

TANGER FACTORY OUTLET CENTERS INC
Form 10-Q/A
May 20, 2011

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
Amendment No.1

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

For the quarterly period ended March 31, 2011
OR

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

For the transition period from _____ to _____

Commission file number 1-11986 (Tanger Factory Outlet Centers, Inc.)
Commission file number 333-3526-01 (Tanger Properties Limited Partnership)

TANGER FACTORY OUTLET CENTERS, INC.
TANGER PROPERTIES LIMITED PARTNERSHIP

(Exact name of Registrant as specified in its charter)

North Carolina (Tanger Factory Outlet Centers, Inc.) 56-1815473

North Carolina (Tanger Properties Limited Partnership) 56-1822494

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3200 Northline Avenue, Suite 360, Greensboro, NC 27408
(Address of principal executive offices)

(336) 292-3010

(Registrant's telephone number)

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.

Tanger Factory Outlet Centers, Inc. Yes ☒ No ☐

Tanger Properties Limited Partnership Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Tanger Factory Outlet Centers, Inc. Yes ☒ No ☐

Tanger Properties Limited Partnership Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934).

Tanger Factory Outlet Centers, Inc.

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company

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Tanger Properties Limited Partnership

☐ Large accelerated filer

☐ Accelerated filer

☒ Non-accelerated filer

☐ Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Tanger Factory Outlet Centers, Inc.

Yes ☐ No ☒

Tanger Properties Limited Partnership

Yes ☐ No ☒

As of April 28, 2011, there were 81,311,041 shares of Tanger Factory Outlet Centers, Inc. common stock outstanding, \$.01 par value.

Explanatory Note

This Quarterly Report on Form 10-Q/A (the “Amendment”) amends Part I, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) in our Form 10-Q for the quarter ended March 31, 2011, originally filed with the U.S. Securities and Exchange Commission on May 9, 2011 (the “Original Form 10-Q”), solely to correct an error on Page 32 of the Original Form 10-Q under the caption “Potential Acquisitions and Future Developments”. The paragraph disclosing information related to potential acquisitions incorrectly stated in aggregate, the potential amount of indebtedness that may be assumed as approximately \$291.0 million. This amount has been revised in the Amendment and correctly stated as approximately \$198.0 million.

No other changes have been made to the Form 10-Q. Information included in this Amendment is stated as of March 31, 2011, and does not reflect any subsequent events occurring after the filing of the Original Form 10-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion of our results of operations reported in the unaudited, consolidated statements of operations compares the three months ended March 31, 2011 with the three months ended March 31, 2010. The results of operations discussion is combined for Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership because the results are virtually the same for both entities. The following discussion should be read in conjunction with the unaudited consolidated financial statements appearing elsewhere in this report. Historical results and percentage relationships set forth in the unaudited, consolidated statements of operations, including trends which might appear, are not necessarily indicative of future operations. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

Cautionary Statements

Certain statements made below are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and included this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies, beliefs and expectations, are generally identifiable by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our actual results, performance or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, those set forth under Item 1A - "Risk Factors" in the Company's and the Operating Partnership's Annual Reports on Form 10-K for the year ended December 31, 2010. There have been no material changes to the risk factors listed there through March 31, 2011.

General Overview

At March 31, 2011, our consolidated portfolio included 32 wholly owned outlet centers in 21 states totaling 9.4 million square feet compared to 31 wholly owned outlet centers in 21 states totaling 9.1 million square feet at March 31, 2010. The changes in the number of outlet centers, square feet and number of states are due to the following events:

	No. of Centers	Square Feet (000's)	States
As of March 31, 2010	31	9,057	21
New development:			
Mebane, North Carolina	1	319	—
Center redevelopment:			
Hilton Head I, South Carolina	1	177	—
Center disposition:			
Commerce I, Georgia	(1) (186) —
Other	—	1	—
As of March 31, 2011	32	9,368	21

The following table summarizes certain information for our existing outlet centers in which we have an ownership interest as of March 31, 2011. Except as noted, all properties are fee owned.

Location	Square Feet	% Occupied
Wholly Owned Properties		
Riverhead, New York ⁽¹⁾	729,475	98
Rehoboth Beach, Delaware ⁽¹⁾	568,900	99
Foley, Alabama	557,288	98
San Marcos, Texas	441,929	95
Myrtle Beach Hwy 501, South Carolina	426,417	92
Sevierville, Tennessee ⁽¹⁾	419,038	100
Myrtle Beach Hwy 17, South Carolina ⁽¹⁾	403,161	96
Washington, Pennsylvania	372,972	99
Commerce II, Georgia	370,512	99
Charleston, South Carolina	352,315	92
Howell, Michigan	324,632	99
Mebane, North Carolina	318,910	99
Branson, Missouri	302,922	98
Park City, Utah	298,379	100
Locust Grove, Georgia	293,868	99
Westbrook, Connecticut	291,051	92
Gonzales, Louisiana	282,403	95
Williamsburg, Iowa	277,230	96
Lincoln City, Oregon	270,212	99
Lancaster, Pennsylvania	255,152	98
Tuscola, Illinois	250,439	86
Tilton, New Hampshire	245,698	99
Hilton Head II, South Carolina	206,586	98
Fort Myers, Florida	198,950	90
Terrell, Texas	177,800	94
Hilton Head I, South Carolina	177,199	82
Barstow, California	171,300	100
West Branch, Michigan	112,120	98
Blowing Rock, North Carolina	104,185	100
Nags Head, North Carolina	82,178	95
Kittery I, Maine	59,694	89
Kittery II, Maine	24,619	100
Totals	9,367,534	97 ⁽²⁾
Unconsolidated Joint Ventures		
Deer Park, New York ⁽³⁾	683,033	85
Wisconsin Dells, Wisconsin	265,061	98

(1) These properties or a portion thereof are subject to a ground lease.

(2) Excludes the Hilton Head I, SC property which opened on March 31, 2011 and is not yet stabilized.

(3) Includes a 29,253 square foot warehouse adjacent to the shopping center.

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2011 to the three months ended March 31, 2010

BASE RENTALS

Base rentals increased \$2.7 million, or 6%, in the 2011 period compared to the 2010 period. The following table sets forth the changes in various components of base rentals from the 2011 and 2010 periods (in thousands):

	2011	2010	Change
Existing property base rentals	\$44,291	\$42,444	\$1,847
Incremental base rentals from new developments	1,607	259	1,348
Termination fees	166	621	(455)
Amortization of net above and below market rent adjustments	155	173	(18)
	\$46,219	\$43,497	\$2,722

Base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces.

During the fourth quarter of 2010, we opened a 319,000 square foot outlet center in Mebane, North Carolina.

Termination fees decreased due to the 2010 period containing several tenants that terminated their leases prior to the contractual obligation.

At March 31, 2011, the net liability representing the amount of unrecognized combined above and below market lease values totaled approximately \$1.3 million. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related above or below market lease value will be written off and could materially impact our net income positively or negatively.

PERCENTAGE RENTALS

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels, the breakpoint, increased \$86,000, or 7%, from the 2010 period to the 2011 period. The increase in percentage rentals is directly related to the strength of our tenants' sales. Reported tenant comparable sales for our wholly owned properties for the rolling twelve months ended March 31, 2011 increased 5.9% to \$359 per square foot. Reported tenant comparable sales is defined as the weighted average sales per square foot reported in space open for the full duration of each comparison period.

EXPENSE REIMBURSEMENTS

Expense reimbursements increased \$1.7 million, or 9%, in the 2011 period compared to the 2010 period. The following table sets forth the changes in various components of expense reimbursements from the 2011 and 2010 periods (in thousands):

	2011	2010	Change
Existing property expense reimbursements	\$20,240	\$19,052	\$1,188
Incremental expense reimbursements from new developments	870	132	738
Termination fees allocated to expense reimbursements	95	335	(240)
	\$21,205	\$19,519	\$1,686

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses, generally fluctuate consistently with the reimbursable property operating expenses to which they relate.

OTHER INCOME

Other income increased \$203,000, or 12%, in the 2011 period compared to the 2010 period. The following table sets forth the changes in various components of other income from the 2011 and 2010 periods (in thousands):

	2011	2010	Change
Existing property other income	\$ 1,807	\$ 1,547	\$ 260
Incremental other income from new developments	117	13	104
Gain on sale of land outparcel	—	161	(161)
	\$ 1,924	\$ 1,721	\$ 203

PROPERTY OPERATING EXPENSES

Property operating expenses increased \$1.8 million, or 8%, in the 2011 period as compared to the 2010 period. The following table sets forth the changes in various components of property operating expenses from the 2011 and 2010 periods (in thousands):

	2011	2010	Change
Existing property operating expenses	\$23,030	\$22,039	\$991
Incremental property operating expenses from new developments	1,078	310	768
	\$24,108	\$22,349	\$1,759

Property operating expenses incurred at existing properties increased due primarily to higher snow removal costs due to severe winter weather, higher property taxes where we were unsuccessful in appealing higher assessments and an increase in various common area maintenance projects throughout our portfolio including expenses related to staffing and operating mall offices at each of our centers. In addition, a significant portion of the overall increase relates to the incremental operating costs of the Mebane, NC center.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased \$1.3 million, or 24%, in the 2011 period compared to the 2010 period. This increase was mainly due to additional share-based compensation expense related to the 2011 restricted share grant to directors and certain officers of the Company. Also, the 2011 period included higher payroll related expenses due to the addition of new employees since April 1, 2010, including an executive vice president of operations.

ACQUISITION COSTS

During the 2011 period, we incurred due diligence costs related to potential acquisition of a number of existing outlet centers. While we have negotiated and signed a number of contracts on these potential acquisitions, we are in the midst of completing our due diligence work and/or are subject to regulatory or lender approval. As such, there can be no assurance that we will ultimately close on any of these transactions.

ABANDONED DEVELOPMENT COSTS

The abandoned development costs recorded in the 2011 period related to due diligence costs in association with a terminated option on a site in the West Phoenix, Arizona market.

IMPAIRMENT CHARGES

In 2005 we sold an outlet center located in Seymour, Indiana. We retained various outparcels of land at the development site, some of which we had sold in recent years. In February 2010, our Board of Directors approved the sale of the remaining parcels of land in Seymour, IN. As a result of this Board approval and an approved plan to actively market the land, we accounted for the land as "held for sale" and recorded a non-cash impairment charge of approximately \$735,000 in our consolidated statement of operations which equaled the excess of the carrying amount of the land over its current fair value. We determined the estimated fair value using a market approach considering offers that we have obtained for all the various parcels less estimated closing costs.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased \$8.5 million, or 32%, in the 2011 period compared to the 2010 period. The following table sets forth the changes in various components of depreciation and amortization from the 2011 and 2010 periods (in thousands):

	2011	2010	Change
Existing property depreciation and amortization	\$17,757	\$17,227	\$530
Incremental depreciation and amortization from Mebane, NC center new development	208	—	208
Accelerated depreciation and amortization related to the redevelopment of the Hilton Head I, SC center	—	9,247	(9,247)
	\$17,965	\$26,474	\$(8,509)

As of March 31, 2010, the previously existing Hilton Head I, SC center was vacant of all tenants in preparation for the demolition and redevelopment of the center. At that point the depreciable assets of the center had been fully depreciated.

LIQUIDITY AND CAPITAL RESOURCES OF THE COMPANY

In this "Liquidity and Capital Resources of the Company" section, the term, the Company, refers only to Tanger Factory Outlet Centers, Inc. on an unconsolidated basis, excluding the Operating Partnership.

The Company's business is operated primarily through the Operating Partnership. The Company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the Operating Partnership. The Company itself does not hold any indebtedness, and its only material asset is its ownership of partnership interests of the Operating Partnership. The Company's principal funding requirement is the payment of dividends on its common shares. The Company's principal source of funding for its dividend payments is distributions it receives from the Operating Partnership.

Through its ownership of the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control. The Company causes the Operating Partnership to distribute all, or such portion as the Company may in its discretion determine, of its available cash in the manner provided in the Operating Partnership's partnership agreement. The Company receives proceeds from equity issuances from time to time, but is required by the Operating Partnership's partnership agreement to contribute the proceeds from its equity issuances to the Operating Partnership in exchange for partnership units of the Operating Partnership.

The Company is a well-known seasoned issuer with a shelf registration which was updated in July 2009 that allows the Company to register unspecified various classes of equity securities and the Operating Partnership to register unspecified and various classes of debt securities. As circumstances warrant, the Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. The Operating Partnership may use the proceeds to repay debt, including borrowings under its lines of credit, develop new or existing properties, to make acquisitions of properties or portfolios of properties, to invest in existing or newly created joint ventures or for general corporate purposes.

The liquidity of the Company is dependent on the Operating Partnership's ability to make sufficient distributions to the Company. The Company also guarantees some of the Operating Partnership's debt. If the Operating Partnership fails to fulfill its debt requirements, which trigger the Company's guarantee obligations, then the Company may be required to fulfill its cash payment commitments under such guarantees. However, the Company's only material asset is its investment in the Operating Partnership.

The Company believes the Operating Partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured lines of credit, are adequate for it to make its distribution payments to the Company and, in turn, for the Company to make its dividend payments to its shareholders. However, there can be no assurance that the Operating Partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the Company. The unavailability of capital could adversely affect the Operating Partnership's ability to pay its distributions to the Company, which will in turn, adversely affect the Company's ability to pay cash dividends to its shareholders. For the Company to maintain its qualification as a real estate investment trust, it must pay dividends to its shareholders aggregating annually at least 90% of its taxable income. While historically the Company has satisfied this distribution requirement by making cash distributions to its shareholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the Company's own shares. As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its on-going operations to the same extent that other companies whose parent companies are not real estate investment trusts can. The Company may need to continue to raise capital in the equity markets to fund the Operating Partnership's working capital needs, as well as potential developments of new or existing properties, acquisitions or investments in existing or newly created joint ventures.

As the sole owner of the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes, and the Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. However, all debt is held directly or indirectly at the Operating Partnership level, and the Company has guaranteed some of the Operating Partnership's unsecured debt as discussed below. Because the Company consolidates the Operating Partnership, the section entitled "Liquidity and Capital Resources of the Operating Partnership" should be read in conjunction with this section to understand the liquidity and capital resources of the Company on a consolidated basis and how the Company is operated as a whole.

On April 7, 2011, the Company's Board of Directors declared a \$.20 cash dividend per common share payable on May 13, 2011 to each shareholder of record on April 29, 2011, and caused a \$.80 per Operating Partnership unit cash distribution to the Operating Partnership's unitholders.

LIQUIDITY AND CAPITAL RESOURCES OF THE OPERATING PARTNERSHIP

General Overview

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we", "our" and "us" refer to the Operating Partnership or the Operating Partnership and the Company together, as the text requires.

Property rental income represents our primary source to pay property operating expenses, debt service, capital expenditures and distributions, excluding non-recurring capital expenditures and acquisitions. To the extent that our cash flow from operating activities is insufficient to cover such non-recurring capital expenditures and acquisitions, we finance such activities from borrowings under our unsecured lines of credit or from the proceeds from the Operating Partnership's and the Company's debt and equity offerings.

We believe we achieve a strong and flexible financial position by attempting to: (1) maintain a conservative leverage position relative to our portfolio when pursuing new development, expansion and acquisition opportunities, (2) extend and sequence debt maturities, (3) manage our interest rate risk through a proper mix of fixed and variable rate debt, (4) maintain access to liquidity by using our lines of credit in a conservative manner and (5) preserve internally generated sources of capital by strategically divesting of underperforming assets and maintaining a conservative distribution payout ratio. We manage our capital structure to reflect a long term investment approach and utilize multiple sources of capital to meet our requirements.

The following table sets forth our changes in cash flows for the three months ended March 31, 2011 and 2010, respectively (in thousands):

	2011	2010	Change
Net cash provided by operating activities	\$31,094	\$28,614	\$2,480
Net cash used in investing activities	(24,170)	(10,165)	(14,005)
Net cash used in financing activities	(11,896)	(18,633)	6,737
Net decrease in cash and cash equivalents	\$(4,972)	\$(184)	\$(4,788)

Operating Activities

The increase in cash provided by operating activities is primarily due to the incremental cash flow provided by the addition of the Mebane, NC center to our portfolio during the fourth quarter of 2010. In addition, base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces.

Investing Activities

Cash flow used in investing activities was higher in the 2011 period mainly due to higher payments for additions to rental property and an increase in escrow deposits related to potential acquisitions of outlet centers. The 2011 period included the final construction of the redeveloped Hilton Head I, SC center, while the 2010 period included only the initial construction activity for the Mebane, NC center, which opened in November 2010.

Financing Activities

Cash used in financing activities was lower in the 2011 period as we received additional funding for increased construction activities in 2011. In addition, no preferred shares dividends were paid in the 2011 period as these shares were retired during the fourth quarter of 2010. This decrease was partially offset by an increase in the common dividend rate and the number of shares outstanding.

Current Developments and Dispositions

We intend to continue to grow our portfolio by developing, expanding or acquiring additional outlet centers. In the section below, we describe the new developments that are either currently planned, underway or recently completed. However, you should note that any developments or expansions that we, or a joint venture that we are involved in, have planned or anticipated may not be started or completed as scheduled, or may not result in accretive net income or funds from operations ("FFO"). See the section "Supplemental Earnings Measures" - "Funds From Operations" in the Management's Discussion and Analysis section for further discussion of FFO. In addition, we regularly evaluate acquisition or disposition proposals and engage from time to time in negotiations for acquisitions or dispositions of properties. We may also enter into letters of intent for the purchase or sale of properties. Any prospective acquisition or disposition that is being evaluated or which is subject to a letter of intent may not be consummated, or if consummated, may not result in an increase in liquidity, net income or FFO.

WHOLLY OWNED CURRENT DEVELOPMENTS

Redevelopment at Existing Outlet Centers

During the first quarter of 2011, we completed the redevelopment of our Hilton Head I, SC center and celebrated a grand re-opening on March 31, 2011. As of April 27, 2011, the 177,000 square foot center had leases signed or out for signature on 94% of the leasable square feet. In addition, the property features four pad sites, three of which are currently leased. The total incremental cost for the redeveloped center, including development and leasing costs, are expected to be approximately \$43.0 million.

Commitments to complete construction of our redevelopment and other capital expenditure requirements amounted to approximately \$5.0 million at March 31, 2011. Commitments for construction represent only those costs contractually required to be paid by us.

Potential Acquisitions and Future Developments

On April 28, 2011, the Federal Trade Commission ("FTC") issued a release announcing that Simon Property Group, Inc. ("Simon") has filed an application for approval of the divestiture of its outlet center located in Jeffersonville, Ohio to the Operating Partnership and that it is accepting public comments on the application until May 30, 2011. Simon has requested a decision on the application by the FTC by June 24, 2011. The Operating Partnership has signed an agreement to purchase the Jeffersonville outlet center from Simon. The closing of the transaction is subject to FTC approval as well as other customary conditions.

On May 6, 2011, the Operating Partnership entered into agreements with OCF Holdings LLC, Cordish AC-1 Associates LLC, Cordish AC-2 Associates LLC and Atlantic City Associates Number Three Manager LLC (the "Agreements") to acquire substantially all of the economic interests in two outlet centers representing approximately 694,000 square feet for a combined purchase price of approximately \$125.0 million in cash and the assumption of indebtedness of approximately \$75.0 million. The debt being assumed consists of three mortgages with various lenders that bear interest at fixed rates ranging from 5.14% to 7.65% per annum and have maturity dates ranging from 2016 to 2026. The centers are located in Atlantic City, New Jersey and Ocean City Maryland. The Operating Partnership paid a cash deposit of approximately \$11.8 million on May 9, 2011 to secured its obligations under the Agreements, which will be credited against the purchase price for these interests at closing. The closing for both properties, which is subject to approval by the current mortgage holders, is expected to take place during the third quarter of 2011.

We are currently negotiating the purchase of or have entered into agreements for other potential acquisitions. These centers, together with the potential acquisitions discussed above, in aggregate, have an associated potential purchase price of approximately \$489.0 million, which includes the assumption of up to approximately \$198.0 million in indebtedness, representing up to an aggregate of approximately 1.9 million square feet. While we have negotiated and signed a number of contracts on these potential acquisitions, the closing of these acquisitions are subject to a number of conditions, including the completion of due diligence in some cases, the receipt of regulatory or lender approvals in other cases or the completion of the negotiations in others. As such, there can be no assurance that we will ultimately close on any of these transactions.

As of the date of this filing, we are in the initial study period for three potential new development sites located in League City (Houston), Texas; Scottsdale, Arizona and West Phoenix, Arizona. There can be no assurance that these sites will ultimately be developed.

We expect that these acquisition and development projects, if realized, would be primarily funded by amounts available under our unsecured lines of credit but could also require additional funding from other sources of capital, such as collateralized construction loans or public debt and equity offerings. We may also consider the use of additional operational or developmental joint ventures.

UNCONSOLIDATED JOINT VENTURES

Riocan Canadian Joint Venture

In January 2011, we announced that we entered into a letter of intent with RioCan Real Estate Investment Trust to form an exclusive joint venture for the acquisition, development and leasing of sites across Canada that are suitable for development or redevelopment as outlet shopping centers similar in concept and design to those within our existing U.S. portfolio. Any projects developed will be co-owned on a 50/50 basis and will be branded as Tanger Outlet Centers. We have agreed to provide leasing and marketing services to the venture and RioCan will provide development and property management services. It is the intention of the joint venture to develop as many as 10 to 15 outlet centers in larger urban markets and tourist areas across Canada, over a five to seven year period. The typical size of a Tanger Outlet Center is approximately 350,000 square feet dependent on the individual market and tenant demand. Assuming these parameters are suitable and materialize in Canada, the overall investment of the joint venture is anticipated to be as high as \$1 billion, on a fully built out basis. There can be no assurance that the joint venture will be consummated, or even if the joint venture is consummated that the current plans of the joint venture will be realized.

Financing Arrangements

At March 31, 2011, 100% of our outstanding debt represented unsecured borrowings and 100% of the gross book value of our real estate portfolio was unencumbered. We maintain unsecured lines of credit that provide for borrowings of up to \$400.0 million. All unsecured lines of credit have an expiration date of November 29, 2013 with an option for a one year extension.

We intend to retain the ability to raise additional capital, including public debt or equity, to pursue attractive investment opportunities that may arise and to otherwise act in a manner that we believe to be in our shareholders' best interests. We have no significant debt maturities until November 2013 when our unsecured lines of credit expire. The Company is a well-known seasoned issuer with a joint shelf registration with the Operating Partnership that allows us to register unspecified amounts of different classes of securities on Form S-3. To generate capital to reinvest into other attractive investment opportunities, we may also consider the use of additional operational and developmental joint ventures, the sale or lease of outparcels on our existing properties and the sale of certain properties that do not meet our long-term investment criteria. Based on cash provided by operations, existing credit facilities, ongoing negotiations with certain financial institutions and our ability to sell debt or issue equity subject to market conditions, we believe that we have access to the necessary financing to fund the planned capital expenditures during 2011.

We anticipate that adequate cash will be available to fund our operating and administrative expenses, regular debt service obligations, and the payment of dividends in accordance with REIT requirements in both the short and long-term. Although we receive most of our rental payments on a monthly basis, distributions to shareholders are made quarterly and interest payments on the senior, unsecured notes are made semi-annually. Amounts accumulated for such payments will be used in the interim to reduce the outstanding borrowings under our existing unsecured, lines of credit or invested in short-term money market or other suitable instruments.

We believe our current balance sheet position is financially sound; however, due to the uncertainty in and unpredictability of the capital and credit markets, we can give no assurance that affordable access to capital will exist in the future to fund any or all of our potential acquisitions, developments or upcoming debt maturities.

The Operating Partnership's debt agreements require the maintenance of certain ratios, including debt service coverage and leverage, and limit the payment of dividends such that dividends and distributions will not exceed funds from operations, as defined in the agreements, for the prior fiscal year on an annual basis or 95% on a cumulative basis. We have historically been and currently are in compliance with all of our debt covenants. We expect to remain in compliance with all of our existing debt covenants; however, should circumstances arise that would cause us to be in default, the various lenders would have the ability to accelerate the maturity on our outstanding debt.

The Operating Partnership's senior unsecured notes contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Key financial covenants and their covenant levels include:

Senior unsecured notes financial covenants	Required	Actual	
Total consolidated debt to adjusted total assets	<60	42	%
Total secured debt to adjusted total assets	<40	—	%
Total unencumbered assets to unsecured debt	>135	238	%

OFF-BALANCE SHEET ARRANGEMENTS

The following table details certain information as of March 31, 2011 about various unconsolidated real estate joint ventures in which we have an ownership interest:

Joint Venture	Center Location	Ownership %	Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Deer Park ⁽¹⁾	Deer Park, Long Island, New York	33.3	% 683,033	\$1.3	\$269.3
Wisconsin Dells	Wisconsin Dells, Wisconsin	50.0	% 265,061	\$4.5	\$24.8

(1) Includes a 29,253 square foot warehouse adjacent to the shopping center with a mortgage note of approximately \$2.3 million.

Each of the above ventures contains provisions where a venture partner can trigger certain provisions and force the other partners to either buy or sell their investment in the joint venture. Should this occur, we may be required to sell the property to the venture partner or incur a significant cash outflow in order to maintain ownership of these outlet centers.

The following table details our share of the debt maturities of the unconsolidated joint ventures as of March 31, 2011 (in thousands):

Joint Venture	Our Portion of Joint Venture Debt	Maturity Date	Interest Rate
Deer Park	\$89,761	5/17/2011 ⁽¹⁾	Libor + 1.375-3.50%
Wisconsin Dells	\$12,375	12/18/2012	Libor + 3.00%

The Deer Park mortgages have a one-year extension options which are exercisable in May 2011, subject to certain qualifications. Based on the current cash flows and occupancy rate, the joint ventures would not qualify for the (1) one-year extension option and are currently negotiating with the lending institution to refinance the existing loans. If the joint ventures are unable to extend or refinance the loans, each joint venture partner may be required to make a material capital contribution.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to our 2010 Annual Reports on Form 10-K of the Company and the Operating Partnership for a discussion of our critical accounting policies which include principles of consolidation, acquisition of real estate, cost capitalization, impairment of long-lived assets and revenue recognition. There have been no material changes to these policies in 2011.

RELATED PARTY TRANSACTIONS

As noted above in "Off-Balance Sheet Arrangements", we are 50% owners of the Wisconsin Dells joint venture and a 33.3% owner in the Deer Park joint venture. These joint ventures pay us management, leasing and marketing fees, which we believe approximate current market rates, for services provided to the joint ventures. During the three months ended March 31, 2011 and 2010, respectively, we recognized the following fees (in thousands):

	Three Months Ended March 31,	
	2011	2010
Fee:		
Management and leasing	\$505	\$464
Marketing	44	41
Total Fees	\$549	\$505

Tanger Family Limited Partnership is a related party which holds a limited partnership interest in and is the noncontrolling interest of the Operating Partnership. The only material related party transaction with the Tanger Family Limited Partnership is the payment of quarterly distributions of earnings which were \$2.4 million and \$2.3 million for the three months ended March 31, 2011 and 2010 respectively.

During the third quarter of 2010, Stanley K. Tanger, our founder, transferred his general partnership interest in the Tanger Family Limited Partnership, to the Stanley K. Tanger Marital Trust. As discussed in Note 1, the Tanger Family Limited Partnership is the noncontrolling interest in the Company's consolidated financial statements. The sole trustee of the Stanley K. Tanger Marital Trust, and thus effectively the general partner of Tanger Family Limited Partnership, is John H. Vernon. Mr. Vernon is a partner at the law firm of Vernon, Vernon, Wooten, Brown, Andrews & Garrett, or the Vernon Law Firm, which has served as the principal outside counsel of the Company and Operating Partnership since their inception in 1993. Based on Mr. Vernon's position as trustee of the Stanley K. Tanger Marital Trust, the general partner of the Tanger Family Limited Partnership, he is now considered a related party. However, Mr. Vernon has neither ownership rights nor economic interests in either the Tanger Family Limited Partnership or the Stanley K. Tanger Marital Trust.

Fees paid to the Vernon Law Firm were approximately \$417,000 and \$457,000 for the three months ended March 31, 2011 and 2010. In addition, as of March 31, 2011 and December 31, 2010, there were \$290,000 and \$0, respectively, outstanding in accounts payable and accrued expenses for amounts owed the Vernon Law Firm.

The Tanger family has informed the Company of their intention to dissolve the Tanger Family Limited Partnership in connection with the settling of the estate of our founder, Stanley Tanger. Upon dissolution of the Tanger Family Limited Partnership, the units of the Operating Partnership currently owned by the Tanger Family Limited Partnership would be distributed to the individual beneficial owners of the Tanger Family Limited Partnership, who are primarily the descendants of Stanley Tanger (including Steven Tanger, our Chief Executive Officer), their spouses or former spouses or their children and/or trusts for their benefit. Each such holder would then become a limited partner of the Operating Partnership, and each such partner would have the ability to exchange their Operating Partnership units for the Company's common shares in the ratio of one unit for four Company common shares, and will continue to have rights which may require the Company to register the shares with the SEC for sale under the Securities Act of 1933, as amended. The Company anticipates that some of the individuals will request that some or all of their Operating Partnership units be exchanged for the Company's common shares and to request the Company to register such shares for sale. At this time, our Chief Executive Officer has not indicated any present intention to exchange the Operating Partnership Units that he will receive upon the dissolution of the Tanger Family Limited Partnership.

SUPPLEMENTAL EARNINGS MEASURES

Funds From Operations

Funds from Operations ("FFO") represents income before extraordinary items and gains (losses) on sale or disposal of depreciable operating properties, plus depreciation and amortization uniquely significant to real estate and after adjustments for unconsolidated partnerships and joint ventures.

FFO is intended to exclude historical cost depreciation of real estate as required by Generally Accepted Accounting Principles ("GAAP") which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income.

We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is widely used by us and others in our industry to evaluate and price potential acquisition candidates. The National Association of Real Estate Investment Trusts, Inc., of which we are a member, has encouraged its member companies to report their FFO as a supplemental, industry-wide standard measure of REIT operating performance. In addition, a percentage of bonus compensation to certain members of management is based on our FFO performance.

FFO has significant limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

• FFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

• FFO does not reflect changes in, or cash requirements for, our working capital needs;

• Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and FFO does not reflect any cash requirements for such replacements;

• FFO, which includes discontinued operations, may not be indicative of our ongoing operations; and

Other companies in our industry may calculate FFO differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, FFO should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or our dividend paying capacity. We compensate for these limitations by relying primarily on our GAAP results and using FFO only supplementally.

Below is a reconciliation of net income to FFO for the three months ended March 31, 2011 and 2010 as well as other data for those respective periods (in thousands):

	Three months ended March 31,	
	2011	2010
FUNDS FROM OPERATIONS		
Net income	\$10,817	\$3,003
Adjusted for:		
Depreciation and amortization uniquely significant to real estate - discontinued operations	—	53
Depreciation and amortization uniquely significant to real estate - wholly-owned	17,807	26,359
Depreciation and amortization uniquely significant to real estate - unconsolidated joint ventures	1,306	1,265
Funds from operations (FFO)	29,930	30,680
Preferred share dividends	—	(1,406)
Allocation of FFO to participating securities	(310)	(268)
Funds from operations available to common shareholders and noncontrolling interest in Operating Partnership	\$29,620	\$29,006
Weighted average common shares outstanding ^{(1) (2)}	92,685	92,369
Funds from operations per share	\$0.32	\$0.31
Weighted average Operating Partnership units outstanding ⁽¹⁾	23,171	23,092
Funds from operations per unit	\$1.28	\$1.26

(1) Includes the dilutive effect of options and senior exchangeable notes.

(2) Assumes the partnership units of the Operating Partnership held by the noncontrolling interest are exchanged for common shares of the Company.

Adjusted Funds From Operations

We present Adjusted Funds From Operations ("AFFO") as a supplemental measure of our performance. We define AFFO as FFO further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating AFFO you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of AFFO should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We present AFFO because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use AFFO, or some form of AFFO, when certain material, unplanned transactions occur, as a factor in evaluating management's performance when determining incentive compensation and to evaluate the effectiveness of our business strategies.

AFFO has limitations as an analytical tool. Some of these limitations are:

• AFFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

• AFFO does not reflect changes in, or cash requirements for, our working capital needs;

• Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and AFFO does not reflect any cash requirements for such replacements;

• AFFO does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and

• Other companies in our industry may calculate AFFO differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, AFFO should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using AFFO only supplementally.

Below is a reconciliation of FFO to AFFO for the three months ended March 31, 2011 and 2010 as well as other data for those respective periods (in thousands):

	Three months ended March 31,	
	2011	2010
ADJUSTED FUNDS FROM OPERATIONS		
Funds from operations	\$29,930	\$30,680
Adjusted for non-core items:		
Acquisition costs	567	—
Abandoned development costs	158	—
Impairment charges	—	735
Gain on sale of outparcel	—	(161)
Demolition costs of Hilton Head I, South Carolina	—	58
Adjusted funds from operations (AFFO)	30,655	31,312
Preferred share dividends	—	(1,406)
Allocation of AFFO to participating securities	(317)	(273)
Adjusted funds from operations available to common shareholders and noncontrolling interest in Operating Partnership.	\$30,338	\$29,633
Weighted average common shares outstanding ^{(1) (2)}	92,685	92,369
Adjusted funds from operations per share	\$0.33	\$0.32
Weighted average Operating Partnership units outstanding ⁽¹⁾	23,171	23,092
Adjusted funds from operations per unit	\$1.31	\$1.28

(1) Includes the dilutive effect of options and senior exchangeable notes.

(2) Assumes the partnership units of the Operating Partnership held by the noncontrolling interest are exchanged for common shares of the Company.

ECONOMIC CONDITIONS AND OUTLOOK

The majority of our leases contain provisions designed to mitigate the impact of inflation. Such provisions include clauses for the escalation of base rent and clauses enabling us to receive percentage rentals based on tenants' gross sales (above predetermined levels, which we believe often are lower than traditional retail industry standards) which generally increase as prices rise. Most of the leases require the tenant to pay their share of property operating expenses, including common area maintenance, real estate taxes, insurance and advertising and promotion, thereby reducing exposure to increases in costs and operating expenses resulting from inflation.

While we believe outlet stores will continue to be a profitable and fundamental distribution channel for many brand name manufacturers, some retail formats are more successful than others. As typical in the retail industry, certain tenants have closed, or will close, certain stores by terminating their lease prior to its natural expiration or as a result of filing for protection under bankruptcy laws.

Due to the relatively short-term nature of our tenants' leases, a significant portion of the leases in our portfolio come up for renewal each year. During 2011, we have approximately 1.7 million square feet, or 18%, of our wholly-owned portfolio coming up for renewal. During the first three months of 2011, we renewed approximately 55% of this space at a 16% increase in the average base rental rate compared to the expiring rate. We also re-tenanted 336,000 square feet at a 50% increase in the average base rental rate. In addition, we continue to attract and retain additional tenants. However, there can be no assurance that we can achieve similar increases in base rental rates. In addition, if we were unable to successfully renew or release a significant amount of this space on favorable economic terms, the loss in rent could have a material adverse effect on our results of operations.

Our outlet centers typically include well-known, national, brand name companies. By maintaining a broad base of well-known tenants and a geographically diverse portfolio of properties located across the United States, we reduce our operating and leasing risks. No one tenant (including affiliates) accounts for more than 8.2% of our square feet or 5.1% of our combined base and percentage rental revenues. Accordingly, we do not expect any material adverse impact on our results of operations and financial condition as a result of leases to be renewed or stores to be released. As of March 31, 2011 and 2010, respectively, occupancy at our wholly-owned centers was 97% and 95%.

Item 6. Exhibits

- 31.1 Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Factory Outlet Centers, Inc.
- 31.2 Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Factory Outlet Centers, Inc.
- 31.3 Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Properties Limited Partnership.
- 31.4 Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Properties Limited Partnership.

SIGNATURES

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

DATE: May 20, 2011

TANGER FACTORY OUTLET CENTERS, INC.

By: /s/ Frank C. Marchisello, Jr.
Frank C. Marchisello, Jr.
Executive Vice President, Chief Financial Officer & Secretary

TANGER PROPERTIES LIMITED PARTNERSHIP

By: TANGER GP TRUST, its sole general partner

By: /s/ Frank C. Marchisello, Jr.
Frank C. Marchisello, Jr.
Vice President, Treasurer & Assistant Secretary

Exhibit Index

Exhibit No.	Description
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