TAUBMAN CENTERS INC

FORM 10-Q
(Quarterly Report)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the Quarter Ended: March 31, 2000

Commission File No. 1-11530

Taubman Centers, Inc.

(Exact name of registrant as specified in its charter)

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Michigan                                              38-2033632
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(State or other jurisdiction of                   (I.R.S. Employer
incorporation or organization)                     Identification No.)
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200 East Long Lake Road, Suite 300, P.O. Box 200, Bloomfield Hills,
Michigan 48303-0200
(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 X . No .

As of May 8, 2000, there were outstanding 52,616,843 shares of the Company's common stock, par value $0.01 per share.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements.

The following consolidated financial statements of Taubman Centers, Inc. (the Company) are provided pursuant to the requirements of this item.

TAUBMAN CENTERS, INC.

CONSOLIDATED BALANCE SHEET
(in thousands, except share data)

	March 31 2000	December 31 1999
Assets:		
Properties, net	$ 1,368,011	$ 1,361,497
Investment in Unconsolidated Joint Ventures (Note 2)	112,771	125,245
Cash and cash equivalents	50,517	20,557
Accounts and notes receivable, less allowance for doubtful accounts of $2,103 and $1,549 in 2000 and 1999	34,369	33,021
Accounts receivable from related parties	7,716	7,095
Deferred charges and other assets	48,897	49,496
	$ 1,622,281	$ 1,596,911
Liabilities:		
Mortgage notes payable	$ 953,016	$ 866,742
Unsecured notes payable	2,195	19,819
Accounts payable and accrued liabilities	101,197	118,230
Dividends payable	12,922	13,054
	$ 1,069,330	$ 1,017,845
Commitments and Contingencies (Note 5)		
Preferred Equity of TRG (Note 1)	$ 97,275	$ 97,275
Partners' Equity of TRG allocable to minority partners (Note 1)		
Shareowners' Equity:		
Series A Cumulative Redeemable Preferred Stock, $0.01 par value, 8,000,000 shares authorized, $200 million liquidation preference, 8,000,000 shares issued and outstanding at March 31, 2000 and December 31, 1999	$ 80	$ 80
Series B Non-Participating Convertible Preferred Stock, $0.001 par and liquidation value, 40,000,000 shares authorized and 31,835,066 shares issued and outstanding at March 31, 2000 and December 31, 1999	32	32
Series C Cumulative Redeemable Preferred Stock, $0.01 par value, 1,000,000 shares authorized, $75 million liquidation preference, none issued		
Series D Cumulative Redeemable Preferred Stock, $0.01 par value, 250,000 shares authorized, $25 million liquidation preference, none issued		
Common Stock, $0.01 par value, 250,000,000 shares authorized, 52,675,443 and 53,281,643 issued and outstanding at March 31, 2000 and December 31, 1999	527	533
Additional paid-in capital	694,248	701,045
Dividends in excess of net income	(239,211)	(219,899)
	$ 455,676	$ 481,791
	$ 1,622,281	$ 1,596,911

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except share data)

	Three Months Ended March 31 2000	1999 (Note 1)
Income:		
Minimum rents	$ 36,988	$ 33,014
Percentage rents	957	717
Expense recoveries	20,921	17,585
Revenues from management, leasing and development services	6,189	5,733
Other	7,718	3,114
	$ 72,773	$ 60,163
Operating Expenses:		
Recoverable expenses	$ 18,329	$ 15,469
Other operating	9,254	8,205
Management, leasing and development services	4,748	4,391
General and administrative	4,889	4,728
Interest expense	13,166	10,865
Depreciation and amortization	14,155	12,203
	$ 64,541	$ 55,861
Income before equity in income before extraordinary item of Unconsolidated Joint Ventures, extraordinary item, and minority and preferred interests	$ 8,232	$ 4,302
Equity in income before extraordinary item of Unconsolidated Joint Ventures	8,595	9,545
Income before extraordinary item, minority and preferred interests	$ 16,827	$ 13,847
Extraordinary item (Note 2)	(9,288)	
Minority interest:		
TRG income allocable to minority partners	(1,199)	(4,409)
Distributions in excess of earnings allocable to minority partners	(6,329)	(3,098)
TRG Series C and D preferred distributions (Note 1)	(2,250)	
Net income (loss)	$ (2,239)	$ 6,340
Series A preferred dividends	(4,150)	(4,150)
Net income (loss) available to common shareowners	$ (6,389)	$ 2,190
Basic and diluted earnings per common share (Note 7):		
Income (loss) before extraordinary item	$ (.01)	$ .04
Extraordinary item (Note 2)	(.11)	
Net income (loss)	$ (.12)	$ .04
Cash dividends declared per common share	$ .245	$ .24
Weighted average number of common shares outstanding	53,229,918	53,016,661

See notes to consolidated financial statements.

TAUBMAN CENTERS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Three Months Ended March 31	
	2000	1999
Cash Flows from Operating Activities:		
Income before extraordinary item, minority and preferred interests	$ 16,827	$ 13,847
Adjustments to reconcile income before extraordinary item, minority and preferred interests to net cash provided by operating activities:		
Depreciation and amortization	14,155	12,203
Provision for losses on accounts receivable	909	623
Amortization of deferred financing costs	836	1,248
Other	56	84
Gains on sales of land	(4,318)	(475)
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Receivables, deferred charges and other assets	(8,631)	(2,172)
Accounts payable and other liabilities	(9,799)	(9,259)
Net Cash Provided By Operating Activities	$ 10,035	$ 16,099
Cash Flows from Investing Activities:		
Additions to properties	$ (24,034)	$ (84,853)
Proceeds from sales of land	5,181	212
Contributions to Unconsolidated Joint Ventures	(393)	(7,453)
Distributions from Unconsolidated Joint Ventures in excess of income before extraordinary item	3,579	3,823
Net Cash Used in Investing Activities	$ (15,667)	$ (88,271)
Cash Flows from Financing Activities:		
Debt proceeds	$ 68,650	$ 89,251
Repurchases of stock	(6,076)	
Distributions to minority and preferred interests	(9,778)	(7,507)
Issuance of stock pursuant to Continuing Offer		780
Cash dividends to common shareowners	(13,054)	(12,720)
Cash dividends to Series A preferred shareowners	(4,150)	(4,150)
Net Cash Provided By Financing Activities	$ 35,592	$ 65,654
Net Increase (Decrease) In Cash	$ 29,960	$ (6,518)
Cash and Cash Equivalents at Beginning of Period	20,557	19,045
Cash and Cash Equivalents at End of Period	$ 50,517	$ 12,527

Interest on mortgage notes and other loans paid during the three months ended March 31, 2000 and 1999, net of amounts capitalized of $4,596 and $4,247, was $11,501 and $10,116, respectively. During the three months ended March 31, 2000 and 1999, non-cash additions to properties of $6,092 and $42,186 were recorded, respectively, representing accrued construction costs of new centers and development projects.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Three months ended March 31, 2000

Note 1 - Interim Financial Statements

Taubman Centers, Inc. (the Company or TCO), a real estate investment trust, or REIT, is the managing general partner of The Taubman Realty Group Limited Partnership (the Operating Partnership or TRG). The Operating Partnership is an operating subsidiary that engages in the ownership, management, leasing, acquisition, development, and expansion of regional retail shopping centers and interests therein. The Operating Partnership's portfolio as of March 31, 2000 includes 17 urban and suburban shopping centers in seven states. Four additional centers are under construction in Florida and Texas.

The consolidated financial statements of the Company include all accounts of the Company, the Operating Partnership and its consolidated subsidiaries; all intercompany balances have been eliminated. Investments in entities not unilaterally controlled by ownership or contractual obligation (Unconsolidated Joint Ventures) are accounted for under the equity method.

In September 1999 and November 1999, the Operating Partnership completed private placements of $75 million 9% Cumulative Redeemable Preferred Partnership Equity (Series C Preferred Equity) and $25 million 9% Cumulative Redeemable Preferred Partnership Equity (Series D Preferred Equity), respectively. Both the Series C and Series D Preferred Equity were purchased by institutional investors and have a fixed 9% coupon rate, no stated maturity, sinking fund, or mandatory redemption requirements. At March 31, 2000, the Operating Partnership's equity included three classes of preferred equity (Series A, C, and D) and the net equity of the partnership 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 A Preferred Equity is owned by the Company and is eliminated in consolidation.

Because the net equity of the unitholders is less than zero, the interest of the noncontrolling unitholders is presented as a zero balance in the balance sheet as of March 31, 2000 and December 31, 1999. The income allocated to the noncontrolling unitholders is equal to their share of distributions. The net equity of the Operating Partnership is less than zero because of accumulated distributions in excess of net income and not as a result of operating losses. Distributions to partners are usually greater than net income because net income includes non-cash charges for depreciation and amortization.

The Company's ownership in the Operating Partnership at March 31, 2000 consisted of a 62.6% managing general partnership interest, as well as the Series A Preferred Equity interest. The Company's average ownership percentage in the Operating Partnership for both the three months ended March 31, 2000 and 1999 was 62.8%. During the three months ended March 31, 2000, the Company's ownership in the Operating Partnership decreased to 62.6% due to the ongoing share buyback and unit redemption program (Note 6). At March 31, the Operating Partnership had 84,510,509 units of partnership outstanding, of which the Company owned 52,675,443. Included in the total units outstanding are 348,118 units issued in connection with the 1999 acquisition of Lord Associates that currently do not receive allocations of income or distributions.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 requires that a lessor defer recognition of percentage rents in quarterly periods until the specified target (typically gross sales in excess of a certain amount) that triggers this type of rental income is achieved. The Company had previously accrued interim contingent rental income as lessees' specified sales targets were met or achievement of the sales targets was probable. The Company adopted the accounting method set forth in SAB 101 during the fourth quarter of 1999. Although the adoption had no impact on annual net income, the Company has restated the results of the first three quarters of 1999. The effect of the restatement was to reduce net income by $0.3 million ($0.01 per diluted common share), $1.2 million ($0.02 per diluted common share), and $1.2 million ($0.02 per diluted common share) for the first, second, and third quarters of 1999, respectively, and to increase fourth quarter income and per share amounts by $2.7 million and $0.05 per share, respectively.

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, 1999. 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.

Note 2 - Investments in Unconsolidated Joint Ventures

Following are the Company's investments in Unconsolidated Joint Ventures which own regional retail shopping centers. The Operating Partnership is generally the managing general partner of these Unconsolidated Joint Ventures. The Operating Partnership's interest in each Unconsolidated Joint Venture is as follows:

Unconsolidated Joint Venture	Shopping Center	Ownership as of March 31, 2000
Arizona Mills, L.L.C.	Arizona Mills	37%
Dolphin Mall Associates Limited Partnership	Dolphin Mall (under construction)	50
Fairfax Company of Virginia L.L.C.	Fair Oaks	50
Lakeside Mall Limited Partnership	Lakeside	50(see below)
Rich-Taubman Associates	Stamford Town Center	50
Taubman-Cherry Creek Limited Partnership	Cherry Creek	50
Tampa Westshore Associates Limited Partnership	International Plaza (under construction)	26
Twelve Oaks Mall Limited Partnership	Twelve Oaks Mall	50(see below)
West Farms Associates	Westfarms	79
Woodland	Woodland	50

In January 2000, the Company agreed to exchange property interests with its current joint venture partner in two Unconsolidated Joint Ventures. Under the terms of the agreement, expected to be completed in the second quarter of 2000, the Operating Partnership will assume 100 percent ownership of Twelve Oaks Mall and the current joint venture partner will become 100 percent owner of Lakeside. Both properties will remain subject to the existing mortgage debt ($50 million and $88 million at Twelve Oaks and Lakeside, respectively.) The Operating Partnership will also pay the joint venture partner approximately $30 million in cash. The transaction will be accounted for as a purchase. The Operating Partnership will continue to manage Twelve Oaks, while the joint venture partner will assume management responsibility for Lakeside at closing.

In January 2000, the 50% owned Unconsolidated Joint Venture that owns Stamford Town Center completed a $76 million secured financing. The new financing bears interest at a rate of one-month LIBOR plus 0.8% and matures in 2002. The loan may be extended until August 2004. The rate is capped at 8.2% plus credit spread for the term of the loan. The proceeds were used to repay the $54 million participating mortgage, the $18.3 million prepayment premium, and accrued interest and transaction costs. The Unconsolidated Joint Venture recognized an extraordinary charge of $18.6 million, which consisted primarily of the prepayment premium. The Operating Partnership's share was $9.3 million.

The Company's carrying value of its Investment in Unconsolidated Joint Ventures differs from its share of the deficiency in assets reported in 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 of the related assets.

Combined balance sheet and results of operations information are presented below (in thousands) for all Unconsolidated Joint Ventures, followed by the Operating Partnership's beneficial interest in the combined information. Beneficial interest is calculated based on the Operating Partnership's ownership interest in each of the Unconsolidated Joint Ventures. Amounts for the three months ended March 31, 1999 have been restated for the change in accounting method for percentage rent (Note 1).

	March 31 2000	December 31 1999
Assets:		
Properties, net	$ 759,229	$ 724,846
Other assets	69,046	91,820
	$ 828,275	$ 816,666
Liabilities and partners' accumulated deficiency in assets:		
Debt	$ 940,286	$ 895,163
Capital lease obligations	3,113	3,664
Other liabilities	46,417	53,825
TRG's accumulated deficiency in assets	(88,638)	(74,749)
Unconsolidated Joint Venture Partners' accumulated deficiency in assets	(72,903)	(61,237)
	$ 828,275	$ 816,666
TRG's accumulated deficiency in assets (above)	$ (88,638)	$ (74,749)
TRG basis adjustments, including elimination of intercompany profit	4,764	2,205
TCO's additional basis	196,645	197,789
Investment in Unconsolidated Joint Ventures	$ 112,771	$ 125,245

	Three Months Ended March 31	
	2000	1999
Revenues	$ 62,179	$ 60,148
Recoverable and other operating expenses	$ 22,242	$ 20,939
Interest expense	16,850	15,291
Depreciation and amortization	8,173	7,260
Total operating costs	$ 47,265	$ 43,490
Income before extraordinary item	$ 14,914	$ 16,658
Extraordinary item	18,576	
Net income (loss)	$ (3,662)	$ 16,658
Net income (loss) allocable to TRG	$ (1,566)	$ 9,461
Extraordinary item allocable to TRG	9,288	
Realized intercompany profit	2,017	1,266
Depreciation of TCO's additional basis	(1,144)	(1,182)
Equity in income before extraordinary item of Unconsolidated Joint Ventures	$ 8,595	$ 9,545
Beneficial interest in Unconsolidated Joint Ventures' operations:		
Revenues less recoverable and other operating expenses	$ 22,893	$ 22,773
Interest expense	(9,038)	(8,244)
Depreciation and amortization	(5,260)	(4,984)
Income before extraordinary item	$ 8,595	$ 9,545

Note 3 - Beneficial Interest in Debt and Interest Expense

In January 2000, the 50% owned Unconsolidated Joint Venture that owns Stamford Town Center completed a $76 million secured financing (Note 2). Also, in January 2000, the Company finalized an agreement that securitized the $40 million bank line of credit and extended its maturity to August 2000.

In April 2000, the Operating Partnership's guaranty of principal and interest on the MacArthur Center loan was reduced to 50%. The outstanding balance on this loan was $116.1 million at March 31, 2000.

The Operating Partnership's beneficial interest in the debt, capital lease obligations, 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 excludes debt and interest relating to the minority interest in Great Lakes Crossing (15% and 20% in 2000 and 1999, respectively) and the 30% minority interest in MacArthur Center.

	Unconsolidated Joint Ventures	Share of Unconsolidated Joint Ventures	Consolidated Subsidiaries	Beneficial Interest
Debt as of:				
March 31, 2000	$ 940,286	$ 496,398	$ 955,211	$ 1,391,273
December 31, 1999	895,163	473,726	886,561	1,300,224
Capital lease obligations:				
March 31, 2000	$ 3,113	$ 1,723	$ 457	$ 2,111
December 31, 1999	3,664	2,018	469	2,418
Capitalized interest:				
Three months ended March 31, 2000	$ 1,802	$ 818	$ 4,596	$ 5,414
Three months ended March 31, 1999	317	158	4,247	4,405
Interest expense (Net of capitalized interest):				
Three months ended March 31, 2000	$ 16,850	$ 9,038	$ 13,166	$ 21,010
Three months ended March 31, 1999	15,291	8,244	10,865	18,993

Note 4 - Incentive Option Plan

The Operating Partnership has an incentive option plan for employees of the Manager. Currently, options for 7.7 million Operating Partnership units may be issued under the plan, including options outstanding for 7.4 million units. Incentive options generally become exercisable to the extent of one-third of the units on each of the third, fourth, and fifth anniversaries of the date of grant. Options expire ten years from the date of grant. The Operating Partnership's units issued in connection with the incentive option plan are exchangeable for shares of the Company's common stock under the Continuing Offer (Note 5). There were no units exercised during the three months ended March 31, 2000. During the three months ended March 31, 1999, 75,059 units were exercised at weighted average exercise prices of $10.38 per unit. There were no units granted or cancelled during the three months ended March 31, 2000. There were 1,000,000 units granted at $12.25 per unit and 61,890 units cancelled at an average price of $12.58 per unit during the three months ended March 31, 1999. As of March 31, 2000, there were vested options for 6.9 million units with a weighted exercise price of $11.27 per unit and outstanding options (including unvested options) for a total of 7.4 million units with a weighted average exercise price of $11.36 per unit.

Note 5 - Commitments and Contingencies

At the time of the Company's initial public offering (IPO) and acquisition of its partnership interest in the Operating Partnership, the Company entered into an agreement (the Cash Tender Agreement) with A. Alfred Taubman, who is the Company's chairman and owns an interest in the Operating Partnership, whereby he has the annual right to tender to the Company units of partnership interest in the Operating Partnership (provided that 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. The Company will have the option to pay for these interests from available cash, borrowed funds, or from the proceeds of an offering of the Company's common stock. Generally, the Company expects to finance these purchases through the sale of new shares of its 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. At A. Alfred Taubman's election, his family and Robert C. Larson and his family may participate in tenders.

Based on a market value at March 31, 2000 of $11.13 per common share, the aggregate value of interests in the Operating Partnership that may be tendered under the Cash Tender Agreement was approximately $268.4 million. The purchase of these interests at March 31, 2000 would have resulted in the Company owning an additional 29% interest in the Operating Partnership.

The Company has made a continuing, irrevocable offer to all present holders (other than certain excluded holders, including A. Alfred Taubman), assignees of all present holders, those future holders of partnership interests in the Operating Partnership as the Company may, in its sole discretion, agree to include in the continuing offer, and all existing and future optionees under the Operating Partnership's incentive option plan to exchange shares of common stock for partnership interests in the Operating Partnership (the Continuing Offer). Under the Continuing Offer agreement, one unit of partnership interest is exchangeable for one share of the Company's common stock.

Shares of common stock that were acquired by GMPT and the AT&T Master Pension Trust in connection with the IPO may be sold through a registered offering. Pursuant to a registration rights agreement with the Company, the owners of each of these shares have the annual right to cause the Company to register and publicly sell their shares of common stock (provided that the shares have an aggregate value of at least $50 million and subject to certain other restrictions). All expenses of such a registration are to be borne by the Company, other than the underwriting discounts or selling commissions, which will be borne by the exercising party.

The Company is currently involved in certain litigation arising in the ordinary course of business. Management believes that this litigation will not have a material adverse effect on the Company's financial statements.

Note 6 - Purchases of Common Stock

In March 2000, the Company's Board of Directors authorized the purchase of up to $50 million of the Company's common stock in the open market. The stock may be purchased from time to time as market conditions warrant. For each share of the Company's stock repurchased, an equal number of the Company's Operating Partnership units are redeemed. As of March 31, 2000, the Company had purchased and the Operating Partnership had redeemed approximately 606 thousand shares and units for approximately $6.8 million. Existing lines of credit provided funding for the purchases. Approximately $0.7 million was accrued at March 31, 2000 for the repurchases of 66,300 shares that settled in April 2000.

Note 7 - Earnings Per Share

Basic earnings per common share are calculated by dividing earnings available to common shareowners by the average number of common shares outstanding during each period. For diluted earnings per common share, the Company's ownership interest in the Operating Partnership (and therefore earnings) are adjusted assuming the exercise of all options for units of partnership interest under the Operating Partnership's incentive option plan having exercise prices less than the average market value of the units using the treasury stock method. For the three months ended March 31, 2000 and 1999, options for 2.0 million and 0.4 million units of partnership interest with average exercise price of $12.46 and $13.58 per unit were excluded from the computation of diluted earnings per unit because the exercise prices were greater than the average market price for the period calculated.

	Three Months Ended March 31	
	2000	1999
	(in thousands, except share data)	
Income (loss) before extraordinary item allocable to common shareowners (Numerator):		
Net income (loss) available to common shareowners	$ (6,389)	$ 2,190
Common shareowners' share of extraordinary item	5,836	
Basic income (loss) before extraordinary item	$ (553)	$ 2,190
Effect of dilutive options	(38)	(67)
Diluted income (loss) before extraordinary item	$ (591)	$ 2,123
Shares (Denominator) - basic and diluted	53,229,918	53,016,661
Income (loss) before extraordinary item per common share - basic and diluted	$ (0.01)	$ 0.04

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The Company owns a managing general partner's interest in The Taubman Realty Group Limited Partnership (Operating Partnership or TRG), through which the Company conducts all of its operations. The Operating Partnership owns, develops, acquires, and operates regional shopping centers nationally. The Consolidated Businesses consist of shopping centers that are controlled by ownership or contractual agreement, development projects for future regional shopping centers, and The Taubman Company Limited Partnership (the Manager). Shopping centers that are not controlled and that are owned through joint ventures with third parties (Unconsolidated Joint Ventures) are accounted for under the equity method.

The operations of the shopping centers are best understood by measuring their performance as a whole, without regard to the Company's ownership interest. Consequently, in addition to the discussion of the operations of the Consolidated Businesses, the operations of the Unconsolidated Joint Ventures are presented and discussed as a whole.

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 events. 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. Accordingly, revenues and occupancy levels are generally highest in the fourth quarter.

The following table summarizes certain quarterly operating data for 1999 and the first quarter of 2000. Quarterly percentage rent information for 1999 has been restated for the change in accounting method for percentage rent.

	1st Quarter 1999	2nd Quarter 1999	3rd Quarter 1999	4th Quarter 1999	Total 1999	1st Quarter 2000
	(in thousands)					
Mall tenant sales	$ 533,730	$ 598,956	$ 610,520	$ 952,439	$2,695,645	$ 589,996
Revenues	117,485	127,669	125,140	139,327	509,621	132,331
Occupancy:						
Average	88.5%	88.1%	88.9%	90.3%	89.0%	88.8%
Ending	87.5%	88.0%	89.5%	90.4%	90.4%	88.5%
Leased Space	91.3%	91.7%	92.8%	92.1%	92.1%	91.4%

Because the seasonality of sales contrasts with the generally fixed nature of minimum rents and recoveries, mall tenant occupancy costs (the sum of minimum rents, percentage rents and expense recoveries) relative to sales are considerably higher in the first three quarters than they are in the fourth quarter. The following table summarizes occupancy costs, excluding utilities, for mall tenants as a percentage of sales for 1999 and the first quarter of 2000:

	1st Quarter 1999	2nd Quarter 1999	3rd Quarter 1999	4th Quarter 1999	Total 1999	1st Quarter 2000
			(in thousands)			
Minimum Rents	11.8%	10.8%	10.7%	7.2%	9.7%	11.3%
Percentage Rents	0.2	0.1	0.1	0.5	0.2	0.3
Expense Recoveries	4.6	4.9	4.5	3.4	4.3	4.8
Mall tenant occupancy costs	16.6%	15.8%	15.3%	11.1%	14.2%	16.4%

Rental Rates

Average base rent per square foot for all mall tenants at the 10 centers owned and open for at least five years was $43.82 for the twelve months ended March 31, 2000, compared to $43.09 for the twelve months ended March 31, 1999. As leases have expired in the shopping centers, the Company has 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. In a period of increasing sales, rents on new leases will tend to rise as tenants' expectations of future growth become more optimistic. In periods of slower growth or declining sales, rents on new leases will grow more slowly or will decline for the opposite reason. However, center revenues, nevertheless, increase as older leases roll over or are terminated early and replaced with new leases negotiated at current rental rates that are usually higher than the average rates for existing leases.

Results of Operations

The following represent significant debt, equity, and other transactions which affect the operating results described under Comparison of Three Months Ended March 31, 2000 to the Three Months Ended March 31, 1999.

Debt and Equity Transactions

In January 2000, the 50% owned Unconsolidated Joint Venture that owns Stamford Town Center completed a $76 million secured financing. The new financing bears interest at a rate of one-month LIBOR plus 0.8% and matures in 2002. The loan may be extended until August 2004. The rate is capped at 8.2% plus credit spread for the term of the loan. The proceeds were used to repay the $54 million participating mortgage, the $18.3 million prepayment premium, and accrued interest and transaction costs. The Unconsolidated Joint Venture recognized an extraordinary charge of $18.6 million, which consisted primarily of the prepayment premium. The Operating Partnership's share was $9.3 million.

In September and November 1999, the Operating Partnership completed private placements of its Series C and Series D preferred equity totaling $100 million, with net proceeds used to pay down lines of credit. In August 1999, the $177 million refinancing of Cherry Creek was completed, with net proceeds of $45.2 million being distributed to the Operating Partnership and used to pay down lines of credit. In April 1999 through June 1999, $520 million of refinancings relating to The Mall at Short Hills, Biltmore Fashion Park, and Great Lakes Crossing were completed.

In November 1999, the Operating Partnership acquired Lord Associates, a retail leasing firm based in Alexandria, Virginia for $2.5 million in cash and $5 million in partnership units, which are subject to certain contingencies. In addition, $1.0 million of the purchase price is contingent upon profits achieved on acquired leasing contracts.

Other

In January 2000, the Company agreed to exchange property interests with its current joint venture partner in two Unconsolidated Joint Ventures. Under the terms of the agreement, expected to be completed in the second quarter 2000, the Operating Partnership will assume 100 percent ownership of Twelve Oaks Mall and the current joint venture partner will become 100 percent owner of Lakeside. Both properties will remain subject to the existing mortgage debt ($50 million and $88 million at Twelve Oaks and Lakeside, respectively.) The Operating Partnership will also pay the joint venture partner $30 million in cash. The transaction will be accounted for as a purchase. The Operating Partnership will continue to manage Twelve Oaks, while the joint venture partner will assume management responsibility for Lakeside at closing.

In March 1999, MacArthur Center, a 70% owned enclosed super-regional mall, opened in Norfolk, Virginia. MacArthur Center is owned by a joint venture in which the Operating Partnership has a controlling interest, and consequently the results of this center are consolidated in the Company's financial statements.

In December 1999, the Operating Partnership acquired an additional 5% interest in Great Lakes Crossing for $1.2 million in cash, increasing the Operating Partnership's interest in the center to 85%.

Presentation of Operating Results

The following tables contain the combined operating results of the Company's Consolidated Businesses and the Unconsolidated Joint Ventures. Income allocated to the noncontrolling partners of the Operating Partnership and preferred interests is deducted to arrive at the results allocable to the Company's common shareowners. Because the net equity of the Operating Partnership is less than zero, the income allocated to the noncontrolling partners is equal to their share of distributions. The net equity of these minority partners is less than zero due to accumulated distributions in excess of net income and not as a result of operating losses. Distributions to partners are usually greater than net income because net income includes non-cash charges for depreciation and amortization. The Company's average ownership percentage of the Operating Partnership was 62.8% for both the 2000 and 1999 periods.

Comparison of the Three Months Ended March 31, 2000 to the Three Months Ended March 31, 1999

The following table sets forth operating results for the three months ended March 31, 2000 and March 31, 1999, showing the results of the Consolidated Businesses and Unconsolidated Joint Ventures:

	Three Months Ended March 31, 2000			Three Months Ended March 31, 1999 (1)		
	CONSOLIDATED BUSINESSES(2)	UNCONSOLIDATED JOINT VENTURES(3)	TOTAL	CONSOLIDATED BUSINESSES(2)	UNCONSOLIDATED JOINT VENTURES(3)	TOTAL
	(in millions of dollars)					
REVENUES:						
Minimum rents	35.1	39.3	74.4	31.0	38.5	69.6
Percentage rents	1.0	0.9	1.8	0.7	0.4	1.1
Expense recoveries	20.2	20.7	40.9	16.8	19.5	36.4
Management, leasing and development	6.2		6.2	5.7		5.7
Other	7.7	1.3	9.0	3.0	1.7	4.7
Total revenues	70.2	62.2	132.3	57.3	60.1	117.5
OPERATING COSTS:						
Recoverable expenses	17.2	16.7	33.9	14.4	16.2	30.7
Other operating	7.3	3.9	11.2	6.1	3.2	9.3
Management, leasing and development	4.7		4.7	4.4		4.4
General and administrative	4.9		4.9	4.7		4.7
Interest expense	13.2	16.9	30.1	10.9	15.4	26.2
Depreciation and amortization (4)	13.5	7.8	21.3	12.1	7.2	19.3
Total operating costs	60.9	45.3	106.2	52.6	42.0	94.6
Net results of Memorial City (2)	(1.1)		(1.1)	(0.4)		(0.4)
	8.2	16.9	25.1	4.3	18.2	22.5
Equity in income before extraordinary item of Unconsolidated Joint Ventures	8.6			9.5		
Income before extraordinary item and minority and preferred interests	16.8			13.8		
Extraordinary item	(9.3)					
TRG preferred distributions	(2.3)					
Minority share of income	(1.2)			(4.4)		
Distributions in excess of minority share of income	(6.3)			(3.1)		
Net income (loss)	(2.2)			6.3		
Series A preferred dividends	(4.2)			(4.2)		
Net income (loss) available to common shareowners	(6.4)			2.2		
SUPPLEMENTAL INFORMATION (5):						
EBITDA contribution	33.3	22.9	56.2	27.3	22.8	50.0
Beneficial Interest Expense	(12.0)	(9.0)	(21.0)	(10.8)	(8.2)	(19.0)
Non-real estate depreciation	(0.7)		(0.7)	(0.6)		(0.6)
Preferred dividends and distributions	(6.4)		(6.4)	(4.2)		(4.2)
Funds from Operations contribution	14.2	13.9	28.0	11.7	14.5	26.2

(1) The results have been restated to reflect the adoption of Staff Accounting Bulletin 101.
(2) The results of operations of Memorial City are presented net in this table. The Operating Partnership ceased to lease and manage Memorial City on April 30, 2000.
(3) With the exception of the Supplemental Information, amounts represent 100% of the Unconsolidated Joint Ventures. Amounts are net of intercompany profits.
(4) Amortization of the Company's additional basis in the Operating Partnership included in equity in income before extraordinary item of Unconsolidated Joint Ventures was $1.1 million and $1.2 million in 2000 and 1999, respectively. Also, amortization of the additional basis included in depreciation and amortization was $0.9 million and $1.0 million in 2000 and 1999, respectively.
(5) EBITDA represents earnings before interest and depreciation and amortization. Funds from Operations is defined and discussed in Liquidity and Capital Resources.
(6) Amounts in the table may not add due to rounding.

Consolidated Businesses

Total revenues for the three months ended March 31, 2000 were $70.2 million, a $12.9 million, or 22.5%, increase over the comparable period in 1999. Minimum rents increased $4.1 million of which $3.0 million was due to the opening of MacArthur Center. Minimum rents also increased due to tenant rollovers. Expense recoveries increased primarily due to the new center. Other revenue increased primarily due to an increase in gains on sales of peripheral land.

Total operating costs were $60.9 million, an $8.3 million, or 15.8% increase over the comparable period in 1999. Recoverable and depreciation and amortization expenses increased primarily due to MacArthur Center. Other operating expense increased primarily due to the new center, the Lord Associates transaction, and increases in professional fees and bad debt expense, partially offset by a decrease in the charge to operations for costs of unsuccessful and potentially unsuccessful pre-development activities. Interest expense increased primarily due to the opening of MacArthur Center and an increase in interest rates, offset by a reduction in interest expense on debt paid down with the proceeds of the preferred equity offerings.

Unconsolidated Joint Ventures

Total revenues for the three months ended March 31, 2000 were $62.2 million, a $2.1 million, or 3.5%, increase from the comparable period of 1999. Minimum rents primarily increased due to tenant rollovers. Recoveries increased due to increases in recoverable expenses, primarily relating to maintenance costs.

Total operating costs increased by $3.3 million to $45.3 million for the three months ended March 31, 2000. Other operating expenses increased primarily due to increases in bad debt expense. Interest expense increased primarily due to the additional debt at Cherry Creek as well as increases in interest rates.

As a result of the foregoing, income before extraordinary item of the Unconsolidated Joint Ventures decreased by $1.3 million, or 7.1%, to $16.9 million. The Company's equity in income before extraordinary item of the Unconsolidated Joint Ventures was $8.6 million, a 9.5% decrease from the comparable period in 1999.

Net Income

As a result of the foregoing, the Company's income before extraordinary item and minority and preferred interests increased $3.0 million, or 21.7%, to $16.8 million for the three months ended March 31, 2000. During 2000, an extraordinary charge of $9.3 million was recognized related to the refinancing of the debt on Stamford Town Center. Distributions of $2.3 million to the Operating Partnership's Series C and D Preferred Equity owners were made in 2000. After payment of $4.2 million in Series A preferred dividends, net income (loss) available to common shareowners for 2000 was $(6.4) million compared to $2.2 million in 1999.

Liquidity and Capital Resources

In the following discussion, references to beneficial interest represent the Operating Partnership's share of the results of its consolidated and unconsolidated businesses. The Company does not have and has not had any parent company indebtness; all debt discussed represents obligations of the Operating Partnership or its subsidiaries and joint ventures.

The Company believes that its net cash provided by operating activities, distributions from its joint ventures, the unutilized portion of its credit facilities, and its ability to access the capital markets, assures adequate liquidity to conduct its operations in accordance with its dividend and financing policies.

As of March 31, 2000, the Company had a consolidated cash balance of $50.5 million. Additionally, the Company has a secured $200 million line of credit. This line had $138.0 million of borrowings as of March 31, 2000 and expires in September 2001. The Company also has available a second secured bank line of credit of up to $40 million. The line had $10.4 million of borrowings as of March 31, 2000 and expires in August 2000.

Summary of Investing Activities

Net cash used in investing activities was $15.7 million in 2000 compared to $88.3 million in 1999. Cash used in investing activities was impacted by the timing of capital expenditures, with outflows in 2000 and 1999 for the construction of MacArthur Center, Great Lakes Crossing, International Plaza, The Mall at Wellington Green, The Shops at Willow Bend, as well as other development activities and other capital items. Proceeds from sales of peripheral land were $5.2 million, an increase of $5.0 million from 1999. Contributions to Unconsolidated Joint Ventures were $0.4 million in 2000 and $7.5 million in 1999, primarily representing funding for expansion activities. Distributions received from joint ventures were consistent in both periods.

Summary of Financing Activities

Financing activities contributed cash of $35.6 million, a decrease of $30.1 million from the $65.7 million in 1999. Borrowings decreased by $20.6 million to $68.7 million due to lower levels of construction expenditures, partially offset by approximately $30 million borrowed in anticipation of the payment to be made in connection with the exchange of interests in Twelve Oaks and Lakeside. Stock repurchases of $6.1 million were made in connection with the ongoing stock repurchase program. Distributions to minority and preferred interests increased by $2.3 million due to the September and November 1999 issuances of the Series C and Series D preferred equity.

In March 2000, the Company's Board of Directors authorized the purchase of up to $50 million of the Company's common stock in the open market. The stock may be purchased from time to time as market conditions warrant.

Beneficial Interest in Debt

At March 31, 2000, the Operating Partnership's debt and its beneficial interest in the debt of its Consolidated and Unconsolidated Joint Ventures totaled $1,391.3 million. As shown in the following table, $42.8 million of this debt was floating rate debt that remained unhedged at March 31, 2000. Interest rates shown do not include amortization of debt issuance costs and interest rate hedging costs. These items are reported as interest expense in the results of operations. In the aggregate, these costs added 0.44% to the effective rate of interest on beneficial interest in debt at March 31, 2000. Included in beneficial interest in debt is debt used to fund development and expansion costs. Beneficial interest in assets on which interest is being capitalized totaled $291.2 million as of March 31, 2000. Beneficial interest in capitalized interest was $5.4 million for the three months ended March 31, 2000.

	Beneficial Interest in Debt				
	Amount (in millions of dollars)	Interest Rate at 3/31/00(1)	LIBOR Cap Rate	Frequency of Rate Resets	LIBOR at 3/31/00
Total beneficial interest in fixed rate debt	$835.2	7.52%(2)			
Floating rate debt hedged via interest rate caps:					
Through August 2000	144.5	7.42	6.00%	Monthly	6.13%
Through October 2000	84.0	7.25 (2)	6.50	Monthly	6.13
Through December 2000	100.0	6.96 (2)	7.00	Monthly	6.13
Through October 2001	25.0	6.45	8.55	Monthly	6.13
Through January 2002	53.4	7.21 (2)	9.50	Monthly	6.13
Through July 2002	43.4	7.23	6.50	Monthly	6.13
Through August 2002	38.0	6.80	8.20	Monthly	6.13
Through September 2002	25.0	7.94 (2)(3)	7.00	Monthly	6.13
Other floating rate debt	42.8	6.96 (2)			
Total beneficial interest in debt	$1,391.3	7.38 (1)			

(1) All floating rates are based on the one-month LIBOR rate at March 31, 2000.
(2) Denotes weighted average interest rate.
(3) This cap has an embedded swap with a rate of 5.15% when LIBOR is below 6%.

Sensitivity Analysis

The Company has exposure to interest rate risk on its debt obligations and interest rate instruments. Based on the Operating Partnership's beneficial interest in debt and interest rates in effect at March 31, 2000, a one percent increase in interest rates on floating rate debt would decrease cash flows by approximately $3.6 million and, due to the effect of capitalized interest, annual earnings by approximately $2.7 million. A one percent decrease in interest rates on floating rate debt would increase cash flows and annual earnings by approximately $5.5 million and $4.3 million, respectively. Based on the Company's consolidated debt and interest rates in effect at March 31, 2000, a one percent increase in interest rates would decrease the fair value of debt by approximately $16.1 million, while a one percent decrease in interest rates would increase the fair value of debt by approximately $31.7 million.

Covenants and Commitments

Certain loan agreements contain various restrictive covenants, including limitations on net worth, minimum debt service and fixed charges coverage ratios, a maximum payout ratio on distributions, and a minimum debt yield ratio, the latter being the most restrictive. The Company is in compliance with all of such covenants.

Payments of principal and interest on the loans in the following table are guaranteed by the Operating Partnership as of March 31, 2000. All of the loan agreements provide for a reduction of the amounts guaranteed as certain center performance and valuation criteria are met.

Center	Loan balance as of 3/31/00 (in millions of dollars)	TRG's beneficial interest in loan balance as of 3/31/00 (in millions of dollars)	Amount of loan balance guaranteed by TRG as of 3/31/00 (in millions of dollars)	% of loan balance guaranteed by TRG	% of interest guaranteed by TRG
Arizona Mills	142.2	52.4	13.1	9%	9%
Dolphin Mall	44.7	22.3	22.3	50%	100%
Great Lakes Crossing	170.0	144.5	170.0	100%	100%
International Plaza	0.0	0.0	0.0	100% (1)	100%(1)
MacArthur Center	116.1	81.3	116.1	100% (2)	100%(2)

(1) The new investor in the International Plaza venture has indemnified the Operating Partnership to the extent of approximately 25% of the amounts guaranteed.
(2) In April 2000, the Operating Partnership's guaranty of principal and interest was reduced to 50%.

Funds from Operations

A principal factor that the Company considers in determining dividends to shareowners is Funds from Operations (FFO), which is defined as income before extraordinary and unusual items, real estate depreciation and amortization, and the allocation to the minority interest in the Operating Partnership, less preferred dividends and distributions.

Funds from Operations does not represent cash flows from operations, as defined by generally accepted accounting principles, and should not be considered to be an alternative to net income as an indicator of operating performance or to cash flows from operations as a measure of liquidity. However, the National Association of Real Estate Investment Trusts (NAREIT) suggests that Funds from Operations is a useful supplemental measure of operating performance for REITs.

In October 1999, NAREIT approved certain clarifications of the definition of FFO, including that non-recurring items that are not defined as "extraordinary" under generally accepted accounting principles should be reflected in the calculation of FFO. The clarified definition is effective January 1, 2000 and restatement of all periods presented is recommended. Under the clarified definition, there would have been no changes to the amounts reported for 1999.

Reconciliation of Net Income to Funds from Operations

	Three Months Ended March 31, 2000	Three Months Ended March 31, 1999
	(in millions of dollars)	
Income before extraordinary item and minority and preferred interests (1)	16.8	13.8
Depreciation and amortization (2)	14.2	12.2
Share of Unconsolidated Joint Ventures' depreciation and amortization (3)	5.3	5.0
Non-real estate depreciation	(0.7)	(0.6)
Minority interest in consolidated joint ventures	(1.1)	
Preferred dividends and distributions	(6.4)	(4.2)
Funds from Operations	28.0	26.2
Funds from Operations allocable to the Company	17.6	16.5

(1) Includes gains on peripheral land sales of $3.8 million and $0.5 million for the three months ended March 31, 2000 and March 31, 1999, respectively.
(2) Includes $0.6 million and $0.5 million of mall tenant allowance amortization for the three months ended March 31, 2000 and March 31, 1999, respectively.
(3) Includes $0.3 million of mall tenant allowance amortization for each of the three month periods ended March 31, 2000 and March 31, 1999.
(4) Amounts in this table may not add due to rounding.

Dividends

The Company pays regular quarterly dividends to its common and Series A preferred shareowners. Dividends to its common shareowners are at the discretion of the Board of Directors and depend on the cash available to the Company, its financial condition, capital and other requirements, and such other factors as the Board of Directors deems relevant. Preferred dividends accrue regardless of whether earnings, cash availability, or contractual obligations were to prohibit the current payment of dividends.

On March 7, 2000, the Company declared a quarterly dividend of $0.245 per common share payable April 20, 2000 to shareowners of record on March 31, 2000. The Board of Directors also declared a quarterly dividend of $0.51875 per share on the Company's 8.3% Series A Preferred Stock for the quarterly dividend period ended March 31, 2000, which was paid on March 31, 2000 to shareowners of record on March 17, 2000.

The tax status of total 2000 common dividends declared and to be declared, assuming continuation of a $0.245 per common share quarterly dividend, is estimated to be approximately 40% return of capital, and approximately 60% of ordinary income. The tax status of total 2000 dividends to be paid on Series A Preferred Stock is estimated to be 100% ordinary income. These are forward-looking statements and certain significant factors could cause the actual results to differ materially, including: 1) the amount of dividends declared; 2) changes in the Company's share of anticipated taxable income of the Operating Partnership due to the actual results of the Operating Partnership; 3) changes in the number of the Company's outstanding shares; 4) property acquisitions or dispositions; 5) financing transactions, including refinancing of existing debt; and 6) changes in the Internal Revenue Code or its application.

The annual determination of the Company's common dividends is based on anticipated Funds from Operations available after preferred dividends and distributions, as well as financing considerations and other appropriate factors. Further, the Company has decided that the growth in common dividends will be less than the growth in Funds from Operations for the immediate future.

Any inability of the Operating Partnership or its Joint Ventures to obtain 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 the Company for the payment of dividends.

Capital Spending

Capital spending for routine maintenance of the shopping centers is generally recovered from tenants. The following table summarizes planned capital spending, which is not recovered from tenants and assumes no acquisitions during 2000:

	2000		
	Consolidated Businesses	Unconsolidated Joint Ventures(1)	Beneficial Interest in Consolidated Businesses and Unconsolidated Joint Ventures (1)(2)
	(in millions of dollars)		
Development, renovation, and expansion	186.7(3)	239.5 (4)	279.7
Mall tenant allowances	7.9	4.8	10.1
Pre-construction development and other	11.9	0.9	12.3
Total	206.5	245.2	302.1

(1) Costs are net of intercompany profits. Excludes costs related to the Mall at Millenia (a 50% owned unconsolidated joint venture).
(2) Includes the Operating Partnership's share of construction costs for The Mall at Wellington Green (a 90% owned consolidated joint venture), International Plaza (a 26% owned unconsolidated joint venture), and Dolphin Mall (a 50% owned unconsolidated joint venture).
(3) Includes costs related to The Shops at Willow Bend and The Mall at Wellington Green.
(4) Includes costs related to Dolphin Mall and International Plaza.

The Shops at Willow Bend, a new 1.4 million square foot center under construction in Plano, Texas, will be anchored by Neiman Marcus, Saks Fifth Avenue, Lord & Taylor, Foley's and Dillard's. The center is scheduled to open in August 2001; Saks Fifth Avenue will open in 2004. The Mall at Wellington Green, a 1.3 million square foot center under construction in west Palm Beach County, Florida, will be anchored by Nordstrom, Lord & Taylor, Burdine's, Dillard's and JCPenney. The center, scheduled to open in October 2001, will be owned by a joint venture in which the Operating Partnership has a 90% controlling interest. In September 1999, the Company finalized a partnership agreement with Swerdlow Real Estate Group to jointly develop Dolphin Mall, a 1.4 million square foot value regional center located in Miami, Florida. The center is scheduled to open in March 2001.

Additionally, the Company is developing International Plaza, a new 1.3 million square foot center under construction in Tampa, Florida. The center will be anchored by Nordstrom, Lord & Taylor, Dillard's and Neiman Marcus, and is scheduled to open in September 2001. The Company originally had a controlling 50.1% interest in the partnership (Tampa Westshore) that owns the project. The Company was responsible for providing the funding for project costs in excess of construction financing in exchange for a preferential return. In November 1999, the Company entered into agreements with a new investor, which provided funding for the project and thereby reduced the Company's ownership interest to approximately 26%. It is anticipated that given the preferential return arrangements, the original 49.9% owner in Tampa Westshore will not initially receive cash distributions. The Company expects to be initially allocated approximately 33% of the net operating income of the project, with an additional 7% representing return of capital.

The total cost of these four projects is anticipated to be approximately $1 billion. The Company's beneficial investment in the projects will be approximately $700 million, as three of these projects are joint ventures. While the Company intends to finance approximately 75 percent of each new center with construction debt, the Company has a greater responsibility for the project equity (approximately $230 million). All of the project equity has been funded through the Operating Partnership's preferred equity offerings, contributions from the new joint venture partner in the International Plaza project, and borrowing under the Company's lines of credit. With respect to the construction loan financing, the Company has closed on financing for Dolphin Mall and International Plaza. The financings on the two remaining projects are expected to be completed in 2000.

Additionally, a 21-screen theater will be added at Fairlane, in the Detroit metropolitan area and is anticipated to open in the spring of 2000. At Fair Oaks in the Washington, D.C. area, Hecht's expansion will open in the spring of 2000, and a JCPenney expansion and a newly constructed Macy's store will open in the fall of 2000. The Operating Partnership's share of the cost of these projects is expected to be approximately $9.8 million.

The Operating Partnership and the Forbes Company have formed a joint venture to develop the Mall at Millenia in Orlando, Florida. This project is expected to begin construction in Fall 2000 and open in 2002. The Mall at Millenia will be anchored by Bloomingdales, Macy's, and Neiman Marcus.

The Operating Partnership and The Mills Corporation have formed an alliance to develop value super-regional projects in major metropolitan markets. The ten-year agreement calls for the two companies to jointly develop and own at least seven of these centers, each representing approximately $200 million of capital investment. A number of locations across the nation are targeted for future initiatives.

The Operating Partnership anticipates that its share of costs for development projects scheduled to be completed in 2001 will be as much as $220 million in 2001. Estimates of future capital spending include only projects approved by the Company's Board of Directors and, consequently, estimates will change as new projects are approved. Estimates regarding capital expenditures presented above 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) changes in the scope and number of projects; 3) cost overruns; 4) timing of expenditures; 5) financing considerations; and 6) actual time to complete projects.

Cash Tender Agreement

A. Alfred Taubman has the annual right to tender to the Company units of partnership interest in the Operating Partnership (provided that 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 (the Cash Tender Agreement). At A. Alfred Taubman's election, his family, and Robert C. Larson and his family may participate in tenders. The Company will have the option to pay for these interests from available cash, borrowed funds, or from the proceeds of an offering of the Company's common stock. Generally, the Company expects to finance these purchases through the sale of new shares of its 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.

Based on a market value at March 31, 2000 of $11.13 per common share, the aggregate value of interests in the Operating Partnership that may be tendered under the Cash Tender Agreement was approximately $268 million. The purchase of these interests at March 31, 2000 would have resulted in the Company owning an additional 29% interest in the Operating Partnership.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivatives and whether it qualifies for hedge accounting. The Company is still evaluating the impact of SFAS 133 on its consolidated financial statements. SFAS 133 is effective for fiscal years beginning after June 15, 2000.

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 "Liquidity and Capital Resources - Sensitivity Analysis".

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

12 -- Statement Re: Computation of Taubman Centers, Inc. Ratio of Earnings to Combined Fixed Charges and Preferred Dividends and Distributions.

27 -- Financial Data Schedule.

b) Current Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TAUBMAN CENTERS, INC.

Date:	*May 10, 2000*	*By:*	*/s/ Lisa A. Payne* *-----------------* *Lisa A. Payne* *Executive Vice President and* *Chief Financial Officer*

EXHIBIT INDEX

Exhibit
Number

12 -- Statement Re: Computation of Taubman Centers, Inc. Ratio of Earnings to Combined Fixed Charges and Preferred Dividends and Distributions.

27 -- Financial Data Schedule.

Exhibit 12

TAUBMAN CENTERS, INC.

Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Dividends and Distributions

(in thousands, except ratios)

	Three Months Ended March 31	
	2000	1999
Net Earnings from Continuing Operations	$ 16,827	$ 13,847
Add back:		
Fixed charges	28,663	24,811
Amortization of previously capitalized interest (1)	550	504
Equity in net income in excess of distributions of less than 50% owned Unconsolidated Joint Ventures		(341)
Deduct:		
Capitalized interest (1)	(5,414)	(4,405)
Earnings Available for Fixed Charges and Preferred Dividends and Distributions	$ 40,626	$ 34,416
Fixed Charges		
Interest expense	$ 13,166	$ 10,865
Capitalized interest	4,596	4,247
Interest portion of rent expense	983	1,050
Proportionate share of Unconsolidated Joint Ventures' fixed charges	9,918	8,649
Total Fixed Charges	$ 28,663	$ 24,811
Preferred Dividends and Distributions	6,400	4,150
Total Fixed Charges and Preferred Dividends and Distributions	$ 35,063	$ 28,961
Ratio of Earnings to Fixed Charges and Preferred Dividends and Distributions	1.2	1.2

(1) Amounts include TRG's pro rata share of capitalized interest and amortization of previously capitalized interest of the Unconsolidated Joint Ventures.

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE TAUBMAN CENTERS, INC. (TCO) CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2000 AND THE TAUBMAN CENTERS, INC. STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0000890319

NAME: TAUBMAN CENTERS, INC.

MULTIPLIER: 1,000 [1]

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS	
FISCAL YEAR END	DEC 31 2000	
PERIOD START	JAN 01 2000	
PERIOD END	MAR 31 2000	
EXCHANGE RATE	1	
CASH	50,517	
SECURITIES	0	
RECEIVABLES	44,188	
ALLOWANCES	2,103	
INVENTORY	0	
CURRENT ASSETS	0	[2]
PP&E	1,590,474	
DEPRECIATION	222,463	
TOTAL ASSETS	1,622,281	
CURRENT LIABILITIES	0	[2]
BONDS	955,211	
PREFERRED MANDATORY	0	
PREFERRED	112	
COMMON	527	
OTHER SE	455,037	
TOTAL LIABILITY AND EQUITY	1,622,281	
SALES	0	
TOTAL REVENUES	72,773	
CGS	0	
TOTAL COSTS	45,407	
OTHER EXPENSES	0	
LOSS PROVISION	0	
INTEREST EXPENSE	13,166	
INCOME PRETAX	16,827	[3]
INCOME TAX	0	
INCOME CONTINUING	16,827	[3]
DISCONTINUED	0	
EXTRAORDINARY	9,288	
CHANGES	0	
NET INCOME	(2,239)	
EPS BASIC	(.12)	
EPS DILUTED	(.12)	

[1] EXCEPT FOR PER SHARE DATA

[2] TCO HAS AN UNCLASSIFIED BALANCE SHEET

[3] REPRESENTS INCOME BEFORE EXTRAORDINARY ITEMS AND MINORITY INTEREST. THE MINORITY INTEREST'S SHARE OF INCOME WAS $7.528 MILLION.

End of Filing