

# TAUBMAN CENTERS INC

## FORM 8-K

(Current report filing)

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Address	200 E LONG LAKE RD SUITE 300 P O BOX 200 BLOOMFIELD HILLS, MI 48303-0200
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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): January 13, 2003

**TAUBMAN CENTERS, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

MICHIGAN	1-11530	38-2033632
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(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(IRS EMPLOYER IDENTIFICATION NUMBER)
200 EAST LONG LAKE ROAD, SUITE 300 BLOOMFIELD HILLS, MICHIGAN		48303-0200
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(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)		(ZIP CODE)
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (248) 258-6800		

NONE  
(FORMER NAME OR FORMER ADDRESS,  
IF CHANGED SINCE LAST REPORT)

**ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE.**

On January 13, 2003, Taubman Centers, Inc. issued a press release relating to an agreement concerning the ownership of the Forum Shops at Caesars and a potential investment in Taubman Centers, Inc. A copy of the press release is attached as an exhibit hereto and incorporated in its entirety herein.

**ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.**

(c) EXHIBITS.

EXHIBIT NO. -----	DESCRIPTION -----
Exhibit (1)	Press release issued by Taubman Centers, Inc. on January 13, 2003
Exhibit (2)	Investor presentation entitled "The Forum Shops at Caesars: A Unique Opportunity"

## 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 hereunto duly authorized.

*Date: January 13, 2003*

*TAUBMAN CENTERS, INC.*

*By: /s/ Robert S. Taubman*

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

EXHIBIT INDEX

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**CONTACT:**

Barbara Baker Joele Frank/Matthew Sherman Taubman Centers, Inc. Joele Frank, Wilkinson Brimmer Katcher  
(248) 258-7367 (212) 355-4449 www.taubman.com

**FOR IMMEDIATE RELEASE**

**GORDON GROUP HOLDINGS ANNOUNCES AGREEMENT WITH TAUBMAN RELATING TO GORDON'S OWNERSHIP OF THE FORUM SHOPS AT CAESARS**

**SIMON PROPERTY GROUP MUST ELECT TO BUY OR SELL IN 30 DAYS**

**GREENWICH, Conn. and BLOOMFIELD HILLS, Mich., January 13, 2003 - Sheldon**

M. Gordon, along with his affiliates in the ownership of The Forum Shops at Caesars, and Taubman Centers Inc. (NYSE:TCO) today announced that Gordon has agreed to make an investment in Taubman and that the two developers have come to an agreement relating to Gordon's potential acquisition of Simon Property Group's (NYSE:SPG) interest in The Forum Shops. The property, adjacent to Caesars Palace in Las Vegas, is currently owned by Gordon and Simon and is one of the most productive retail venues in the nation.

Gordon - the original visionary and designer of the Forum Shops - is currently a 42% limited partner in the property with Simon, a 58% general partner. The current partnership agreement between Simon and Gordon contains a "buy/sell" provision. Gordon initiated the buy/sell mechanism, effective January 13, 2003, by indicating that it is willing to either buy Simon's stake or sell its own stake in the Forum Shops at a gross valuation of \$590 million. The buy/sell provision requires Simon to either buy Gordon's share of the property at the valuation set forth by Gordon, or sell its share of the property to Gordon at that valuation.

Because the property is currently subject to \$175 million of property-level debt, this gross valuation corresponds with \$415 million of equity value (\$241 million for the Simon stake, and \$174 million for the Gordon stake). Under the terms of the existing partnership agreement: Simon has 30 days to decide whether to buy or sell the Forum Shops at the specified valuation; absent an affirmative election, Simon will be deemed to have agreed to sell; and closing of the transaction is to occur within 120 days of Simon's decision.

-- more --

Gordon has agreed to make a significant investment in Taubman at \$24 per operating partnership unit under either the buy or the sell scenario. This transaction will increase Taubman's equity base under either scenario through the issuance of equity at a premium to the current market price of Taubman Centers stock.

If Simon decides to sell its stake in the Forum Shops, Gordon will acquire the Simon interests and become the sole owner of the Forum Shops. Gordon will then contribute a 33.3% interest in the Forum Shops to Taubman in exchange for 2.42 million Taubman operating partnership units at \$24 per unit. Gordon and Taubman would become joint venture partners in the ownership of the Forum Shops with The Taubman Company as the manager of the asset. Gordon's operating partnership units would have the same attributes as ordinary units except that they would have no voting rights and Gordon would have very limited rights to sell these units for 2 years, and thereafter on a phased basis over a 3-year period. Taubman anticipates that this transaction would be approximately \$0.06 accretive to FFO per share during the first full year.

As part of initiating this buy/sell, Gordon has received a firm commitment for a \$385 million non-recourse mortgage financing. Taubman will provide \$72 million in additional financing consisting of \$44 million for the remaining cash required for Gordon's purchase of Simon's interest and \$28 million for the anticipated Phase III expansion at the Forum Shops - a project currently contemplated to add over 175,000 square feet of prime retail space directly on the Las Vegas Strip. The Taubman financing would be converted after the purchase into preferred equity to be provided to the new joint venture that would have a 12% return (current pay) and is anticipated to be repaid with refinancing proceeds after the completion of Phase III.

If Simon decides to buy, Gordon will sell its interest in the Forum Shops and invest \$50 million of its cash proceeds in Taubman in exchange for 2.08 million Taubman operating partnership units at \$24 per unit, with voting and

sale restrictions as described above.

-- more --

Sheldon M. Gordon, Chairman of Gordon Group, stated, "We have known Taubman for many years and developed Beverly Center together, which opened in 1982. We find Taubman to be a terrific partner because of their leasing strengths and focus on high-quality assets. We approached Taubman with this opportunity because we believe that a partnership with Taubman will help ensure that the Forum Shops will realize its fullest potential as a marquis property. Taubman has an unparalleled collection of high-quality assets, and I look forward to participating in the long-term value of the company. At my insistence, the agreement with Taubman contains provisions ensuring that, in any event, my relationship with Simon is ended permanently."

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

Taubman Centers, stated, "The Forum Shops is one of the most attractive retail assets in the country - a perfect fit with the other premium-quality malls in the Taubman portfolio. With high-end tenants like Louis Vuitton, GUCCI, Escada and Bvlgari, the Forum Shops is one of the most productive retail venues in the country, with sales per square foot in excess of \$1,100 and significant upside potential that Taubman has the expertise and experience to develop and enhance. Sheldon Gordon is the original visionary and designer of the Forum Shops, and we are excited to have this unique opportunity to work together with him. This is a win-win situation for Gordon and for Taubman. In either the buy or sell scenario, we look forward to having a savvy real estate investor like Gordon as a major investor in Taubman."

A flowchart showing transaction steps following Gordon's trigger of the buy/sell provision of the current partnership agreement with Simon is available on Taubman Center's website at [www.taubman.com](http://www.taubman.com), or, for a fax copy, please call

**Matthew Sherman at Joele Frank, Wilkinson Brimmer Katcher (212-355-4449 ext.**

165). In addition, a full presentation regarding the transaction is available on Taubman's website.



Gordon Group Holdings, LLC, recognized as a pioneer of the "Entertainment Retail" concept in the United States, is an award-winning developer of dynamic destination retail projects. A privately-held firm, Gordon Group projects include San Francisco Center, Bridgemarket in New York City, Pearlridge and Kahala Mall in Honolulu, and the current redevelopment of the Ocean One Pier in Atlantic City, NJ. The company is headquartered in Greenwich, Conn.

Taubman Centers, a real estate investment trust, owns, develops, acquires and operates regional shopping centers nationally. Taubman Centers currently owns and/or manages 30 urban and suburban regional and super regional shopping centers in 13 states. The company is headquartered in Bloomfield Hills, Mich.

**THIS PRESS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AS AMENDED. THESE STATEMENTS REFLECT MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPECTED BECAUSE OF VARIOUS RISKS AND UNCERTAINTIES, INCLUDING, BUT NOT LIMITED TO CHANGES IN GENERAL ECONOMIC AND REAL ESTATE CONDITIONS INCLUDING FURTHER DETERIORATION IN CONSUMER CONFIDENCE, CHANGES IN THE INTEREST RATE ENVIRONMENT AND AVAILABILITY OF FINANCING, AND ADVERSE CHANGES IN THE RETAIL INDUSTRY. OTHER RISKS AND UNCERTAINTIES ARE DISCUSSED IN THE COMPANY'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION INCLUDING ITS MOST RECENT ANNUAL REPORT ON FORM 10-K.**

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**THE FORUM SHOPS AT CAESARS:  
A UNIQUE OPPORTUNITY**

## THE OPPORTUNITY

-----[LOGO]---

- o Approached by Sheldon Gordon - original visionary and designer of The Forum Shops at Caesars (Las Vegas)
- o Gordon Group ("Gordon") approximately 42% limited partner, Simon 58% general partner in Forum Shops
- o Gordon attracted to Taubman leasing strengths and Taubman focus on high- quality assets
- Historic partner in Beverly Center
- Over 40-year relationship with Taubman

## THE FORUM SHOPS

-----[LOGO]---

- o Unique, premium-quality asset -- perfect fit within Taubman portfolio
- o Approximately 500,000 sf existing (Phases I and II)
- o One of the most productive retail venues in the country
  - Sales per square foot in excess of \$1,100
- o High-end tenancy (Louis Vuitton, Gucci, Escada, Bvlgari, etc.)
- o Opening of Celine Dion Theatre in March 2003 -- entrance and exit next to casino/mall entrance
  - 4,000 additional high-end consumers passing through the property each day
- o Expansion potential (Phase III)

**BUY/SELL: A "TEXAS DRAW"**

-----[LOGO]---

o Current partnership agreement between Simon and Gordon contains a "buy/ sell" provision

o Gordon has initiated the buy/sell mechanism

- Willing to buy or sell at a gross valuation of \$590 million

- Existing Debt: \$175 million

- Simon Equity: \$241 million (58%)

- Gordon Equity: \$174 million (42%)

- Non-competitive process; approximate 6.25-6.5% cap rate

o Current partnership agreement provides:

- Simon has 30 days to decide whether to buy or sell

- Absent affirmative election, Simon deemed to have agreed to sell

- Closing to occur within 120 days of Simon decision

## THE FORUM SHOPS VENTURE - STRUCTURE

-----[LOGO]---

### IF SIMON SELLS:

- o Gordon acquires Simon interests and becomes sole owner of Forum Shops
- o Gordon then contributes a 33.3% interest in Forum Shops to Taubman in exchange for 2.42 million Taubman OP units at \$24 per unit and Gordon and Taubman become joint venture partners in Forum Shops
- Gordon's OP units will have the same attributes of ordinary units except:
  - No voting rights
  - Very limited rights to sell units for 2 years, then on a phased basis over 3 years
  - Ownership: Gordon 66.7%, Taubman 33.3%
  - Taubman becomes the Manager of Forum Shops

**IF SIMON SELLS:**

- o Firm commitment for \$385 million mortgage financing

- 5-year fixed rate

- o Taubman to provide preferred equity of \$72 million to the joint venture

- Provided in two tranches -- \$44 million for Gordon's purchase of Simon's interest, \$28 million equity for Phase III expansion

- 12% coupon, current pay

- To be repaid with refinancing proceeds

- o At Gordon's insistence, agreement with Taubman contains provisions ensuring that Gordon's partnership with Simon is ended permanently

- Change-of-control "put" at fair market value in the event that Simon ever becomes successor to Taubman's interest

- Ability to change Manager if Simon ever becomes successor to Taubman

**IF SIMON SELLS (CONTINUED):**

o Sources and Uses of funds

**Sources:**

Mortgage Debt	\$ 385 million
Taubman Preferred Equity*	72
	-----
	\$ 457 million
	=====

**Uses:**

Pay Off Mortgage	\$ 175 million
Gordon's Purchase of Simon's Interest	241
Transaction Costs	13
Equity for Phase III	28
	-----
	\$ 457 million
	=====

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\* Two tranches: \$ 44 million for Gordon's Purchase of Simon's Interest 28 million equity for Phase III

\$ 72 million

**THE FORUM SHOPS VENTURE - STRUCTURE**

-----[LOGO]---

**IF SIMON SELLS (CONTINUED):**

o Balance Sheet -- Phases I and II

Gordon Equity	\$ 116 million
Taubman Equity	58
Taubman Preferred Equity	44
Mortgage Debt	385
	-----
Total	\$ 603 million*
	=====

\* Includes \$13 million of transaction costs.

## THE FORUM SHOPS VENTURE - STRUCTURE

-----[LOGO]---

### IF SIMON BUYS:

o Gordon to invest \$50 million cash in Taubman in exchange for 2.08 million Taubman OP units at \$24 per unit to have the same attributes of ordinary units except:

- No voting rights
- Very limited rights to sell units for 2 years, then on a phased basis over 3 years

## SIGNIFICANT UPSIDE

-----[LOGO]---

### o Substantially Under-Rented

- Extremely high sales levels -- in excess of \$1,100 psf
- Relatively low occupancy costs of 12.9% vs. Taubman average of 14.5% (vs. \$456 psf Taubman average sales for 2001)
- Significant near-term rollover at low rents: 131,000 sf over next 5 years

### o Tenant Mix

- Will benefit from Taubman's strong luxury tenant relationships
- Increased food and entertainment focus

### o Phase III Expansion -- brings the mall directly onto the Strip

- 175,000 additional square feet of prime space
- 10% unleveraged return on conservative rent assumptions

### o New Demand/Increase in Core Customers

- Caesars (opening of Celine Dion Theatre)
- Le Reve (new high-end hotel with approximately 2,700 rooms)
- Venetian (new hotel tower with 1,000 additional rooms)
- 5,000 additional rooms in immediate trade area over next 5 years

## WHY THIS MAKES SENSE FOR TAUBMAN

-----[LOGO]---

- o Perfect asset fit in "buy" scenario
  - Consistent with Taubman management / leasing strengths
- o Immediately accretive: \$0.06 during first full year
  - Management, leasing, development fees
  - 12% preferred return on \$72 million investment
- o Significant upside
  - o Increases equity base of Taubman under either scenario
  - Equity issuance at a premium to current market price

## TRANSACTION STEPS

(Flow Chart Depicts Following:)

-----**LOGO**-----

Gordon  
Triggers Buy/Sell  
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Within 30 Days:  
Simon Decides  
-----

Within 120 Days  
of Decision: Closing  
-----

New JV to Own Forum  
Shops if Simon Sells to Gordon  
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Simon decides  
to sell

Simon sells to Gordon

- o Gordon and Taubman form new joint venture
  - Gordon and Taubman serve as General Partners
  - Taubman serves as Manager
- o Ownership: Gordon 66.7%, Taubman 33.3%
  - Gordon contributes 33.3% interest to Taubman in exchange for Taubman units
  - Approximately 2.42 million units issued
  - \$24/unit
- o Gordon units have same attributes as ordinary Taubman units, except:
  - No voting rights
  - Very limited rights to sell units for 2 years, then on a phased basis over 3 years
- o Firm commitment in hand for \$385 million mortgage financing
- o Taubman provides \$72 million of preferred equity to JV
  - 12% coupon, current pay
  - To be repaid with refinancing proceeds
- o Gordon invests \$50 million cash in Taubman and receives Taubman units:
  - Approximately 2.08 million units issued
  - \$24/unit
- o Gordon units have same attributes as ordinary Taubman units, except:
  - No voting rights
  - Very limited rights to sell units for 2 years, then on a phased basis over 3 years

Gordon triggers  
buy/sell provision  
of current partnership  
agreement with Simon

Simon makes no  
decision within  
30 day period

Under the terms of the  
buy/sell provision, "no  
decision" by Simon  
results in a Simon sale

Simon decides  
to buy

Gordon sells to Simon