,149,395	$ 1,109,058	$ 4,921,032	$ 1,568,221	$ 1,132,953	$ 1,123,375	$ 1,096,483
All Centers	1,475,440	1,485,116	1,388,677	5,773,614	1,958,432	1,319,794	1,293,120	1,202,268
Revenues and nonoperating income, net								
Consolidated Businesses	$ 155,716	$ 157,750	$ 151,862	$ 635,484	$ 180,403	$ 152,590	$ 161,566	$ 140,925
Ending occupancy:								
Comparable	93.6%	92.5%	92.7%	94.7%	94.7%	95.0%	93.8%	93.2%
All Centers	93.5	92.7	92.1	93.9	93.9	93.6	92.5	92.5
Leased space:								
Comparable	96.3%	95.0%	94.3%	96.1%	96.1%	96.7%	96.2%	95.9%
All Centers	95.9	94.9	94.5	95.6	95.6	95.9	95.6	95.1

(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 or events that affected operations during the three and nine months ended September 30, 2017 and 2016 , or are expected to affect operations in the future.

Hurricane Maria and The Mall of San Juan

As a result of Hurricane Maria, The Mall of San Juan experienced certain interior water damage, impacts to exterior landscaping and signage, and significant damage to Nordstrom and Saks Fifth Avenue. The shopping center closed for business for approximately one month. We are expeditiously working to repair and restore the damaged areas. The shopping center has reopened with reduced hours of operation and fewer tenants open. We have substantial insurance to cover hurricane and flood damage, as well as business and service interruption, with a single deductible of not more than $2 million and policy limits of $900 million, all subject to various terms and conditions.

Beyond physical damage, we believe the situation in Puerto Rico will adversely affect The Mall of San Juan’s business for the foreseeable future. With existing infrastructure challenges and residents and tourism being highly disrupted, we cannot provide the timing for the recovery of business and the return of normal consumer spending in Puerto Rico, which will depend on restoration of power to the island and the overall pace and progress of the rebuilding and recovery efforts. We expect that full recovery will span a significant period of time.

During the quarter ended September 30, 2017, we recognized an estimated expense of $2 million relating to property damage, included within depreciation expense. We continue to assess physical loss and will update this estimate if necessary. We anticipate that a portion of the adverse impact to the future operations of the center may be mitigated through business interruption insurance. Business interruption insurance proceeds for decreases in revenues the center experiences will be recognized in income when received, which will lag any declines in revenues.

Under both the Nordstrom and Saks Fifth Avenue agreements, they are required to rebuild and reopen as expeditiously as possible. Nordstrom has indicated they are proceeding quickly and will open as soon as they are able, but given the damage it is likely to be well into 2018 before they reopen. Saks Fifth Avenue has not provided any timeline for reopening. As such, we have filed in the Puerto Rico superior court a complaint to compel Saks Fifth Avenue to promptly commence reconstruction of its building, and to complete the repair to be ready for occupancy as expeditiously as reasonably possible.

The Mall of San Juan has not yet contributed materially to our net income or net operating income, with both such amounts being less than 2% of the totals for the nine months ended September 30, 2017.

Hurricane Irma and Florida Centers

We have investments in five centers in Florida. As a result of Hurricane Irma, these centers experienced certain cosmetic exterior damage and brief power outages. The impact of Hurricane Irma on the Florida centers was immaterial to our results for the quarter ended September 30, 2017.

Taubman Asia

Through a joint venture with Shinsegae Group (Shinsegae), one of South Korea's largest retailers, we own an interest in a shopping center, Starfield Hanam, in Hanam, South Korea, which opened in September 2016. We have a 34.3% interest in Starfield Hanam, which is accounted for as an Unconsolidated Joint Venture.

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. We have a 50% and 49% interest in CityOn.Xi'an and CityOn.Zhengzhou, respectively, with both accounted for as Unconsolidated Joint Ventures.

We provided leasing and management services for IFC Mall in Yeouido, Seoul, South Korea, which ended in the first quarter of 2017 in connection with a change in ownership of the mall.

U.S. Development

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

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 "Results of Operations - Debt Transactions" below 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.

The Shops at Crystals (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.

Debt Transactions

In July 2017, we added 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 April 2017, we extended our $65 million secured secondary revolving line of credit for one year upon maturity. All significant terms remain unchanged as a result of the extension.

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 February 2017, we completed a $300 million unsecured term loan that matures in February 2022 (see "Liquidity and Capital Resources - Term Loans").

In February 2017, we amended our primary unsecured revolving line of credit extending the maturity to February 2021, with two six-month extension options (see "Liquidity and Capital Resources - Cash and Revolving Lines of Credit").

In December 2016, an eight-year, $100 million non-recourse incremental financing was completed for The Mall at Millenia, a 50% owned Unconsolidated Joint Venture. The financing is secured by a second mortgage. The loan bears interest at an all-in fixed interest rate of 3.87% and is interest only for the term of the loan. Proceeds of $50 million were received in December 2016 and the remaining $50 million of proceeds were received in February 2017. The proceeds, net of accrued interest and financing costs, were distributed to the joint venture partners based on ownership percentages. Our approximately $50 million share of proceeds was used to pay down our revolving lines of credit and for general corporate purposes.

In October 2016, a 10-year, $280 million non-recourse refinancing was completed for The Mall at University Town Center, a 50% owned Unconsolidated Joint Venture. The payments on the loan, which bears interest at an all-in fixed interest rate of 3.45%, are interest only until December 2022, and then amortizes principal based on 30 years. The proceeds from the borrowing were used to pay off the $225 million balance of the existing LIBOR plus 1.70% floating rate construction facility, which was scheduled to mature in October 2016. The remaining net proceeds, net of accrued interest and financing costs, were distributed to the joint venture partners based on ownership percentages. Our nearly $30 million share of excess proceeds was used to pay down our revolving lines of credit.

In May 2016, a 12-year, $550 million non-recourse refinancing was completed for Cherry Creek Shopping Center, a consolidated joint venture. The loan is interest-only during the entire term at an all-in fixed interest rate of 3.87%. The proceeds from the borrowing were used to repay the existing $280 million, 5.24% fixed rate loan, which was scheduled to mature in June 2016, with the remaining net proceeds distributed to the joint venture partners based on ownership percentages. Our approximately $135 million share of excess proceeds was used to pay down our revolving lines of credit.

In April 2016, a 10-year, $165 million non-recourse refinancing was completed for Waterside Shops, a 50% owned Unconsolidated Joint Venture. The loan bears interest at an all-in fixed interest rate of 3.89% and 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 retroactive to May 2021. The proceeds from the borrowing were used to repay the existing $165 million, 5.54% stated fixed rate loan, which was scheduled to mature in October 2016.

In April 2016, we extended our $65 million secondary secured revolving line of credit for one year upon maturity.

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.

In March 2016, a 10-year, $320 million non-recourse financing was completed for Country Club Plaza, a 50% owned Unconsolidated Joint Venture. 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. The proceeds, net of accrued interest and financing costs, were distributed to the joint venture partners based on ownership percentages. Our approximately $160 million share of proceeds was used to pay down our revolving lines of credit and for general corporate purposes.

Interest Expense

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 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. Interest expense increased in 2017 due to the recent openings of four ground-up development projects.

Comparison of the Three Months Ended September 30, 2017 to the Three Months Ended September 30, 2016

The following is a comparison of our results for the three months ended September 30, 2017 and 2016 , as disclosed in our Consolidated Statement of Operations and Comprehensive Income.

Total revenues for the three months ended September 30, 2017 were $153.2 million , a $ 5.2 million or 3.5% increase from the comparable period in 2016 . The following impacted total revenues:

- the increase in minimum rents was primarily attributable to the opening of International Market Place in August 2016 and increases in average rent per square foot;
- the decrease in percentage rents was primarily attributable to certain post-closing adjustments in the prior year relating to the portfolio of centers sold to Starwood in 2014; and
- the increase in other income was primarily attributable to an increase in food and beverage operations of our new restaurant joint venture.

Total expenses for the three months ended September 30, 2017 were $ 155.1 million , a $ 21.9 million or 16.4% increase from the comparable period in 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 an increase in property tax expenses and common area maintenance expenses;
- 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 in response to the completion of another major development cycle and current near-term challenges facing the U.S. mall industry;
- the decrease in general and administrative expense was also 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 a similar reason;
- costs incurred associated with shareowner activism;
- the increase in interest expense was further attributable to the reduction of interest capitalization on our development projects, 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 $2 million relating to property damage at The Mall of San Juan.

Nonoperating income, net decreased primarily due to a decrease in interest income as a result of a lower interest rate on our related party note receivable to one of our Unconsolidated Joint Ventures in Asia.

Equity in Income of the Unconsolidated Joint Ventures for the three months ended September 30, 2017 decreased by $1.7 million to $ 13.7 million from the comparable period in 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 the third quarter of 2016.

Net Income

Net income was $ 14.3 million for the three months ended September 30, 2017 compared to $35.2 million for the three months ended September 30, 2016 . After allocation of income to noncontrolling, preferred, and participating interests, the net income attributable to Taubman Centers, Inc. common shareowners for the three months ended September 30, 2017 was $ 4.4 million compared to $18.8 million in the comparable period in 2016 . Diluted earnings per common share was $0.07 for the three months ended September 30, 2017 compared to $0.31 for the three months ended September 30, 2016 .

Funds from Operations (FFO) and FFO per Common Share

Our FFO attributable to partnership unitholders and participating securities of TRG was $66.4 million for the three months ended September 30, 2017 compared to $81.4 million for the three months ended September 30, 2016 . FFO per diluted common share was $0.77 for the three months ended September 30, 2017 and $0.94 per diluted common share for the three months ended September 30, 2016 . Adjusted FFO attributable to partnership unitholders and participating securities of TRG for the three months ended September 30, 2017 , which excluded a restructuring charge and costs incurred associated with shareowner activism, was $71.6 million compared to $81.4 million for the three months ended September 30, 2016 . Adjusted FFO per diluted common share was $0.83 for the three months ended September 30, 2017 and $0.94 per diluted common share for the three months ended September 30, 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 Shareowners to Funds from Operations and Adjusted Funds from Operations.

Comparable and Non-Comparable Center Operations

During the three months ended September 30, 2017 , the consolidated non-comparable centers contributed total operating revenues of $28.1 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $16.2 million. During the three months ended September 30, 2016 , the consolidated non-comparable centers contributed total operating revenues of $26.8 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $13.1 million.

See "Non-GAAP Measures - Use of Non-GAAP Measures" for the definition and discussion of Net Operating Income (NOI) and for the reconciliation of Net Income to NOI. For the three months ended September 30, 2017 , comparable center NOI excluding lease cancellation income was down 1.7% over the comparable period in 2016 . Also, for the three months ended September 30, 2017 , comparable center NOI including lease cancellation income was down 1.3% over the comparable period in 2016 .

For the three months ended September 30, 2017 , we recognized our $0.9 million share of lease cancellation income, as compared to $0.6 million for the three months ended September 30, 2016 .

Comparison of the Nine Months Ended September 30, 2017 to the Nine Months Ended September 30, 2016

The following is a comparison of our results for the nine months ended September 30, 2017 and 2016 , as disclosed in our Consolidated Statement of Operations and Comprehensive Income.

Total revenues for the nine months ended September 30, 2017 were $ 457.0 million , a $10.6 million or 2.4% increase from the comparable period in 2016 . Minimum rents, expense recoveries, and other income 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 revenues:

- the increase in minimum rents was further attributable to increases in average rent per square foot;
- the decrease in percentage rents was primarily attributable to certain 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 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 nine months ended September 30, 2017 were $ 437.4 million , a $70.1 million or 19.1% increase from the comparable period in 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 expenses;
- 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 in response to the completion of another major development 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 also 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 a similar reason;
- costs incurred associated with shareowner 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 $2 million relating to property damage at The Mall of San Juan.

Equity in Income of the Unconsolidated Joint Ventures for the nine months ended September 30, 2017 decreased by $ 2.7 million to $ 47.1 million from the comparable period in 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 the third quarter of 2016, partially offset by the gain recognized on the sale of the Valencia Place office tower at Country Club Plaza in the first quarter of 2016 (see "Results of Operations - Acquisition - Country Club Plaza").

Net Income

Net income was $ 74.7 million for the nine months ended September 30, 2017 compared to $137.3 million for the nine months ended September 30, 2016 . After allocation of income to noncontrolling, preferred, and participating interests, the net income attributable to Taubman Centers, Inc. common shareowners for the nine months ended September 30, 2017 was $35.0 million compared to $78.1 million in the comparable period in 2016 . Diluted earnings per common share was $0.58 for the nine months ended September 30, 2017 compared to $1.29 for the nine months ended September 30, 2016 .

FFO and FFO per Common Share

Our FFO attributable to partnership unitholders and participating securities of TRG was $215.5 million for the nine months ended September 30, 2017 compared to $244.3 million for the nine months ended September 30, 2016 . FFO per diluted common share was $2.49 for the nine months ended September 30, 2017 and $2.82 per diluted common share for the nine months ended September 30, 2016 . Adjusted FFO attributable to partnership unitholders and participating securities of TRG for the nine months ended September 30, 2017 , which excluded a restructuring charge, costs incurred associated with shareowner activism, and 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, was $232.0 million compared to $222.6 million for the nine months ended September 30, 2016 , which excluded income related to the lump sum payment received for the termination of the leasing agreement at Crystals. Adjusted FFO per diluted common share was $2.67 for the nine months ended September 30, 2017 and $2.57 per diluted common share for the nine months ended September 30, 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 Shareowners to Funds from Operations and Adjusted Funds from Operations.

Comparable and Non-Comparable Center Operations

During the nine months ended September 30, 2017 , the consolidated non-comparable centers contributed total operating revenues of $83.1 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $45.9 million. During the nine months ended September 30, 2016 , the consolidated non-comparable centers contributed total operating revenues of $68.2 million, and incurred operating expenses, excluding interest expense and depreciation and amortization, of $33.5 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 nine months ended September 30, 2017 , comparable center NOI excluding lease cancellation income was up 0.7% over the comparable period in 2016 . Also, for the nine months ended September 30, 2017 , comparable center NOI including lease cancellation income was up 2.3% over the comparable period in 2016 .

For the nine months ended September 30, 2017 , we recognized our $8.9 million share of lease cancellation income, as compared to $2.1 million for the nine months ended September 30, 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, using any excess proceeds 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 seven unencumbered center properties. The entities that own Beverly Center, Dolphin Mall, The Gardens on El Paseo, and Twelve Oaks Mall are guarantors under our primary unsecured revolving credit facility, $475 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. 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. If the required covenant calculations are not met, a replacement eligible unencumbered asset would need to be added to the unencumbered asset pool. Besides the four centers previously noted, Taubman Prestige Outlets Chesterfield, 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 September 30, 2017 , we had a consolidated cash balance of $ 37.8 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 September 30, 2017 , after considering the outstanding balances, the outstanding letters of credit, and the current values of the unencumbered asset pool, was $678.9 million. Fourteen banks participate in our $1.1 billion primary unsecured 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, and bears interest at a range based on our total leverage ratio. As of September 30, 2017 , the total leverage ratio resulted in a rate of LIBOR plus 1.30% with a 0.2% facility fee. 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 September 30, 2017 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.

In April 2017, we extended our $65 million secured secondary revolving line of credit for one year upon maturity. All significant terms remain unchanged as a result of the extension.

Construction Financings

In addition to the revolving lines of credit described above, we often use construction financing where available and place non-recourse permanent financing on new assets upon their stabilization. We have construction facilities outstanding for several recently opened centers, as described in the following paragraphs.

We have a $330.9 million construction facility for International Market Place, a consolidated joint venture. As of September 30, 2017 , $37.1 million was available under the construction facility. The facility, which matures in August 2018, has two, one-year extension options, and bears interest at LIBOR plus 1.75%, which may be reduced to LIBOR plus 1.60% upon the achievement of certain performance measures. The loan is interest-only during the initial three-year term and no draws on the loan are permitted after the original maturity date. During the extension period, debt service payments also include principal payments based on an assumed interest rate of 6.0% and a 30-year amortization.

Our joint venture for Starfield Hanam has a non-recourse construction facility. We have an effective 34.3% interest in the Unconsolidated Joint Venture. The financing consists of a 520 billion Korean Won (KRW) denominated construction facility ($454.0 million U.S. dollars using the September 30, 2017 exchange rate) and a U.S. dollar financing of $52.1 million, of which both mature in November 2020. The U.S. dollar denominated portion of the financing is secured by a $53.2 million standby letter of credit, which was drawn from the KRW denominated portion of the construction facility, thereby reducing the availability under the KRW denominated construction facility to $400.8 million U.S. dollars as of September 30, 2017 , excluding the amount drawn on the facility. The KRW denominated portion of the financing bears interest at the Korea Development Bank Five-Year Bond Yield plus 1.06% and is fixed upon each draw. The weighted average interest rate of the amount drawn at September 30, 2017 is 2.58%. The U.S. dollar denominated floating rate facility bears interest at three-month LIBOR plus 1.60%. A cross-currency interest rate swap was executed to fix the interest rate on the U.S. dollar portion of the financing and swap the U.S. dollar denomination from U.S. dollars to KRW. As a result of the swap, the effective interest rate of the U.S. dollar portion of the financing is fixed at 3.12%. As of September 30, 2017 , the U.S. dollar denominated portion of the financing was fully drawn, while $275.7 million U.S. dollars (using the September 30, 2017 exchange rate) were drawn on the KRW denominated portion of the facility, bringing the total remaining availability of the facility to $125.1 million U.S. dollars.

Our joint venture that owns CityOn.Zhengzhou has a construction facility on which we can borrow up to 834 million Chinese Yuan Renminbi (RMB) ($125.7 million U.S. dollars using the September 30, 2017 exchange rate). We have an effective 49% interest in the Unconsolidated Joint Venture. The 11-year financing bears interest at 130% of the RMB People's Bank of China base lending rate for a loan term greater than five years, which resets in January of each year. The interest rate on the debt outstanding at September 30, 2017 was 6.37%. As of September 30, 2017 , $52.3 million U.S. dollars were available under the construction facility using the September 30, 2017 exchange rate.

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 short-term financing, in the form of loans from partners or fully cash collateralized bank loans, to meet certain construction funding commitments in local currency. As of September 30, 2017 , our share of such loans was approximately $150 million. These loans have fixed interest rates that range from 2.5% to 5.7%. These loans are collateralized with restricted deposits on our Consolidated Balance Sheet.

Refer to "Note 5 - Beneficial Interest in Debt and Interest Expense" to our consolidated financial statements for further details of our construction financings and related guarantees.

Upcoming Maturities

The construction facility for International Market Place matures in August 2018, and we are currently evaluating options related to refinancing or exercising the initial one-year extension option.

The loan for Fair Oaks, a 50% owned Unconsolidated Joint Venture, matures in July 2018, and we are currently evaluating options related to refinancing the loan.

Term Loans

In February 2017, we completed 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 September 30, 2017 , the loan total leverage ratio resulted in an interest rate of LIBOR plus 1.45%. In March 2017, the LIBOR rate was swapped, effective in January 2018 through maturity, to a fixed rate of 2.14%, which will result 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 primary unsecured revolving line 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 September 30, 2017 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.

Our $475 million unsecured term loan matures in February 2019. As of September 30, 2017 , the loan total leverage ratio resulted in an interest rate of LIBOR plus 1.45%. The LIBOR rate is swapped until maturity to a fixed rate of 1.65%, which results in an effective interest rate in the range of 3.00% to 3.55%. The loan includes an accordion feature that increases the borrowing capacity to as much as $600 million if fully exercised, subject to obtaining additional lender commitments, customary closing conditions, and covenant compliance for the unencumbered asset pool. As of September 30, 2017 , we could not utilize the accordion feature unless additional assets were added to our unencumbered asset pool.

Simon Property Group Limited Partnership Units Investment

In December 2016, we converted a portion of our investment of Simon Property Group Limited Partnership units (SPG LP Units) to Simon Property Group (SPG) common shares. We converted 250,000 of our 590,124 total SPG LP Units, which were received in January 2014 as a portion of the consideration of the sale of our 50% interest in Arizona Mills and land in Syosset, New York related to the former Oyster Bay project. We have no immediate plans to sell the SPG common shares, but we never intended to hold the investment long-term and intend to sell them at some point in the future.

Summaries of Capital Activities and Transactions for the Nine Months Ended September 30, 2017 and 2016

Operating Activities

Our net cash provided by operating activities was $ 200.3 million in 2017 , compared to $ 241.9 million in 2016 . See also "Results of Operations" for descriptions of 2017 and 2016 transactions affecting operating cash flows.

Investing Activities

Net cash used in investing activities was $ 191.5 million in 2017 , compared to $648.3 million in 2016 . Additions to properties in 2017 and 2016 related primarily to the costs of new centers under development as well as capital and tenant improvements at existing centers, including centers under redevelopment. A tabular presentation of 2017 and 2016 capital spending is shown in "Capital Spending." Net cash proceeds from the sales of peripheral land were $1.3 million in 2017 compared to $11.3 million in 2016. Cash placed in escrow to fund certain construction projects was $9.1 million and $103.5 million in 2017 and 2016, respectively. The 2016 cash placed in escrow primarily related to restricted deposits for our Asia joint ventures and other investments. Also, in 2017 , we made a refundable deposit of $11.0 million relating to a potential development opportunity with Shinsegae in South Korea (see "Liquidity and Capital Resources - Capital Spending - South Korea Development Project"). After performing due diligence, we have decided not to proceed with the project.

Contributions to Unconsolidated Joint Ventures were $3.5 million in 2017 and $42.3 million in 2016 , 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 from Unconsolidated Joint Ventures in excess of income were $80.6 million in 2017, which is primarily attributable to the proceeds from the sale of the Valencia Place office tower at Country Club Plaza and the additional proceeds from the incremental financing for The Mall at Millenia. Distributions from Unconsolidated Joint Ventures in excess of income were $177.6 million in 2016 , which is primarily attributable to the proceeds from the Country Club Plaza financing.

Financing Activities

Net cash used in financing activities was $ 11.6 million in 2017 , compared to $ 259.4 million provided by financing activities in 2016 . In 2017, proceeds from the issuance of debt, net of payments and issuance costs were $175.2 million, generally provided by the proceeds from our $300 million unsecured term loan and borrowings on the revolving lines of credit and construction facility for International Market Place, partially offset by the pay-off of the construction facility for The Mall of San Juan. In 2016 , proceeds from the issuance of debt, net of payments and issuance costs were $574.0 million, generally provided by the refinancing of Cherry Creek Shopping Center and borrowings on the revolving lines of credit and construction facilities for The Mall of San Juan and International Market Place.

In 2017 , $1.6 million was received in connection with incentive plans, compared to $ 1.8 million in 2016 . Total dividends and distributions paid were $ 188.5 million and $ 318.4 million in 2017 and 2016 , respectively. In 2016, total dividends and distributions paid included an approximately $135 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. Also in 2016, a $2.0 million contribution was made to Taubman Asia by the Former Taubman Asia President. Refer to "Note 6 - Noncontrolling Interests" in the consolidated financial statements for further discussion of this contribution.

Beneficial Interest in Debt

At September 30, 2017 , the Operating Partnership's debt and its beneficial interest in the debt of its Consolidated Businesses and Unconsolidated Joint Ventures totaled $4,592.8 million, with an average interest rate of 3.48% 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 September 30, 2017 , 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 $388.2 million as of September 30, 2017 , which includes $344.8 million of assets on which interest is being capitalized. The following table presents information about our beneficial interest in debt as of September 30, 2017 :

		Amount	Interest Rate Including Spread	
		(in millions)		
Fixed rate debt	$	2,743.8	3.78%	(1)
Floating rate debt swapped to fixed rate:				
Swap maturing in April 2018		130.8	4.10%	
Swap maturing in February 2019		475.0	3.10%	
Swap maturing in September 2020		17.9	3.12%	
Swap maturing in December 2021		83.4	3.58%	
Swap maturing in March 2024		12.0	3.49%	
	$	719.1	3.34%	(1)
Floating month to month [(2)]		1,147.6	2.85%	(1)
Total floating rate debt	$	1,866.6	3.04%	(1)
Total beneficial interest in debt	$	4,610.5	3.48%	(1)
Total deferred financing costs, net	$	(17.7)		
Net beneficial interest in debt	$	4,592.8		
Amortization of deferred financing costs [(3)]			0.21%	
Average all-in rate			3.69%	

(1) Represents weighted average interest rate before amortization of deferred financing costs.
(2) Includes the $300 million unsecured term loan which will be swapped to a fixed rate beginning January 2018.
(3) Deferred financing costs include debt issuance costs including amortization of deferred financing costs from revolving lines of credit and other fees not listed above.
(4) 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 the Operating Partnership's beneficial interest in floating rate debt in effect at September 30, 2017 , a one percent increase in interest rates on this floating rate debt would decrease cash flows by $11.5 million, and due to the effect of capitalized interest, decrease annual earnings by $10.4 million. A one percent decrease in interest rates would increase cash flows by $11.5 million and due to the effect of capitalized interest, increase annual earnings by $10.4 million. Based on our consolidated debt and interest rates in effect at September 30, 2017 , a one percent increase in interest rates would decrease the fair value of debt by $135.3 million, while a one percent decrease in interest rates would increase the fair value of debt by $148.5 million.

Loan Commitments and Guarantees

Certain loan agreements contain various restrictive covenants, including the following corporate covenants on our primary unsecured revolving line of credit, $475 million and $300 million unsecured term loans, and the construction facility 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, The Gardens on El Paseo, and Twelve Oaks Mall 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 September 30, 2017 , the corporate total leverage ratio was the most restrictive covenant. We were in compliance with all of our loan covenants and obligations as of September 30, 2017 . The maximum payout ratio covenant limits the payment of distributions generally to 95% of FFO, 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 5 - Beneficial Interest in Debt and Interest Expense" 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 9 – 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 construction loan financings (see "Liquidity and Capital Resources - Construction Financings" above) and have the option to sell SPG common shares (see "Liquidity and Capital Resources - Simon Property Group Limited Partnership Units Investment" above).

New Developments

We developed and opened four new shopping centers in 2016 and 2017:

- CityOn.Zhengzhou, which was developed with our joint venture partner Wangfujing, is located in Zhengzhou, China, and opened in March 2017;
- Starfield Hanam, which was developed with our joint venture partner Shinsegae, is located in Hanam, South Korea, and opened in September 2016;
- International Market Place, which is located in Waikiki, Honolulu, Hawaii, opened in August 2016; and
- CityOn.Xi'an, which was also developed with our joint venture partner Wangfujing, is located in Xi'an, China and opened in April 2016.

We expect capital spending at these shopping centers to continue in 2017 as certain costs are incurred subsequent to opening, including construction on tenant spaces.

South Korea Development Project

We were exploring a second development opportunity in South Korea with Shinsegae, our partner in Starfield Hanam. In March 2017, we made a refundable deposit of $11 million relating to a potential development site. After performing due diligence, we have decided not to proceed with the project. The return of the deposit, including a 5% return, is secured by a letter of credit from Shinsegae.

Redevelopments

We are working on a comprehensive renovation of Beverly Center scheduled to be completed by the 2018 holiday season. The project will cost approximately $500 million and we expect a return of 3% to 4% at stabilization in 2020. The projected return was calculated using the estimated cash flow differential between two scenarios; a full renovation and a non-renovation scenario. As of September 30, 2017 , we had capitalized costs of $247.6 million related to this renovation.

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 September 30, 2017 , we had capitalized costs of $95.3 million related to this redevelopment project.

2017 Capital Spending

Capital spending for routine maintenance of the shopping centers is generally recovered from tenants. Capital spending through September 30, 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)	$ 31.9	$ 30.2		
New development projects - Asia (3) (4)			$ 24.3	$ 12.0
Existing centers:				
Projects with incremental GLA or anchor replacement (5)	17.2	17.2		
Projects with no incremental GLA and other (6)	144.9	142.3	6.7	3.4
Mall tenant allowances	9.6	8.8	8.1	4.1
Asset replacement costs recoverable from tenants	8.2	8.1	7.3	3.8
Corporate office improvements, technology, equipment, and other	21.1	21.1		
Total	$ 232.9	$ 227.8	$ 46.4	$ 23.4

(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 balance excludes net increases in 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 renovation.
(7) Amounts in this table may not add due to rounding.

For the nine months ended September 30, 2017 , in addition to the costs above, we incurred our $3.8 million share of Consolidated Businesses' and $2.1 million share of Unconsolidated Joint Ventures' capitalized leasing costs.

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 nine months ended September 30, 2017 :

	(in millions)
Consolidated Businesses' capital spending	$ 232.9
Other differences between cash and accrual basis	16.9
Additions to properties	$ 249.8

Planned 2017 Capital Spending

The following table summarizes planned capital spending for 2017 , including actual spending through September 30, 2017 and anticipated spending for the remainder of the year:

	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)	$ 40.6	$ 38.5		
New development projects - Asia (3) (4)			$ 65.4	$ 32.3
Existing centers:				
Projects with incremental GLA or anchor replacement (5)	44.3	44.3		
Projects with no incremental GLA and other (6)	185.2	182.2	11.9	6.2
Mall tenant allowances	16.4	14.2	17.7	9.1
Asset replacement costs recoverable from tenants	16.0	15.5	15.1	8.2
Corporate office improvements, technology, equipment, and other	23.3	23.3		
Total	$ 325.8	$ 318.0	$ 110.1	$ 55.8

(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 costs exclude currency translation adjustments.
(5) Includes costs related to The Mall at Green Hills redevelopment.
(6) Includes costs related to the Beverly Center renovation.
(7) Amounts in this table may not add due to rounding.

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, and (13) fluctuations in foreign currency exchange rates. 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 shareowners and expect to continue to pay dividends for the foreseeable future. However, dividends to our common shareowners 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 shareowners, 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 shareowners 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 shareowners 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 the Operating Partnership 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 the Operating Partnership and funds available to us for the payment of dividends.

On September 1, 2017, we declared a quarterly dividend of $0.625 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 paid on September 29, 2017 to shareowners of record on September 15, 2017.

New Accounting Pronouncements

Refer to "Note 14 - New Accounting Pronouncements" in the consolidated financial statements, regarding our ongoing evaluation of Accounting Standards Update (ASU) No. 2017-12, addressing changes in hedge accounting recognition and presentation requirements; ASU No. 2017-09, addressing when changes to share-based payment awards must be accounted for as modifications; ASU No. 2017-05, addressing the recognition of gains and losses from the transfer of nonfinancial assets and for partial sales of nonfinancial assets; ASU No. 2017-01, clarifying the definition of a business; ASU No. 2016-18, addressing the classification and presentation of restricted cash on the statement of cash flows; ASU No. 2016-15, addressing the classification of certain cash receipts and cash payments on the statement of cash flows; ASU No. 2016-02, addressing leases; ASU No. 2016-01, addressing the measurement of financial assets and financial liabilities; and ASU No. 2014-09 and ASU No. 2015-14, addressing revenue recognition.

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, 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 Generally Accepted Accounting Principles (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. For the three months ended September 30, 2017 , we adjusted FFO to exclude a restructuring charge and costs incurred associated with shareowner activism. In addition, for the nine months ended September 30, 2017 , we also adjusted FFO to exclude 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. For the nine months ended September 30, 2016, we adjusted FFO to exclude the lump sum payment of $21.7 million we received in connection with the termination of our third party leasing agreement at Crystals (see "Results of Operations - The Shops at Crystals (Crystals)").

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 Shareowners 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 Shareowners 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 Shareowners to Funds from Operations and Adjusted Funds from Operations

	Three Months Ended September 30									
	2017					2016				
	Dollars in millions		Diluted Shares/ Units	Per Share/ Unit		Dollars in millions		Diluted Shares/ Units	Per Share/ Unit	
Net income attributable to TCO common shareowners - basic	$	4.4	60,710,184	$	0.07	$	18.8	60,396,902	$	0.31
Add impact of share-based compensation		—	288,967				—	434,161		
Net income attributable to TCO common shareowners - diluted	$	4.4	60,999,151	$	0.07	$	18.8	60,831,063	$	0.31
Add depreciation of TCO's additional basis		1.6			0.03		1.6			0.03
Less TCO's additional income tax benefit		(0.4)			(0.01)					
Net income attributable to TCO common shareowners, excluding step-up depreciation and additional income tax benefit	$	5.6	60,999,151	$	0.09	$	20.4	60,831,063	$	0.34
Add:										
Noncontrolling share of income of TRG		2.3	24,957,233				8.4	25,053,476		
Distributions to participating securities of TRG		0.6	871,262				0.5	871,262		
Net income attributable to partnership unitholders and participating securities of TRG	$	8.5	86,827,646	$	0.09	$	29.4	86,755,801	$	0.34
Add (less) depreciation and amortization (1) :										
Consolidated businesses at 100%		45.8			0.53		40.6			0.47
Depreciation of TCO's additional basis		(1.6)			(0.02)		(1.6)			(0.02)
Noncontrolling partners in consolidated joint ventures		(2.0)			(0.02)		(1.3)			(0.02)
Share of Unconsolidated Joint Ventures		16.6			0.19		15.0			0.17
Non-real estate depreciation		(0.9)			(0.01)		(0.6)			(0.01)
Less impact of share-based compensation		—			—		—			—
Funds from Operations attributable to partnership unitholders and participating securities of TRG	$	66.4	86,827,646	$	0.76	$	81.4	86,755,801	$	0.94
TCO's average ownership percentage of TRG - basic		70.9%					70.7%			
Funds from Operations attributable to TCO's common shareowners, excluding additional income tax benefit	$	47.1		$	0.76	$	57.6		$	0.94
Add TCO's additional income tax benefit		0.4			—					
Funds from Operations attributable to TCO's common shareowners	$	47.4		$	0.77	$	57.6		$	0.94
Funds from Operations attributable to partnership unitholders and participating securities of TRG	$	66.4	86,827,646	$	0.76	$	81.4	86,755,801	$	0.94
Restructuring charge		1.8			0.02					
Costs associated with shareowner activism		3.5			0.04					
Adjusted Funds from Operations attributable to partnership unitholders and participating securities of TRG	$	71.6	86,827,646	$	0.83	$	81.4	86,755,801	$	0.94
TCO's average ownership percentage of TRG - basic		70.9%					70.7%			
Adjusted Funds from Operations attributable to TCO's common shareowners	$	50.8		$	0.83	$	57.6		$	0.94

(1) Depreciation includes $3.5 million of mall tenant allowance amortization for both the three months ended September 30, 2017 and 2016.
(2) Amounts in this table may not recalculate due to rounding.

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

	Nine Months Ended September 30					
	2017			2016		
	Dollars in millions	Diluted Shares/ Units	Per Share/ Unit	Dollars in millions	Diluted Shares/ Units	Per Share/ Unit
Net income attributable to TCO common shareowners - basic	$ 35.0	60,654,026	$ 0.58	$ 78.1	60,341,863	$ 1.29
Add impact of share-based compensation	0.1	364,829		0.2	432,926	
Net income attributable to TCO common shareowners - diluted	$ 35.1	61,018,855	$ 0.58	$ 78.3	60,774,789	$ 1.29
Add depreciation of TCO's additional basis	4.9		0.08	4.9		0.08
Less TCO's additional income tax benefit	(0.3)		—	—		—
Net income attributable to TCO common shareowners, excluding step-up depreciation and additional income tax benefit	$ 39.7	61,018,855	$ 0.65	$ 83.1	60,774,789	$ 1.37
Add:						
Noncontrolling share of income of TRG	16.3	24,968,434		34.4	25,058,804	
Distributions to participating securities of TRG	1.7	871,262		1.6	871,262	
Net income attributable to partnership unitholders and participating securities of TRG	$ 57.7	86,858,551	$ 0.66	$ 119.1	86,704,855	$ 1.37
Add (less) depreciation and amortization (1) :						
Consolidated businesses at 100%	123.0		1.42	100.1		1.15
Depreciation of TCO's additional basis	(4.9)		(0.06)	(4.9)		(0.06)
Noncontrolling partners in consolidated joint ventures	(5.6)		(0.06)	(4.0)		(0.05)
Share of Unconsolidated Joint Ventures	49.8		0.57	36.0		0.42
Non-real estate depreciation	(2.4)		(0.03)	(1.9)		(0.02)
Less beneficial share of gain on disposition, net of tax	(2.1)		(0.02)			
Less impact of share-based compensation	(0.1)		—	(0.2)		—
Funds from Operations attributable to partnership unitholders and participating securities of TRG	$ 215.5	86,858,551	$ 2.48	$ 244.3	86,704,855	$ 2.82
TCO's average ownership percentage of TRG - basic	70.8%			70.7%		
Funds from Operations attributable to TCO's common shareowners, excluding additional income tax benefit	$ 152.7		$ 2.48	$ 172.6		$ 2.82
Add TCO's additional income tax benefit	0.3		—	—		—
Funds from Operations attributable to TCO's common shareowners	$ 152.9		$ 2.49	$ 172.6		$ 2.82
Funds from Operations attributable to partnership unitholders and participating securities of TRG	$ 215.5	86,858,551	$ 2.48	$ 244.3	86,704,855	$ 2.82
Restructuring charge	4.1		0.05			
Costs associated with shareowner activism	12.0		0.14			
Partial write-off of deferred financing costs	0.4		—			
Crystals lump sum fee for termination of leasing agreement				(21.7)		(0.25)
Adjusted Funds from Operations attributable to partnership unitholders and participating securities of TRG	$ 232.0	86,858,551	$ 2.67	$ 222.6	86,704,855	$ 2.57
TCO's average ownership percentage of TRG - basic	70.8%			70.7%		
Adjusted Funds from Operations attributable to TCO's common shareowners, excluding additional income tax benefit	$ 164.3		$ 2.67	$ 157.3		$ 2.57
Add TCO's additional income tax benefit				—		—
Adjusted Funds from Operations attributable to TCO's common shareowners	$ 164.3		$ 2.67	$ 157.3		$ 2.57

(1) Depreciation includes $10.4 million and $10.6 million of mall tenant allowance amortization for the nine months ended September 30, 2017 and 2016, respectively.
(2) Amounts in this table may not recalculate due to rounding.

Reconciliation of Net Income to Net Operating Income

	Three Months Ended September 30		Nine Months Ended September 30	
	(in millions)			
	2017	2016	2017	2016
Net income	$ 14.3	$ 35.2	$ 74.7	$ 137.3
Add (less) depreciation and amortization:				
Consolidated businesses at 100%	45.8	40.6	123.0	100.1
Noncontrolling partners in consolidated joint ventures	(2.0)	(1.3)	(5.6)	(4.0)
Share of Unconsolidated Joint Ventures	16.6	15.0	49.8	36.0
Add (less) interest expense and income tax expense (benefit):				
Interest expense:				
Consolidated businesses at 100%	27.8	22.1	80.1	61.8
Noncontrolling partners in consolidated joint ventures	(3.0)	(2.9)	(8.9)	(7.4)
Share of Unconsolidated Joint Ventures	16.6	14.3	50.2	39.0
Share of income tax expense (benefit):				
Consolidated businesses at 100%	0.1	(0.5)	0.4	0.3
Noncontrolling partners in consolidated joint ventures	—		(0.1)	
Share of Unconsolidated Joint Ventures	0.1	0.3	2.3	0.3
Share of income tax expense on disposition			0.7	
Less noncontrolling share of income of consolidated joint ventures	(1.2)	(1.7)	(4.3)	(5.8)
Add EBITDA attributable to outside partners:				
EBITDA attributable to noncontrolling partners in consolidated joint ventures	6.2	5.9	18.9	17.2
EBITDA attributable to outside partners in Unconsolidated Joint Ventures	42.4	30.3	135.3	93.1
EBITDA at 100%	$ 163.6	$ 157.4	$ 516.4	$ 467.9
Add (less) items excluded from shopping center Net Operating Income:				
General and administrative expenses	9.5	11.6	29.6	34.7
Management, leasing, and development services, net	(0.6)	(0.1)	(1.7)	(23.3) (1)
Restructuring charge	1.8		4.1	
Costs associated with shareowner activism	3.5		12.0	
Straight-line of rents	(1.7)	(2.6)	(4.8)	(5.7)
Gain on disposition			(4.4)	
Gains on sales of peripheral land	(0.9)	(1.4)	(2.6)	(1.8)
Dividend income	(1.1)	(1.0)	(3.1)	(2.9)
Interest income	(0.8)	(1.9)	(5.0)	(4.2)
Other nonoperating expense (income)	(0.1)	0.3	(0.1)	(0.4)
Unallocated operating expenses and other	10.4	9.8	26.8	32.0
Net Operating Income at 100% - all centers	$ 183.6	$ 172.1	$ 567.0	$ 496.3
Less Net Operating Income of non-comparable centers (2)	(35.5)	(22.0)	(112.6)	(52.2)
Net Operating Income at 100% - comparable centers	$ 148.1	$ 150.1	$ 454.4	$ 444.1
Lease cancellation income	(1.2)	(0.6)	(10.0)	(2.9)
Net Operating Income at 100% excluding lease cancellation income (3)	$ 146.9	$ 149.4	$ 444.4	$ 441.2

(1) Amount includes the lump sum payment of $21.7 million received in May 2016 in connection with the termination of our third party leasing agreement for Crystals due to a change in ownership of the center.
(2) Includes Beverly Center, CityOn.Xi'an, CityOn.Zhengzhou, Country Club Plaza, International Market Place, The Mall of San Juan, and Starfield Hanam.
(3) 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.
(4) Amounts in this table may not add due to rounding.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in this report at Item 2 under the caption "Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Sensitivity Analysis."

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly 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 September 30, 2017 , 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.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

There was no material outstanding litigation as of September 30, 2017 .

Item 1 A. Risk Factors

There were no material changes in our risk factors previously disclosed in Part I, Item 1A. of our Form 10-K for the year ended December 31, 2016 .

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our Board of Directors authorized a share repurchase program under which we may repurchase up to $450 million of our outstanding common stock. We may repurchase shares from time to time on the open market or in privately negotiated transactions or otherwise, depending on market prices and other conditions. No shares have been repurchased in 2017. As of September 30, 2017 , we cumulatively repurchased 4,247,867 shares of our common stock at an average price of $71.79 per share for a total of $304.9 million under the authorization. As of September 30, 2017 , $145.1 million remained available under the repurchase program. All shares repurchased have been cancelled. For each share of our common stock repurchased, one of our TRG Units was redeemed. Repurchases of common stock were financed with general corporate funds, including borrowings under our existing revolving lines of credit.

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."

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Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date	Filed Herewith
3.1	Restated By-Laws of Taubman Centers, Inc.					X
12	Statement Re: Computation of Taubman Centers, Inc. Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.					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.					**
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.					
**	Documents are furnished, not filed.					

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SIGNATURES

Pursuant to the requirements 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: November 2, 2017	By: /s/ Simon J. Leopold
	Simon J. Leopold
	Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial Officer)

Exhibit 3.1

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TAUBMAN CENTERS, INC.
(Reflecting amendments through September 28, 2017)

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RESTATED BY-LAWS
OF
TAUBMAN CENTERS, INC.
(Reflecting amendments through September 28, 2017)

ARTICLE I

Meetings of Shareholders

Section 1.01. Place of Meetings.

Annual and special meetings of the shareholders shall be held at such place within or outside the State of Michigan as may be fixed from time to time by the board of directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 1.02. Annual Meeting.

The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date as the Chairman of the Board, or the Vice Chairman of the Board or the President or the board of directors shall designate, and at such hour as may be named, in the notice of said meeting. If the election of directors shall not be held on the date so designated for any annual meeting or at any adjournment of such meeting, the board of directors shall cause the election to be held at a special meeting as soon thereafter as it conveniently may be held.

Section 1.03. Special Meetings.

A special meeting of the shareholders may be called at any time and for any purpose or purposes by the Chairman of the Board, the Vice Chairman of the Board, the President, a Vice President or any two directors, and shall be called by the Company at the request of a shareholder or shareholders holding of record shares entitled to at least twenty-five percent (25%) of all the votes entitled to be cast by the holders of all outstanding capital stock of the corporation entitled to vote at such meeting, duly made in accordance with the following paragraph.

Any shareholder or shareholders desiring to request that a special meeting of the shareholders be called shall deliver a notice thereof in writing to the Secretary of the corporation at the principal executive offices of the corporation together with documentation evidencing that such shareholder or shareholders possess sufficient voting power in accordance with the requirement of the previous paragraph to request that such a special meeting be called. Such notice shall contain the information required by the final sentence of Section 1.06(A)(2) hereof (and be updated and supplemented as required by Section 1.06(C)(3)) with respect to the item or items to be brought before the special meeting of the shareholders which is desired to be called. Within ten business days after receipt of such notice and verification of the accompanying documentation, the board of directors shall fix a record date and meeting date for such special meeting, which meeting date shall be set for not less than 30 nor more than 120 days after the date of such board action.

Section 1.04. Notice of Meetings.

A written notice of the place, date, hour, and purposes of each meeting, whether annual or special, and any adjournment thereof, shall be given by the corporation personally or by mail to each shareholder entitled to vote thereat at least ten (10) but not more than sixty (60) days prior to the meeting unless a shorter time is provided by the Michigan Business Corporation Act and is fixed by the board of directors. The notice of any special meeting shall also state by or at whose direction it is being issued. If, at any meeting, whether annual or special, action is proposed to be taken which would, if taken, entitle shareholders fulfilling requirements of law to receive payment for their shares, the notice of such meeting shall include a statement of that purpose and to that effect. If any notice, as provided in this Section 1.04 is mailed, it shall be directed to the shareholder in a postage prepaid envelope at his address as it appears on the record of shareholders, or, if he shall have filed with the Secretary a written request that notices to him be mailed to some other address, then directed to him at such other address.

Section 1.05. Inspectors of Election.

The board of directors, or any officer or officers duly authorized by the board of directors, in advance of any meeting of shareholders, may appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at the meeting may, and on the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the board of directors in advance of the meeting or at the meeting by the chairman of the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the inspectors shall make a report in writing of any facts or matters found or determined by them and execute a certificate with respect thereto.

Section 1.06. Notice of Shareholder Business and Nominations.

(A) <u>Annual Meetings Of Shareholders.</u>

(1) Nominations of persons for election to the board of directors of the corporation and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the board of directors or (c) by any shareholder of the corporation who was a shareholder of record at the time of giving of notice provided for in this Section 1.06, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.06.

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (c) of paragraph (A)(1) of this Section 1.06, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above. Such shareholder's notice (for either an annual meeting or special meeting) shall set forth:

(a) as to each person whom the shareholder proposes to nominate for election or reelection as a director:

(i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

(ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the shareholder and beneficial owner, if any, and their respective affiliates and associates and others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates or others acting in concert therewith, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 of Regulation S-K if the shareholder, beneficial owner or affiliate, associate or person acting in concert were the "registrant" for purposes of such rule, and such nominee were a director or executive officer of such registrant; and

(iii) such other information as the board of directors may reasonably require to determine the eligibility or independence of such proposed nominee to serve as a director of the corporation. Without limitation, such nominee must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 1.06) to the Secretary at the principal executive offices of the corporation a written questionnaire with respect to the background and qualification of such nominee and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (A) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the corporation, with such person's fiduciary duties under applicable law, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (C) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the corporation.

(b) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(c) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

(i) the name and address of such shareholder, as they appear on the corporation's books, and of such beneficial owner;

(ii) the class and number of shares of the corporation which are owned beneficially and of record by such shareholder and such beneficial owner;

(iii) a description of any agreement, arrangement or understanding with respect to the nomination or proposal between or among such shareholder and such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing;

(iv) a description of any proxy, relationship, agreement, arrangement and/or understanding (including any derivative or short positions, convertible security, profit interests, options, warrants, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares, in each case whether settled in shares or cash) that has or have been entered into by, or on behalf of, such shareholder and/or such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit from share price changes (including any performance-related fees) for, or increase or decrease the voting power of, such shareholder and/or such beneficial owner, with respect to shares of stock of the corporation;

(v) a description of any agreement, arrangement or understanding between or among such shareholder or beneficial owner and any other person relating to acquiring, holding, voting or disposing of any shares of stock of the corporation;

(vi) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination; and

(vii) a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (B) otherwise to solicit proxies from shareholders in support of such proposal or nomination.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 1.06 to the contrary, in the event that the number of directors to be elected to the board of directors of the corporation is increased and there is no public announcement by the corporation naming all of the nominees for director or specifying the size of the increased board of directors at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 1.06 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the corporation.

(B) <u>Special Meetings Of Shareholders.</u> Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting or by or at the direction of the board of directors. Nominations of persons for election to the board of directors may be made at a special meeting of shareholders at which directors are to be elected pursuant to the corporation's notice of meeting (a) by or at the direction of the board of directors or (b) provided that the board of directors has determined that directors shall be elected at such meeting, by any shareholder of the corporation who is a shareholder of record at the time of giving of notice provided for in this Section 1.06, who shall be entitled to vote at the meeting and who complies with the notice procedures and information requirements set forth in this Section 1.06. In the event the corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the board of directors, any such shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the shareholder's notice required by this Section 1.06 shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

(C) <u>General.</u>

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.06 shall be eligible to serve as directors and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.06. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.06 and, if any proposed nomination or business is not in compliance with this Section 1.06, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 1.06, unless otherwise required by law, if the shareholder

(or a qualified representative of the shareholder) does not appear at the annual or special meeting of shareholders of the corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 1.06, to be considered a qualified representative of the shareholder, a person must be a duly authorized officer, manager or partner of such shareholder or must be authorized by a writing executed by such shareholder or an electronic transmission delivered by such shareholder to act for such shareholder as proxy at the meeting of shareholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of shareholders.

(2) Notwithstanding the foregoing provisions of this Section 1.06, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.06. Nothing in this Section 1.06 shall be deemed to affect any rights (i) of shareholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

(3) A shareholder providing notice of a proposed nomination for election to the Board or other business proposed to be brought before an annual or special meeting shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 15 days prior to the meeting or any adjournment or postponement thereof; such update and supplement shall be delivered in writing to the Secretary at the principal executive offices of the corporation not later than five days after the record date for the meeting (in the case of any update and supplement required to be made as of the record date), and not later than 10 days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of 15 days prior to the meeting or any adjournment or postponement thereof).

(4) For the purposes of this Section 1.06, "beneficial owner" shall mean a person that (A) beneficially owns shares for purposes of Section 13(d) of the Exchange Act or (B) has or shares, pursuant to any agreement, arrangement or understanding, the right to acquire shares, the right to vote shares or has investment power with respect to such shares, in each case alone or in concert with others.

(5) For purposes of this Section 1.06, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Section 1.07. Quorum and Adjournment.

Unless a greater or lesser quorum is provided by statute or in the articles of incorporation, shares entitled to cast a majority of the votes at a meeting constitute a quorum at the meeting. The shareholders present in person or by proxy at the meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. By a vote of the shares present, even if less than a quorum, the meeting may be adjourned to another place and time for a period not exceeding thirty (30) days in any one case. No notice of the time and place of adjourned meetings need be given except as required by law. At an adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the meeting as originally called.

Section 1.08. Vote of Shareholders.

Each share of outstanding capital stock shall entitle its holder to the voting rights set forth in the articles of incorporation. All elections of directors shall be by a plurality vote of the shareholders entitled to vote at such meeting of shareholders. Whenever any corporate action is to be taken by vote, other than the election of directors, it shall, except as otherwise required by statute, by the articles of incorporation, or by these by-laws, be authorized by two-thirds (2/3(rds)) of all the votes entitled to be cast by the holders of all outstanding capital stock entitled to vote on the action. Directors shall be elected if approved by a plurality of the votes cast at an election.

Section 1.09. Proxies.

Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. Every proxy must be in writing and signed by the shareholder or his attorney-in-fact. No proxy shall be valid after the expiration of three (3) years from the date thereof unless otherwise provided in the proxy.

Section 1.10. Organization of Shareholders' Meetings.

At every meeting of the shareholders, the Chairman of the Board, or in his absence, the Vice Chairman of the Board, or in his absence, the President, or in his absence, a Vice President, or in the absence of the Chairman of the Board, the President and Vice President, a chairman chosen by a majority in interest of the shareholders of the corporation present in person or by proxy and entitled to vote, shall act as chairman; and the Secretary, or in his absence any person appointed by the chairman, shall act as secretary.

ARTICLE II

Determination of Voting Rights, Dividend, and Other Rights

For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or for the purpose of any other action, the board of directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than sixty (60) nor less than ten (10) days before the date of any such meeting, nor more than thirty (30) days prior to any other action. If a record date is so fixed, such shareholders and only such shareholders as shall be shareholders of record on that date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to express such consent or dissent, or to receive payment of such dividend or such allotment of rights, or otherwise to be recognized as shareholders for the purpose of any other action, notwithstanding any transfer of any shares on the books of the corporation after any such record date so fixed.

ARTICLE III
Directors

Section 3.01. General Powers.

The business and all the powers of the corporation, and the stock, property, and affairs of the corporation, except as otherwise provided by the articles of incorporation, the by-laws, or by statute, shall be managed by the board of directors.

Section 3.02. Number, Qualifications, and Term of Office.

Except when the corporation's articles of incorporation require the board to consist of a fixed number of directors, the board of directors shall consist of that number of directors established from time to time by the board of directors, provided that the board cannot reduce the number of directors below its then current size except upon the expiration of the term of one or more directors or the death, resignation, or removal of a director. Except as otherwise required by the articles of incorporation, the directors, who need not be shareholders, shall be divided into three classes that shall be as nearly equal in number as is possible. At each annual meeting of shareholders, one class of directors shall be chosen for a full three year term and until their successors shall be duly elected and qualified or, if earlier, until death, resignation or removal.

If satisfied immediately following the most recent election or appointment of directors, any requirement under the articles of incorporation or these by-laws regarding the number of directors who must be "independent" shall be deemed to be satisfied until the next annual meeting of shareholders, notwithstanding the occurrence of one or more vacancies on the board of directors occurring between meetings of shareholders.

Section 3.03. Place of Meetings.

Meetings of the board of directors, annual or special, shall be held at any place within or outside the State of Michigan as may from time to time be determined by the board of directors.

Section 3.04. Annual Meeting.

The board of directors shall meet as soon as practicable after each annual election of directors for the purpose of organization, election of officers, and the transaction of other business, on the same day and at the same place at which the shareholders' meeting is held. Notice of such meeting need not be given. Such meeting may be held at such other time and place as shall be specified in a notice to be given as hereinafter provided for special meetings of the board of directors, or according to consent and waiver of notice thereof signed by all directors.

Section 3.05. Regular and Special Meetings.

Regular (i.e., previously scheduled by action of the board of directors) meetings of the board of directors may be held with or without notice. Special meetings of the board of directors shall be held whenever called by any director. Notice of any special meeting, and any adjournment thereof, stating the place, date, hour and purpose of the meeting, shall be provided to each director, not later than forty-eight (48) hours prior to the day on which the meeting is to be held. Unless limited by statute, the articles of incorporation, these by-laws, or the terms of the notice thereof, any and all business may be transacted at any special meeting.

Section 3.06. Quorum and Manner of Action.

A majority of the directors in office at the time of any meeting of the board of directors, present in person or by means of telephonic conference, shall be necessary and sufficient to constitute a quorum for the transaction of business. The affirmative vote of a majority of the directors in office shall be required for the approval of all actions to be taken by the board of directors, except as otherwise required by statute or the articles of incorporation and except for adjournment. A majority of the directors present, regardless of whether a quorum is present, may adjourn any meeting to another place and time for a period not exceeding thirty (30) days in any one case. If all of the directors severally or collectively consent in writing to any act taken or to be taken by the corporation, such action shall be valid corporate action as though it had been authorized at a meeting of the board of directors.

Section 3.07. Compensation.

Each independent director shall be paid such directors' fees and fixed sums and expenses for attendance at each annual, regular or special meeting of the board of directors or committees of the board of directors as the board of directors by resolution so determines; provided, however, that nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefore.

Section 3.08. Removal of Directors.

By a vote of two-thirds (2/3(rds)) of all the votes entitled to be cast by the holders of all outstanding capital stock entitled to vote, the shareholders may remove one or more or all of the directors from office for or without cause.

Section 3.09. Resignations.

Any director may resign at any time by giving written notice to the board of directors, the Chairman of the Board, the Vice Chairman, the President, or the Secretary of the corporation. Such resignation shall take effect at the time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.10. Vacancies.

Any vacancies occurring on the board of directors by reason of death, resignation, retirement, disqualification, removal, or an increase in the size of the board of directors shall be temporarily filled by the board of directors then in office. Except as provided in the next sentence, unless a successor director is elected by a vote of the shareholders, any director elected by the board of directors to fill a vacancy temporarily shall hold office for the unexpired portion of the term of his predecessor. If a director is elected by the directors in order to fill a vacancy created as a result of an increase in the size of the board of directors, then such director shall have an initial term equal to the remaining term of the class of directors that such director is placed in pursuant to the resolution of the board of directors adopted pursuant to Section 3.02 of these by-laws.

Section 3.11. Organization of Board Meeting.

At each meeting of the board of directors, the Chairman, or in his absence, the Vice Chairman, or in his absence, the President, if he is a director, or in his absence, a director chosen by a majority of the directors present, shall act as chairman of the meeting. The Secretary, or in his absence, any person appointed by the chairman, shall act as secretary of the meeting.

ARTICLE IV
Committees

Section 4.01. Committees.

The corporation may have such committees as the board of directors shall by resolution from time to time determine, which shall have such powers and authority as are designated by the board of directors.

Section 4.02. Regular Meetings.

Regular meetings of a committee shall be held without notice at such time and at such place as shall from time to time be determined by resolution of the committee. In case the day so determined shall be a legal holiday, such meeting shall be held on the next succeeding day, not a legal holiday, at the same hour.

Section 4.03. Special Meetings.

Special meetings of a committee shall be held wherever called by the chairman of the committee. Notice of any special meeting and any adjournment thereof shall be provided not later than the second (2nd) day before the day on which the meeting is to be held. Notice of any meeting of a committee need not be given to any member who submits a signed waiver of notice before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. Unless limited by statute, the articles of incorporation, these by-laws, or the terms of the notice thereof, any and all business may be transacted at any special meeting of the committee.

Section 4.04. Quorum and Manner of Action.

A majority of the members of a committee in office at the time of any regular or special meeting of the committee present in person or by means of telephonic conference shall constitute a quorum for the transaction of business. The vote of a majority of the members shall be the act of the committee. Any member of a committee may require that action proposed to be taken by the committee instead be submitted to the board of directors for its consideration and action. A majority of the members present, whether or not a quorum is present, may adjourn any meeting to another time and place. No notice of an adjourned meeting need be given.

Section 4.05. Records.

A committee shall keep minutes of its proceedings and shall submit the same from time to time to the board of directors. The Secretary of the corporation, or in his absence an assistant secretary, shall act as secretary to the committee; or the committee may in its discretion appoint its own secretary.

S **ection 4.06. Vacancies.**

Any newly created memberships and vacancies occurring in a committee shall be filled by resolution adopted by a majority of the entire board of directors.

ARTICLE V
Officers

Section 5.01. Officers.

The elected officers of the corporation shall be a Chairman of the Board, a President, a Chief Financial Officer, a Secretary, a Treasurer, and, if the board of directors so determines, one or more Vice Chairman of the Board and Vice Presidents. The board of directors may also appoint one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers and agents as may from time to time appear to be necessary or advisable in the conduct of the affairs of the corporation. Any two or more offices, whether elective or appointive, may be held by the same person, except that an officer shall not execute, acknowledge or verify any instrument in more than one capacity if the instrument is required by law or the articles of incorporation or these by-laws to be executed, acknowledged or verified by two or more officers.

Section 5.02. Term of Office and Resignation.

So far as practicable, all elected officers shall be elected at the first meeting of the board of directors following the annual meeting of shareholders in each year and, except as otherwise hereinafter provided, shall hold office until the first meeting of the board of directors following the next annual meeting of shareholders and until their respective successors shall have been elected or appointed and qualified. All other officers shall hold office during the pleasure of the board of directors. Any elected or appointed officer may resign at any time by giving written notice to the board of directors, the Chairman, the Vice Chairman, the President, the Chief Financial Officer, or the Secretary of the corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.03. Removal of Elected Officers.

Any officer may be removed at any time, with or without cause, by vote at any meeting of the board of directors.

Section 5.04. Vacancies.

If any vacancy shall occur in any office for any reason, the board of directors may elect or appoint a successor to fill such vacancy for the remainder of the term.

Section 5.05. Compensation.

The compensation, if any, of all elected or appointed officers and agents of the corporation shall be fixed by the board of directors.

Section 5.06. The Chairman of the Board.

The Chairman of the Board (sometimes herein the “Chairman”) shall preside at all meetings of the shareholders and board of directors and shall appoint all standing and special committees as are deemed necessary in the conduct of the business. The Chairman shall exercise any and all powers and perform any and all duties which are required by these by-laws and which the board of directors may additionally confer upon him.

Section 5.07. The Vice Chairman of the Board.

The Vice Chairman of the Board (sometimes herein the "Vice Chairman"), in the absence of the Chairman, shall preside at all meetings of the shareholders and board of directors. The Vice Chairman shall exercise any and all powers and perform any and all duties which are required by these by-laws and which the board of directors may additionally confer upon him.

Section 5.08. The President.

The President shall be the Chief Executive Officer and, if he is a director, in the absence of the Chairman and the Vice Chairman, preside at all meetings of the board of directors; and shall perform such other duties as are usually ascribed to that office. The President shall exercise any and all powers and perform any and all duties which are required by these by-laws and which the board of directors may additionally confer upon him.

Section 5.09. The Chief Financial Officer.

The Chief Financial Officer shall perform all necessary acts and duties in connection with the administration of the financial affairs of the corporation; and shall perform such other duties as are usually ascribed to that office. The Chief Financial Officer shall exercise any and all powers and perform any and all duties which are required by these by-laws and which the board of directors may additionally confer upon him.

Section 5.10. The Vice President.

The Vice President, if any, or if there is more than one Vice President, each Vice President, shall have such powers and discharge such duties as may be assigned to him from time to time by the board of directors.

Section 5.11. The Secretary.

The Secretary shall attend all meetings of the board of directors and the shareholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall, when requested, perform like duties for all committees of the board of directors. He shall attend to the giving of notice of all meetings of the shareholders, and special meetings of the board of directors and committees thereof; he shall have custody of the corporate seal, if same is provided, and, when authorized by the board of directors, shall have authority to affix the same to any instrument and, when so affixed, it shall be attested by his signature or by the signatures of the Treasurer or an Assistant Secretary or an Assistant Treasurer. He shall keep an account for all books, documents, papers, and records of the corporation, except those for which some other officer or agent is properly accountable. He shall have authority to sign stock certificates, and shall generally perform all the duties appertaining to the office of Secretary of a corporation. In the absence of the Secretary, such person as shall be designated by the President shall perform his duties.

Section 5.12. The Treasurer.

The Treasurer shall have the care and custody of all the funds of the corporation and shall deposit the same in such banks or other depositories as the board of directors, or any officer and agent jointly, duly authorized by the board of directors, shall, from time to time, direct or approve. He shall keep a full and accurate account of all monies received and paid on account of the corporation, and shall render a statement of his accounts whenever the board of directors shall require. In addition, he shall generally perform all duties usually appertaining to the office of Treasurer of a corporation. When required by the board of directors, he shall give bonds for the faithful discharge of his duties in such sums and with such sureties as the board of directors shall approve. In the absence of the Treasurer, such person as shall be designated by the Chief Financial Officer shall perform his duties.

ARTICLE VI

Indemnification

Subject to and in furtherance of the provisions of the Article VIII of the articles of incorporation:

Section 6.01. Insurance.

The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation or is liable as a director of the corporation, or is or was serving, at the request of the corporation, as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, regardless of whether the corporation would have power to indemnify him against such liability pursuant to Article VIII of the articles of incorporation and/or this Article VI.

Section 6.02. Constituent Corporations.

For the purposes of Article VIII of the articles of incorporation and this Article VI, references to the corporation include all constituent corporations absorbed in a merger and the resulting or surviving corporation, so that a person who is or was a director or officer of such constituent corporation or is or was serving at the request of such constituent corporation as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise shall (as shall his heirs, executors, and administrators) stand in the same position, under the provisions of Article VIII of the articles of incorporation and this Article VI, with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

Section 6.03. Right of Claimant to Bring Suit.

If a claim under Article VIII of the articles of incorporation and/or this Article VI is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit, in a court of competent jurisdiction in the State of Michigan, against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense (including attorneys' fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending a proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the claimant has not met the standards of conduct that make it permissible under the laws of the State of Michigan for the corporation to indemnify the claimant for the amount claimed. The burden of proving such a defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper under the circumstances because he or she has met the applicable standard of conduct set forth in the laws of the State of Michigan, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its shareholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. Notice of any application to the court pursuant to this Section 6.03 shall be given to the corporation promptly upon filing.

Section 6.04. No Exclusivity.

The rights conferred on any person by Article VIII of the articles of incorporation and this Article VI shall not be exclusive of any other rights that such person may have or hereafter acquire under any statute, provision of the articles of incorporation, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

Section 6.05. ERISA Fiduciaries.

To ensure indemnification under Article VIII of the articles of incorporation and this Article VI of all such persons who are or were "fiduciaries" of an employee benefit plan governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974", as amended from time to time, the provisions of this Article VI shall, for the purposes hereof, be interpreted as follows: an "other enterprise" shall be deemed to include an employee benefit plan; the corporation shall be deemed to have requested a person to serve as an employee of an employee benefit plan where the performance by such person of duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to said Act of Congress shall be deemed "fines"; and action taken or omitted by a person with respect to an employee benefit plan in the performance of such person's duties for a purpose reasonably believed by such person to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the corporation.

Section 6.06. Survival.

The rights provided by Article VIII of the articles of incorporation and this Article VI shall continue as to a person who ceases to be an indemnitee under the articles of incorporation or these by-laws and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.07. Settlement of Claims.

The corporation shall not be liable to indemnify any person under Article VIII of the articles of incorporation or this Article VI (a) for any amounts paid in settlement of any action or claim effected without the corporation's written consent, which consent shall not be unreasonably withheld; or (b) for any judicial award if the corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

Section 6.08. Contract Right; Effect of Amendment.

The rights provided by Article VIII of the articles of incorporation and this Article VI shall be a contract right that vests at the time of such person's service to, or at the request of, the corporation. Persons who after the date of the adoption of this Article VI become or remain indemnitees of the corporation shall be conclusively presumed to have relied on the rights to indemnification and advancement of expenses contained in Article VIII of the articles of incorporation and this Article VI. Any amendment, repeal, or modification of Article VIII of the articles of incorporation or this Article VI shall not adversely affect any right or protection of any person existing at the time of such amendment, repeal, or modification.

Section 6.09. Subrogation.

In the event of payment under Article VIII of the articles of incorporation and/or this Article VI, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the person, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

Section 6.10. No Duplication of Payments.

The corporation shall not be liable under Article VIII of the articles of incorporation or this Article VI to make any payment in connection with any claim made against the indemnitee to the extent the indemnitee has otherwise actually received payment (under any insurance policy, agreement, vote, or otherwise) of the amounts otherwise indemnifiable hereunder.

Section 6.11. Savings Clause.

If Article VIII of the articles of incorporation or this Article VI or any portion hereof or thereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer to the fullest extent not prohibited by any applicable portion of Article VIII of the articles of incorporation or this Article VI that shall not have been invalidated, or by any other applicable law. If Article VIII of the articles of incorporation or this Article VI shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and officer to the fullest extent under any other applicable law.

ARTICLE VII

Share Certificates

S **ection 7.01. Form; Signature.**

The shares of the corporation shall be represented by certificates in such form or forms as shall be determined by the board of directors and shall be signed by the Chairman of the Board, President or a Vice-President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the corporation, and if a seal has been provided by the corporation, may be sealed with the seal of the corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by a Transfer Agent or registered by a Registrar other than the corporation or its employee. In case any officer who has signed or whose facsimile has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of issue. Notwithstanding the foregoing, the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of the corporation’s shares may be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Within a reasonable time after the issuance or transfer of shares without certificates, the corporation shall send the shareholder a written statement containing the information Michigan law requires to be on certificates. Notwithstanding the adoption of a resolution by the board of directors providing that any class or series of shares of the corporation may be uncertificated, every holder of uncertificated shares shall be entitled to receive from the corporation a certificate representing the number of shares registered in such holder’s name.

Section 7.02. Transfer Agents and Registrars.

The board of directors may, in its discretion, appoint one or more banks or trust companies in the State of Michigan and in such other state or states as the board of directors may deem advisable, from time to time, to act as Transfer Agents and Registrars of the shares of the corporation; and upon such appointments being made, no certificate representing shares shall be valid until countersigned by one of such Transfer Agents and registered by one of such Registrars.

Section 7.03. Transfers of Shares.

Transfers of shares shall be made on the books of the corporation only upon written request by the person named in the certificate, or by his attorney lawfully constituted in writing, and upon surrender and cancellation of a certificate or certificates for a like number of shares of the same class, with duly executed assignment and a power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures as the corporation or its agents may reasonably require.

Section 7.04. Registered Shareholders.

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and other distributions, and to vote as such owner, and to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law or contemplated by the articles of incorporation.

Section 7.05. Lost Certificates.

In case any certificate representing shares shall be lost, stolen, or destroyed, the board of directors, or any officer or officers duly authorized by the board of directors, may authorize the issuance of a substitute certificate in place of the certificate so lost, stolen, or destroyed, and may cause or authorize such substitute certificate to be countersigned by the appropriate Transfer Agent and registered by the appropriate Registrar. In each such case the applicant for a substitute certificate shall furnish to the corporation and to such of its Transfer Agents and Registrars as may require the same, evidence to their satisfaction, in their discretion, of the loss, theft, or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may by them be required.

ARTICLE VIII
Miscellaneous

Section 8.01. Fiscal Year.

The board of directors from time to time shall determine the fiscal year of the corporation.

Section 8.02. Signatures on Negotiable Instruments.

All bills, notes, checks, or other instruments for the payment of money shall be signed or countersigned by such officers or agents and in such manner as from time to time may be prescribed by resolution of the board of directors, or may be prescribed by any officer or officers, or any officer and agent jointly, duly authorized by the board of directors.

Section 8.03. Dividends.

Except as otherwise provided in the articles of incorporation, dividends upon the shares of the corporation may be declared and paid as permitted by law in such amounts as the board of directors may determine at any annual or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock of the corporation, subject to the articles of incorporation.

Section 8.04. Reserves.

Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the board of directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the board of directors deems conducive to the interest of the corporation; and in its discretion, the board of directors may decrease or abolish any such reserve.

Section 8.05. Seal.

The board of directors may, but need not, provide a corporate seal which shall consist of two concentric circles between which is the name of the corporation and in the center of which shall be inscribed “SEAL”.

Section 8.06. Corporation Offices.

The registered office of the corporation shall be as set forth in the articles of incorporation. The corporation may also have offices in such places as the board of directors may from time to time appoint or the business of the corporation require. Such offices may be outside the State of Michigan.

Section 8.07. Notices and Waivers of Notice.

(A) Delivery Of Notices. All notices to shareholders, directors and Board committee members shall be given (a) personally, (b) by mail (registered, certified or other first class mail, except where otherwise provided in the Michigan Business Corporation Act, with postage prepaid), addressed to such person at the address designated by him or her for that purpose or, if none is designated, at his or her last known address, (c) by electronic transmission in a manner authorized by the person, or (d) as otherwise provided in the Michigan Business Corporation Act. In addition to any other form of notice to a shareholder permitted by the articles of incorporation, these by-laws, or the Michigan Business Corporation Act, any notice given to a shareholder by a form of electronic transmission to which the shareholder has consented is effective. Notices to directors of or Board committee members may also be delivered at his or her office on the corporation's premises, if any, or by express carrier, addressed to the address referred to in the first sentence of this Section 8.07. When a notice is required or permitted by the Michigan Business Corporation Act or these by-laws to be given in writing, electronic transmission is written notice. Notices given pursuant to this Section 8.07 shall be deemed to be given when dispatched, or, if mailed, when deposited in a post office or official depository under the exclusive care and custody of the United States postal service; provided that when a notice or communication is permitted by the Michigan Business Corporation Act or these by-laws to be transmitted electronically, the notice or communication is given when electronically transmitted to the person entitled to the notice or communication in a manner authorized by the person. Notices given by express carrier shall be deemed "dispatched" on the date and at the time the express carrier guarantees delivery of the notice. The corporation shall have no duty to change the written or electronic address of any director, Board committee member or shareholder unless the Secretary receives notice in writing or by electronic transmission of such address change.

(B) Waiver Of Notices. Action may be taken without a required notice and without lapse of a prescribed period of time, if at any time before or after the action is completed the person entitled to notice or to participate in the action to be taken or, in the case of a shareholder, his or her attorney-in-fact, submits a signed waiver or a waiver by electronic transmission of the requirements, or if such requirements are waived in such other manner permitted by applicable law. Neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of the meeting. A shareholder's attendance at a meeting (in person or by proxy) will result in both of the following:

(1) Waiver of objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

(2) Waiver of objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

A director's attendance at or participation in any Board or Board committee meeting waives any required notice to him or her of the meeting unless he or she, at the beginning of the meeting or upon his or her arrival, objects to the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to any action taken at the meeting.

ARTICLE IX
Amendments

Section 9.01. Power to Amend.

These by-laws may be amended, repealed, or adopted by the shareholders or the board of directors. Any by--law adopted by the board of directors may be amended or repealed by the board of directors or by shareholders entitled to vote thereon as herein provided; and any by-law adopted by the Incorporators or the shareholders may be amended or repealed by the board of directors, except as limited by statute and except when the shareholders have expressly provided otherwise with respect to any particular by-law or by-laws.

ARTICLE X
Exclusive Forum for Certain Disputes

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim for, or based on, a breach of a fiduciary duty owed by any current or former director or officer or other employee or agent of the Corporation to the Corporation or to the Corporation's shareholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, (iii) any action asserting a claim against the Corporation or any current or former director or officer or other employee or agent of the Corporation arising under any provision of the Michigan Business Corporation Act, the Amended and Restated Articles of Incorporation of Taubman Centers, Inc., or these Restated By-Laws of Taubman Centers, Inc. (as any of these may be amended from time to time), or (iv) any action asserting a claim related to, or involving, the Corporation or any current or former director or officer or other employee or agent of the Corporation that is governed by the internal affairs doctrine, including any action to interpret, apply, enforce, or determine the validity of any provision of the Michigan Business Corporation Act, the Amended and Restated Articles of Incorporation of Taubman Centers, Inc., or these Restated By-Laws of Taubman Centers, Inc. (as any of these may be amended from time to time), shall, in each case, (i) be the state courts of Michigan, if no federal jurisdiction exists, or (ii) if federal jurisdiction over such an action or proceeding exists, the sole and exclusive forum for the action or proceeding shall be the United States District Court for the Eastern District of Michigan, Southern Division.

Exhibit 12

TAUBMAN CENTERS, INC.

Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Dividends
(in thousands, except ratios)

	Nine months ended September 30	
	2017	2016
Income before income tax expense and equity in income of Unconsolidated Joint Ventures	$ 27,949	$ 87,762
Add back:		
Fixed charges	96,353	84,725
Amortization of previously capitalized interest	2,243	2,146
Distributed income of Unconsolidated Joint Ventures	47,099	49,779
Deduct:		
Capitalized interest	(9,552)	(17,892)
Earnings available for fixed charges and preferred dividends	$ 164,092	$ 206,520
Fixed charges:		
Interest expense	$ 80,074	$ 61,845
Capitalized interest	9,552	17,892
Interest portion of rent expense	6,727	4,988
Total fixed charges	$ 96,353	$ 84,725
Preferred dividends	17,353	17,353
Total fixed charges and preferred dividends	$ 113,706	$ 102,078
Ratio of earnings to fixed charges and preferred dividends	1.4	2.0

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 quarterly report on Form 10-Q of Taubman Centers, Inc.;

2. Based on my knowledge, this quarterly 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: November 2, 2017

/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 quarterly report on Form 10-Q of Taubman Centers, Inc.;

2. Based on my knowledge, this quarterly 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: November 2, 2017

/s/ Simon J. Leopold

Simon J. Leopold

Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial 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 Quarterly Report on Form 10-Q for the period ended September 30, 2017 (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: November 2, 2017

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 Quarterly Report on Form 10-Q for the period ended September 30, 2017 (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:	November 2, 2017
Simon J. Leopold		
Executive Vice President, Chief Financial Officer, and Treasurer (Principal Financial Officer)		