

TAUBMAN CENTERS INC
Form 11-K
June 14, 2006

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

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark
One)

Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2005

Or

Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number **1-11530**

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

The Taubman Company and Related Entities Employee Retirement Savings Plan.

- B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Taubman Centers, Inc.,
200 East Long Lake Road,
Suite 300, P.O. Box 200,
Bloomfield Hills, Michigan 48303-0200.**

**THE TAUBMAN COMPANY AND RELATED ENTITIES
EMPLOYEE RETIREMENT SAVINGS PLAN**

Financial Statements as of
December 31, 2005 and 2004, and
for the Year Ended December 31, 2005,
Supplemental Schedule as of December 31, 2005,
and Report of Independent Registered Public Accounting Firm

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Administrator
The Taubman Company and
Related Entities Employee
Retirement Savings Plan
Bloomfield Hills, Michigan

We have audited the accompanying statements of net assets available for benefits of The Taubman Company and Related Entities Employee Retirement Savings Plan (the Plan) as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, listed in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Chicago, Illinois
June 2, 2006

THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31

2005

2004

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ASSETS:

Investments at fair value (Note 3)	\$108,359,730	\$114,767,440
Contributions receivable from participants	79,552	79,814
Contributions receivable from employer	88,847	92,015
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NET ASSETS AVAILABLE FOR BENEFITS	\$108,528,129	\$114,939,269
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See notes to financial statements.

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THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2005**

NET ASSETS AVAILABLE FOR PLAN BENEFITS AT THE BEGINNING OF THE YEAR		\$114,939,269
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ADDITIONS:

Participant contributions		3,633,714
Employer contributions		2,031,198
Investment income-		
Interest and dividend		3,760,923
Net appreciation in fair market value of investments (Note 3)		2,899,992
Loan interest income		80,473
		<hr/>

Total additions		12,406,300
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DEDUCTIONS-

Benefit payments and withdrawals		18,817,440
		<hr/>

Total deductions		18,817,440
		<hr/>

NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR		\$108,528,129
		<hr/>

See notes to financial statements.

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THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

1. THE PLAN

The Taubman Company (Company) and Related Entities Employee Retirement Savings Plan (Plan) is designed to enable certain employees of the participating companies to systematically save funds to supplement their retirement incomes through salary reduction agreements. The Plan has been amended and restated several times, the latest amendment and restatement being January 1, 2001, to comply with tax regulations and enhance benefits.

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The preceding description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan.

The Plan is subject to the provisions of the Employee Retirement Security Act (ERISA).

Related Entities These are affiliated companies, which have approved the Plan and have been accepted for participation by the Company.

Participants Employees of the Company and Related Entities become participants if they are not covered by a collective bargaining agreement, are 21 years old, and have completed their probationary period. Entry is permitted monthly on the first day of the month following 90 consecutive days of employment. An individual who is employed as an on-call or temporary employee is eligible to participate in the Plan if the individual completes 1,000 hours of service in a Plan year. As of December 31, 2005 and 2004, there were 877 and 1,033 participants, respectively, in the Plan.

Basic Employee Contributions A participant who elects to contribute to the Plan may make basic contributions from 3% to 25% of compensation, subject to the limitations specified in the Plan and by tax regulations. The maximum contribution of 25% is subject to the results of the actual deferral percentage test as defined in the Plan and, therefore, can vary from year to year. Effective October 1, 2002, all employees who are eligible to make employee contributions under the Plan and who have attained age 50 before the close of the Plan year are eligible to make catch-up contributions in accordance with and subject to the limitations of Section 414(v) of the Internal Revenue Code. In addition, contributions may be rolled over from other qualified pension or profit-sharing plans. No after-tax contributions are permitted except to recharacterize employee contributions in order to satisfy the nondiscrimination tests.

Employer Matching and Supplemental Contributions A participant is eligible to receive Employer Matching Contributions and Employer Supplemental Contributions on the first day of the month after the employee completes one year of service. A monthly employer matching contribution and supplemental contribution, subject to the limitations specified in the Plan and by tax regulations, is made by the applicable participating company. The amount contributed is based on the employee contribution percentage according to the following schedule:

Employee Contribution Percentage	Employer Contribution Percentage
0%	2%
3	3
4	4
5	5
6	6
7 or more	7

The Company also makes an employer contribution for participants whose base salary exceeds the Social Security wage base (up to a maximum 2% of such excess compensation) subject to limitations specified in the Plan by tax regulations.

THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

Vesting Other than employer contributions, participant account balances are 100% vested. Employer contributions are vested as follows:

Full Years of Service	Vesting Percentage
1	10%
2	30
3	50
4	70
5 or more	100

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Participants receive a year of vesting service as of each anniversary of their hire date. The employee becomes fully vested at retirement age, defined by the Plan as 65, or upon death or disability or a change of control of the Company (as defined in the Plan) while employed.

Forfeitures Nonvested contributions become forfeitures at the point the participant terminates employment. Forfeitures reduce the cash required by the participating companies to fund their contributions. Forfeitures arising from the termination of participants who are not fully vested at the time of their termination are allocated as part of the matching contributions for the plan year. The forfeitures amount was \$126,469 for 2005.

Allocations Participants' accounts are valued daily.

Participant Loans A participant may have a maximum of two loans, one obtained during any 12 month period, at rates so stipulated by the Plan's administrative committee. The sum of all loans to a participant cannot exceed the lesser of 50 percent of the total vested accrued benefits of the participant or \$50,000 reduced by the highest outstanding balance of loans during the one-year period ending on the day before the loan is granted. Plan earnings are not allocated to the portion of the participant's account balance borrowed. However, interest paid by the participant is credited to the individual participant's account balances. Loan must be repaid within 5 years, with the exception that a loan to acquire a principal residence may be repaid over 10 years. Loans are repaid through automatic payroll deductions.

Withdrawals A participant may withdraw at any time an amount from his voluntary after-tax contribution balance, rollover, or prior Trust balance. A participant who has attained age 65 may also withdraw amounts credited to his Elective Deferral Account, Employer Matching Contribution Account, and Supplemental Employer Contribution Account.

Once during any 12 month period, a participant may request a hardship withdrawal from his employee contribution account or, if fully vested, his employer contribution accounts as defined in the Plan. The hardship withdrawal must be approved by the administrative committee and, once permitted, the participant cannot contribute to the plan during the following 6 months.

Benefit Payments A participant's account becomes payable following termination of employment as soon as the paperwork is submitted to the record keeper. Benefit payments generally are made in lump-sum distributions. Benefits are payable in a lump sum, fixed periodic payments, or annuity, as selected by the participant if the participant is disabled or has attained age 59 ½. All vested benefits transfer to beneficiaries upon death of the participant.

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THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared on the accrual basis of accounting.

Investments The investments of the Plan are stated at fair value, as determined by quoted market prices. Participant loans are valued at their outstanding balances, which approximates fair value.

Net Appreciation/Depreciation on Investments includes net unrealized gains and losses in accordance with the policy of stating investments at fair values.

Payment of Benefits Benefits are recorded when paid.

Security Transactions Purchases and sales are accounted for on the trade date. Interest and dividend income are reported as earned on an accrual basis. Net gains and losses are computed using the average cost.

Administrative Expenses All administrative expenses of the Plan are currently being paid by the participating companies.

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available for

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benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

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THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

3. INVESTMENTS

Vanguard Fiduciary Trust Company is the Plan Trustee. Vanguard Group of Investment Companies, as agent for the Plan Trustee, is the recordkeeper and provider of investment funds for the Plan. The Plan enters into transactions with parties-in-interest such as trustees or fund managers. With the exception of the investment in Taubman Centers, Inc. a company stock fund and the Participant Loans, the following Plan investments are held by Vanguard, the fund manager and trustee. Investments are summarized by category below, with investments representing 5% or more of the Plan's net assets at the beginning of the year separately identified.

	December 31	
	<u>2005</u>	<u>2004</u>
Investments at fair value:		
Retirement Savings Trust	\$ 24,520,551*	\$ 26,244,446*
Company Stock Fund - Taubman Centers, Inc.	\$ 3,453,712	\$ 3,576,788
Registered Investment Companies:		
Money Market Fund-		
Prime Portfolio	\$ 2,370,427	\$ 2,590,891
Bond Fund-		
Total Bond Market Index	3,880,875	4,272,680
Balanced Fund-		
Wellington	11,879,149*	13,130,735*
Domestic Equity Funds:		
500 Portfolio Index Trust	31,724,431*	34,639,923*
Explorer	6,919,067*	6,884,285*
Small-Cap Index	3,657,730	3,753,859
Growth Index	3,546,497	3,417,294
U.S. Growth	1,883,977	2,868,124
Extended Market Index	2,429,151	2,246,917
Value Index	1,979,921	1,645,200
Foreign Equity Fund-		
International Growth	4,083,493	3,060,201
REIT Index Portfolio	4,751,904	4,682,187
Total Registered Investment Companies	\$ 79,106,623	\$ 83,192,296
Participant Loans	1,278,844	1,753,910
	\$ 108,359,730	\$ 114,767,440

* Represents 5% or more of net assets available for benefits.

Net appreciation (depreciation) in fair value of Investments (including investments bought, sold, and held) for the year ended December 31, 2005 is as follows:

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Bond Funds-		
Total Bond Market Index	\$	(84,178)
Balanced Fund-		
Wellington		96,519
Domestic Equity Funds:		
500 Portfolio Index		876,480
Explorer		39,788
Small-Cap Index		232,505
Extended Market Index		175,627
Value Index		70,745
Growth Index		124,791
U.S. Growth		217,111
Foreign Equity Fund-		
International Growth		374,667
REIT Index Portfolio		247,452
Company Stock Fund		528,485
		<hr/>
	\$	2,899,992
		<hr/>

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THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

4. TERMINATION OF THE PLAN

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan subject to the provisions of ERISA. In accordance with the Plan, if a participating company withdraws from or terminates the Plan as to its employees, all employees of such company will become fully vested in their contribution account balances. In the event of termination, the administrative committee, in its sole discretion, may direct payment of such amounts in cash, in assets of the Plan, or in the form of immediate or deferred payment annuity contracts.

5. TAX STATUS

The Internal Revenue Service has determined and informed the Company by letter dated September 20, 2002, that the Plan, as amended and restated on January 1, 2001, meets the requirements of Sections 401(a) and 401(k) of the Internal Revenue Code and is exempt from federal income tax under Section 501(a) of the Code.

6. RELATED-PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Vanguard Fiduciary Trust Company. Vanguard Fiduciary Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. These transactions are, however, exempt from ERISA's prohibited transaction rules by virtue of a Class Exemption issued by the Department of Labor.

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THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

**SCHEDULE OF ASSETS (HELD AT END OF YEAR)
FORM 5500 SCHEDULE H, Part IV, Line 4i
AS OF DECEMBER 31, 2005**

**Employer Number 38-3081510
Plan Number 001**

NAME OF ISSUER	DESCRIPTION OF INVESTMENTS	CURRENT VALUE
* Vanguard	500 Portfolio Index Trust Stock Fund	\$ 31,724,431

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* Vanguard	Retirement Savings Trust	24,520,551
* Vanguard	Wellington, Stock and Bond Balanced Fund	11,879,149
* Vanguard	Explorer, Stock Fund	6,919,067
* Vanguard	REIT Index Portfolio, Real Estate Fund	4,751,904
* Vanguard	International Growth, Stock Fund	4,083,493
* Vanguard	Total Bond Market Index Bond Fund	3,880,875
* Vanguard	Small Cap, Stock Fund	3,657,730
* Vanguard	Growth Index Trust, Stock Fund	3,546,497
* Taubman Centers, Inc.	Company Stock Fund	3,453,712
* Vanguard	Extended Market Index Trust, Stock Fund	2,429,152
* Vanguard	Prime Portfolio, Money Market Fund	2,370,427
* Vanguard	Value Index Trust Stock Fund	1,979,921
* Vanguard	U.S. Growth, Stock Fund	1,883,977
* Loans to 141 participants	Participant borrowings against their individual account balances, interest rates from 5% to 10.5%, and maturing through December 2015	1,278,844**
Total		<u>\$ 108,359,730</u>

* Denotes party-in-interest

** Participant loans are valued at their outstanding balances, which approximates fair value.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized on the 14th day of June, 2006.

THE TAUBMAN COMPANY AND RELATED ENTITIES EMPLOYEE RETIREMENT SAVINGS PLAN

By: Vanguard Fiduciary Trust Company,
as Trustee:

By: /s/ Dennis Simmons

Its: Principal

EXHIBIT INDEX

Exhibit Number	Description
23 --	Consent of KPMG LLP