TANGER FACTORY OUTLET CENTERS INC
Form 10-Q
November 12, 2013

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2013
OR

o 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 x No o
Tanger Properties Limited Partnership	Yes x No o

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 x No o
Tanger Properties Limited Partnership	Yes x No o

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.

x Large accelerated filer	o Accelerated filer	o Non-accelerated filer	o Smaller reporting company

Tanger Properties Limited Partnership

o Large accelerated filer	o Accelerated filer	x Non-accelerated filer	o 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 o No x
Tanger Properties Limited Partnership	Yes o No x

As of October 31, 2013, there were 94,478,785 common shares of Tanger Factory Outlet Centers, Inc. outstanding, $.01 par value.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended September 30, 2013 of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership. 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.

Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. The Company is a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through its controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. The outlet centers and other assets are held by, and all of the operations are conducted by, the Operating Partnership and its subsidiaries. Accordingly, the descriptions of the business, employees and properties of the Company are also descriptions of the business, employees and properties of the Operating Partnership.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. As of September 30, 2013, the Company, through its ownership of Tanger GP Trust and Tanger LP Trust, owned 94,478,785 units of the Operating Partnership and other limited partners collectively owned 5,145,012 units. Each unit held by the other limited partners is exchangeable for one common share of the Company, subject to certain limitations to preserve the Company's REIT status.

Management operates the Company and the Operating Partnership as one enterprise. The management of the Company consists of the same members as the management of the Operating Partnership. These individuals are officers of the Company and employees of the Operating Partnership. The individuals that comprise the Company's Board of Directors are also the same individuals that make up the Tanger GP Trust's Board of Trustees.

We believe combining the quarterly reports on Form 10-Q of the Company and the Operating Partnership into this single report results in the following benefits:

- enhancing investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;

- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and

- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between the Company and the Operating Partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated consolidated company. As stated above, the Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership through its wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. As a result, the Company does not conduct business itself, other than issuing public equity from time to time and incurring expenses required to operate as a public company. However, all operating expenses incurred by the Company are reimbursed by the Operating Partnership, thus the only material item on the Company's income statement is its equity in the earnings of 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. The Company itself does not hold any indebtedness but does guarantee certain debt of the Operating Partnership, as disclosed in this report. The Operating Partnership holds substantially all the assets of the Company and holds the ownership interests in the Company's consolidated and unconsolidated joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by the Company, which are required to be contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required through its operations, its incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholder's equity and partners' equity are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The limited partnership interests in the Operating Partnership held by limited partners other than Tanger LP Trust are accounted for as partners' equity in the Operating Partnership's financial statements and as noncontrolling interests in the Company's financial statements.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- Consolidated financial statements;
- The following notes to the consolidated financial statements:
- Debt of the Company and the Operating Partnership;
- Shareholders' Equity and Partners' Equity;
- Earnings Per Share and Earnings Per Unit;
- Accumulated Other Comprehensive Income of the Company and the Operating Partnership
- Liquidity and Capital Resources in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company operates the business through the Operating Partnership.

As the 100% owner of Tanger GP Trust, the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

TANGER FACTORY OUTLET CENTERS, INC. AND TANGER PROPERTIES LIMITED PARTNERSHIP
Index

PART I. - FINANCIAL INFORMATION

Item 1 - Financial Statements of Tanger Factory Outlet Centers, Inc.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data, unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Rental property		
Land	$230,417	$148,002
Buildings, improvements and fixtures	2,004,882	1,796,042
Construction in progress	4,375	3,308
	2,239,674	1,947,352
Accumulated depreciation	(636,035)	(582,859)
Total rental property, net	1,603,639	1,364,493
Cash and cash equivalents	10,482	10,335
Investments in unconsolidated joint ventures	136,922	126,632
Deferred lease costs and other intangibles, net	171,702	107,415
Deferred debt origination costs, net	7,275	9,083
Prepaids and other assets	71,943	60,842
Total assets	$2,001,963	$1,678,800
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $1,753 and $1,967, respectively)	$548,247	$548,033
Unsecured term loans (net of discount of $435 and $547, respectively)	267,065	259,453
Mortgages payable (including premiums of $3,963 and $6,362, respectively)	251,533	107,745
Unsecured lines of credit	259,000	178,306
Total debt	1,325,845	1,093,537
Construction trade payables	5,272	7,084
Accounts payable and accrued expenses	48,400	41,149
Deferred financing obligation	28,388	—
Other liabilities	33,101	23,155
Total liabilities	1,441,006	1,164,925
Commitments and contingencies		
Equity		
Tanger Factory Outlet Centers, Inc.		
Common shares, $.01 par value, 300,000,000 shares authorized, 94,478,785 and 94,061,384 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	945	941
Paid in capital	785,515	766,056
Accumulated distributions in excess of net income	(262,173)	(285,588)
Accumulated other comprehensive income	1,179	1,200
Equity attributable to Tanger Factory Outlet Centers, Inc.	525,466	482,609
Equity attributable to noncontrolling interests		
Noncontrolling interests in Operating Partnership	28,615	24,432
Noncontrolling interests in other consolidated partnerships	6,876	6,834

Total equity	560,957	513,875
Total liabilities and equity	$2,001,963	$1,678,800

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data, unaudited)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenues				
Base rentals	$64,301	$59,662	$184,591	$175,464
Percentage rentals	3,084	3,180	6,956	6,542
Expense reimbursements	27,414	24,908	78,544	73,777
Other income	3,104	2,733	7,516	6,278
Total revenues	97,903	90,483	277,607	262,061
Expenses				
Property operating	29,863	27,614	86,819	81,679
General and administrative	9,754	9,018	29,240	27,737
Acquisition costs	532	—	963	—
Depreciation and amortization	24,223	24,809	68,683	75,247
Total expenses	64,372	61,441	185,705	184,663
Operating income	33,531	29,042	91,902	77,398
Interest expense	(12,367)	(12,317)	(37,826)	(37,062)
Gain on previously held interest in acquired joint venture	26,002	—	26,002	—
Income before equity in earnings (losses) of unconsolidated joint ventures	47,166	16,725	80,078	40,336
Equity in earnings (losses) of unconsolidated joint ventures	9,014	(555)	10,107	(2,874)
Net income	56,180	16,170	90,185	37,462
Noncontrolling interests in Operating Partnership	(2,787)	(836)	(4,435)	(2,315)
Noncontrolling interests in other consolidated partnerships	(99)	(7)	(129)	25
Net income attributable to Tanger Factory Outlet Centers, Inc.	$53,294	$15,327	$85,621	$35,172
Basic earnings per common share				
Net income	$0.56	$0.16	$0.91	$0.38
Diluted earnings per common share				
Net income	$0.56	$0.16	$0.90	$0.37
Dividends paid per common share	$0.225	$0.210	$0.660	$0.620

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	$56,180	$16,170	$90,185	$37,462
Other comprehensive income (loss)				
Reclassification adjustments for amounts recognized in net income	(94)	(88)	(147)	(261)
Foreign currency translation adjustments	(79)	(73)	124	(39)
Other comprehensive income (loss)	(173)	(161)	(23)	(300)
Comprehensive income	56,007	16,009	90,162	37,162
Comprehensive income attributable to noncontrolling interests	(2,877)	(835)	(4,562)	(2,273)
Comprehensive income attributable to Tanger Factory Outlet Centers, Inc.	$53,130	$15,174	$85,600	$34,889

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share and per share data, unaudited)

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2011	$867	$720,073	$(261,913)	$ 1,535	$460,562	$ 61,027	$ 6,843	$528,432
Net income	—	—	53,228	—	53,228	3,267	(19)	56,476
Other comprehensive loss	—	—	—	(335)	(335)	(21)	—	(356)
Compensation under Incentive Award Plan	—	10,676	—	—	10,676	—	—	10,676
Issuance of 37,700 common shares upon exercise of options	—	481	—	—	481	—	—	481
Grant of 566,000 restricted shares, net of forfeitures	6	(6)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	34,910	—	—	34,910	(34,910)	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	(10)	—	—	(10)	—	10	—
Exchange of 6,730,028 Operating Partnership units for 6,730,028 common shares	68	(68)	—	—	—	—	—	—
Common dividends ($0.83 per share)	—	—	(76,903)	—	(76,903)	—	—	(76,903)
Distributions to noncontrolling interest in Operating Partnership	—	—	—	—	—	(4,931)	—	(4,931)

Balance, December 31, 2012	$941	$766,056	$(285,588)	$ 1,200	$482,609	$ 24,432	$ 6,834	$513,875

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share and per share data, unaudited)
(Continued)

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2012	$941	$766,056	$(285,588)	$ 1,200	$482,609	$ 24,432	$ 6,834	$513,875
Net income	—	—	85,621	—	85,621	4,435	129	90,185
Other comprehensive loss	—	—	—	(21)	(21)	(2)	—	(23)
Compensation under Incentive Award Plan	—	8,614	—	—	8,614	—	—	8,614
Issuance of 17,600 common shares upon exercise of options	—	332	—	—	332	—	—	332
Issuance of 450,576 Operating Partnership limited partner units	—	—	—	—	—	13,981	—	13,981
Grant of 337,373 restricted shares, net of forfeitures	3	(3)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	11,095	—	—	11,095	(11,095)	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	(578)	—	—	(578)	—	578	—
Acquisition of noncontrolling interests in other consolidated partnerships	—	—	—	—	—	—	(525)	(525)
Exchange of 67,428 Operating Partnership units for 67,428 common shares	1	(1)	—	—	—	—	—	—

Common dividends ($.66 per share)	—	—	(62,206)	—	(62,206)	—	—	(62,206)
Distributions to noncontrolling interests in Operating Partnership	—	—	—	—	—	(3,136)	(140)	(3,276)
Balance, September 30, 2013	$945	$785,515	$(262,173)	$ 1,179	$525,466	$ 28,615	$ 6,876	$560,957

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine months ended September 30, 2013	2012
OPERATING ACTIVITIES		
Net income	$90,185	$37,462
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,683	75,247
Amortization of deferred financing costs	1,795	1,722
Gain on previously held interest in acquired joint venture	(26,002)	—
Equity in (earnings) losses of unconsolidated joint ventures	(10,107)	2,874
Distributions of cumulative earnings from unconsolidated joint ventures	4,415	740
Share-based compensation expense	8,363	8,231
Amortization of debt (premiums) and discounts, net	(767)	(753)
Net amortization (accretion) of market rent rate adjustments	389	(489)
Straight-line rent adjustments	(4,068)	(2,866)
Changes in other assets and liabilities:		
Other assets	236	(1,336)
Accounts payable and accrued expenses	3,947	8,331
Net cash provided by operating activities	137,069	129,163
INVESTING ACTIVITIES		
Additions to rental property	(40,578)	(31,157)
Acquisition of interest in unconsolidated joint venture, net of cash acquired	(11,271)	—
Additions to investments in and notes receivable from unconsolidated joint ventures	(140,373)	(57,810)
Additions to non-real estate assets	(7,768)	—
Distributions in excess of cumulative earnings from unconsolidated joint ventures	45,891	336
Additions to deferred lease costs	(3,381)	(3,430)
Net cash used in investing activities	(157,480)	(92,061)
FINANCING ACTIVITIES		
Cash dividends paid	(62,206)	(57,202)
Distributions to noncontrolling interests in Operating Partnership	(3,136)	(3,900)
Proceeds from debt issuances	500,003	491,477
Repayments of debt	(413,806)	(463,705)
Acquisition of noncontrolling interests in other consolidated partnerships	(525)	—
Distributions to noncontrolling interests in other consolidated partnerships	(67)	—
Additions to deferred financing costs	(37)	(2,527)
Proceeds from exercise of options	332	372
Net cash provided by (used in) financing activities	20,558	(35,485)
Net increase in cash and cash equivalents	147	1,617
Cash and cash equivalents, beginning of period	10,335	7,894
Cash and cash equivalents, end of period	$10,482	$9,511

The accompanying notes are an integral part of these consolidated financial statements.

Item 1 - Financial Statements of Tanger Properties Limited Partnership

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Rental property		
Land	$230,417	$148,002
Buildings, improvements and fixtures	2,004,882	1,796,042
Construction in progress	4,375	3,308
	2,239,674	1,947,352
Accumulated depreciation	(636,035)	(582,859)
Total rental property, net	1,603,639	1,364,493
Cash and cash equivalents	10,458	10,295
Investments in unconsolidated joint ventures	136,922	126,632
Deferred lease costs and other intangibles, net	171,702	107,415
Deferred debt origination costs, net	7,275	9,083
Prepaids and other assets	71,531	60,408
Total assets	$2,001,527	$1,678,326
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $1,753 and $1,967, respectively)	$548,247	$548,033
Unsecured term loans (net of discount of $435 and $547, respectively)	267,065	259,453
Mortgages payable (including premiums of $3,963 and $6,362, respectively)	251,533	107,745
Unsecured lines of credit	259,000	178,306
Total debt	1,325,845	1,093,537
Construction trade payables	5,272	7,084
Accounts payable and accrued expenses	47,964	40,675
Deferred financing obligation	28,388	—
Other liabilities	33,101	23,155
Total liabilities	1,440,570	1,164,451
Commitments and contingencies		
Equity		
Partners' Equity		
General partner	4,978	4,720
Limited partners	548,019	501,214
Accumulated other comprehensive income	1,084	1,107
Total partners' equity	554,081	507,041
Noncontrolling interests in consolidated partnerships	6,876	6,834
Total equity	560,957	513,875
Total liabilities and equity	$2,001,527	$1,678,326

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues				
Base rentals	$64,301	$59,662	$184,591	$175,464
Percentage rentals	3,084	3,180	6,956	6,542
Expense reimbursements	27,414	24,908	78,544	73,777
Other income	3,104	2,733	7,516	6,278
Total revenues	97,903	90,483	277,607	262,061
Expenses				
Property operating	29,863	27,614	86,819	81,679
General and administrative	9,754	9,018	29,240	27,737
Acquisition costs	532	—	963	—
Depreciation and amortization	24,223	24,809	68,683	75,247
Total expenses	64,372	61,441	185,705	184,663
Operating income	33,531	29,042	91,902	77,398
Interest expense	(12,367)	(12,317)	(37,826)	(37,062)
Gain on previously held interest in acquired joint venture	26,002	—	26,002	—
Income before equity in earnings (losses) of unconsolidated joint ventures	47,166	16,725	80,078	40,336
Equity in earnings (losses) of unconsolidated joint ventures	9,014	(555)	10,107	(2,874)
Net income	56,180	16,170	90,185	37,462
Noncontrolling interests in consolidated partnerships	(99)	(7)	(129)	25
Net income available to partners	56,081	16,163	90,056	37,487
Net income available to limited partners	55,510	15,998	89,138	37,103
Net income available to general partner	$571	$165	$918	$384
Basic earnings per common unit:				
Net income	$0.56	$0.16	$0.91	$0.38
Diluted earnings per common unit:				
Net income	$0.56	$0.16	$0.90	$0.37
Distribution paid per common unit	$0.225	$0.210	$0.660	$0.620

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	$56,180	$16,170	$90,185	$37,462
Other comprehensive income (loss)				
Reclassification adjustments for amounts recognized in net income	(94)	(88)	(147)	(261)
Foreign currency translation adjustments	(79)	(73)	124	(39)
Other comprehensive income (loss)	(173)	(161)	(23)	(300)
Comprehensive income	56,007	16,009	90,162	37,162
Comprehensive income attributable to noncontrolling interests in consolidated partnerships	(99)	(7)	(129)	25
Comprehensive income attributable to the Operating Partnership	$55,908	$16,002	$90,033	$37,187

The accompanying notes are an integral part of these consolidated financial statements.

14

TANGER PROPERITES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except unit and per unit data, unaudited)

	General partner	Limited partners	Accumulated other comprehensive income	Total partners' equity	Noncontrolling interests in consolidated partnerships	Total equity
Balance, December 31, 2011	$4,972	$515,154	$1,463	$521,589	$6,843	$528,432
Net income	578	55,917	—	56,495	(19)	56,476
Other comprehensive loss	—	—	(356)	(356)	—	(356)
Compensation under Incentive Award Plan	—	10,676	—	10,676	—	10,676
Issuance of 37,700 common units upon exercise of options	—	481	—	481	—	481
Grant of 566,000 restricted units, net of forfeitures	—	—	—	—	—	—
Adjustments for noncontrolling interests in consolidated partnerships	—	(10)	—	(10)	10	—
Common distributions ($.83 per common unit)	(830)	(81,004)	—	(81,834)	—	(81,834)
Balance, December 31, 2012	4,720	501,214	1,107	507,041	6,834	513,875
Net income	918	89,138	—	90,056	129	90,185
Other comprehensive income	—	—	(23)	(23)	—	(23)
Compensation under Incentive Award Plan	—	8,614	—	8,614	—	8,614
Issuance of 17,600 common units upon exercise of options	—	332	—	332	—	332
Issuance of 450,576 limited partner units	—	13,981	—	13,981	—	13,981
Grant of 337,373 restricted units, net of forfeitures	—	—	—	—	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	(578)	—	(578)	578	—
Acquisition of noncontrolling interests in other consolidated partnerships	—	—	—	—	(525)	(525)
Common distributions ($.66 per common unit)	(660)	(64,682)	—	(65,342)	(140)	(65,482)
Balance, September 30, 2013	$4,978	$548,019	$1,084	$554,081	$6,876	$560,957

The accompanying notes are an integral part of these consolidated financial statements.

TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine months ended September 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	$90,185	$37,462
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,683	75,247
Amortization of deferred financing costs	1,795	1,722
Gain on previously held interest in acquired joint venture	(26,002)	—
Equity in (earnings) losses of unconsolidated joint ventures	(10,107)	2,874
Distributions of cumulative earnings from unconsolidated joint ventures	4,415	740
Equity-based compensation expense	8,363	8,231
Amortization of debt (premiums) and discounts, net	(767)	(753)
Net amortization (accretion) of market rent rate adjustments	389	(489)
Straight-line rent adjustments	(4,068)	(2,866)
Changes in other assets and liabilities:		
Other assets	214	(1,274)
Accounts payable and accrued expenses	3,985	8,290
Net cash provided by operating activities	137,085	129,184
INVESTING ACTIVITIES		
Additions to rental property	(40,578)	(31,157)
Acquisition of interest in unconsolidated joint venture, net of cash acquired	(11,271)	—
Additions to investments in and notes receivable from unconsolidated joint ventures	(140,373)	(57,810)
Additions to non-real estate assets	(7,768)	—
Distributions in excess of cumulative earnings from unconsolidated joint ventures	45,891	336
Additions to deferred lease costs	(3,381)	(3,430)
Net cash used in investing activities	(157,480)	(92,061)
FINANCING ACTIVITIES		
Cash distributions paid	(65,342)	(61,102)
Proceeds from debt issuances	500,003	491,477
Repayments of debt	(413,806)	(463,705)
Acquisition of noncontrolling interests in consolidated partnerships	(525)	—
Distributions to noncontrolling interests in consolidated partnerships	(67)	—
Additions to deferred financing costs	(37)	(2,527)
Proceeds from exercise of options	332	372
Net cash provided by (used in) financing activities	20,558	(35,485)
Net increase in cash and cash equivalents	163	1,638
Cash and cash equivalents, beginning of period	10,295	7,866
Cash and cash equivalents, end of period	$10,458	$9,504

The accompanying notes are an integral part of these consolidated financial statements.

TANGER FACTORY OUTLET CENTERS INC. AND SUBSIDIARIES
TANGER PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIAIRES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business
Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. We are a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through our controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. As of September 30, 2013, we owned and operated 37 outlet centers, with a total gross leasable area of approximately 11.5 million square feet. We also had partial ownership interests in 6 outlet centers totaling approximately 1.4 million square feet, including 3 outlet centers in Canada.

Our outlet centers and other assets are held by, and all of our operations are conducted by, Tanger Properties Limited Partnership and subsidiaries. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership. 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.

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. As of September 30, 2013, the Company, through its ownership of Tanger GP Trust and Tanger LP Trust, owned 94,478,785 units of the Operating Partnership and other limited partners collectively owned 5,145,012 units.

2. Basis of Presentation
The unaudited consolidated financial statements included herein have been prepared pursuant to accounting principles generally accepted in the United States of America and should be read in conjunction with the consolidated financial statements and notes thereto of the Company's and the Operating Partnership's combined Annual Report on Form 10-K for the year ended December 31, 2012. The December 31, 2012 balance sheet data in this Form 10-Q was derived from audited financial statements. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. 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.

Investments in real estate joint ventures that we do not control are accounted for using the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss), cash contributions, distributions and other adjustments required under the equity method of accounting. These investments are evaluated for impairment when necessary. Control is determined using an evaluation based on accounting standards related to the consolidation of voting interest entities and variable interest entities. For joint ventures that are determined to be variable interest entities, we consolidate the entity where we are deemed to be the primary beneficiary.

Noncontrolling interests in the Operating Partnership relate to the interests owned by limited partners other than Tanger LP Trust. In August 2013, the Operating Partnership's operating agreement was amended to, among other things, effect a four-for-one split by issuing to its existing holders four units of partnership interest for every one unit outstanding. After the effect of the split, each unit of partnership interest held by limited partners not wholly owned by the Company may be exchanged for one common share of the Company. Prior to the split, each unit held by the limited partners not wholly owned by the Company was exchangeable for four common shares of the Company. All references to the number of units outstanding and per unit amounts reflect the effect of the split for all periods presented.

The noncontrolling interests in other consolidated partnerships consist of outside equity interests in partnerships not wholly owned by the Company or the Operating Partnership that are consolidated with the financial results of the Company and Operating Partnership because the Operating Partnership exercises control over the entities that own the properties.

Certain amounts related to reimbursements of payroll related expenses from unconsolidated joint ventures in the statement of operations for the three and nine months ended September 30, 2012 have been reclassified to the caption “expense reimbursements” from the caption “other income” to conform to the presentation of the consolidated statement of operations presented for the three months and nine months ended September 30, 2013.

In addition, we have corrected the classification of certain amounts related to above and below market lease contracts in the consolidated balance sheet of the Company and Operating Partnership as of December 31, 2012. The amounts were previously reported net within the deferred lease costs and other intangibles, net line item. Below market lease values, net of accumulated amortization, in the amount of $6.4 million have been reclassified into the other liabilities line item in the consolidated balance sheet as of December 31, 2012. These revisions were not considered material to the previously issued financial statements.

3. Acquisition of Rental Property

In August 2013, Deer Park completed a refinancing of its existing debt and then immediately restructured the ownership whereby we acquired an additional ownership interest in the property from one of the partners which gave us a controlling interest. With the acquisition of this additional interest, we have consolidated the property for financial reporting purposes since the acquisition date, and remeasured our previously held interest that was accounted for as an equity method investment.

Prior to the acquisition, Deer Park successfully negotiated new financing of the debt obligations for the previous mortgage and mezzanine loans totaling approximately $238.5 million, with a $150.0 million mortgage loan. The new five year mortgage loan bears interest at a 150 basis point spread over LIBOR. The previous mortgage and mezzanine loans were in default, and as part of the refinancing, all default interest associated with the loans was waived. Utilizing funding from our existing unsecured lines of credit, we loaned approximately $89.5 million at a rate of LIBOR plus 3.25% and due on August 30, 2020 to the Deer Park joint venture representing the remaining amount necessary to repay the previous mortgage and mezzanine loans. As a result of the refinancing, Deer Park recorded a gain on early extinguishment of debt of approximately $13.8 million. Our share of this gain and the income from the settlement of a lawsuit with a third party was approximately $7.8 million and has been included in equity in earnings (losses) of unconsolidated joint ventures in the consolidated statement of operations for the three and nine months ended September 30, 2013.

Subsequent to the debt extinguishment, we acquired an additional one-third interest in the Deer Park property from one of the partners, bringing our total ownership to a two-thirds interest, for total consideration of approximately $27.9 million, including $13.9 million in cash and 450,576 in common limited partnership units of Tanger Properties Limited Partnership, which are exchangeable for an equivalent number of the Company's common shares. This transaction was accounted for as a business combination resulting in the assets acquired and liabilities assumed being recorded at fair value as a result of the step acquisition. Prior to the acquisition, the joint venture was considered a variable interest entity and was accounted for under the equity method of accounting since we did not have the ability to direct the significant activities that affect the economic performance of the venture as a one-third owner. Upon acquiring an additional one-third interest, we determined, based on the acquisition agreement and other transaction documents which amended our rights with respect to the property and our obligations with respect to the additional one-third interest, that we control the property assets and direct the property’s significant activities and therefore, consolidate the property's assets and liabilities.

The following table illustrates the fair value of the total consideration transferred and the amounts of the identifiable assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash transferred	$13,939
Common limited partnership units issued	13,981
Fair value of total consideration transferred to acquire one-third interest	27,920
Fair value of our previously held one-third interest	27,920
Fair value of one-third interest owned by the remaining partner	27,920
Fair value of net assets acquired	$83,760

The aggregate purchase price of the property has been allocated as follows:

	Fair Value (in thousands)	Weighted-Average Amortization Period (in years)
Land	$82,413	
Buildings, improvements and fixtures	172,694	
Deferred lease costs and other intangibles		
Above market lease value	18,807	11.9
Below market lease value	(12,658)	18.5
Lease in place value	28,846	7.6
Tenant relationships	27,594	19.0
Lease and legal costs	1,724	8.9
Total deferred lease costs and other intangibles, net	64,313	
Other identifiable assets and liabilities assumed, net	2,265	
Debt	(237,925)	
Total fair value of net assets acquired	$83,760	

There was no contingent consideration associated with this acquisition. We incurred approximately $772,000 in third-party acquisition costs which were expensed as incurred. As a part of the acquisition accounting, we recorded a gain of $26.0 million which represented the difference between the carrying book value and the fair value of our previously held equity method investment in Deer Park.

Although we do not anticipate any changes in the fair value measurements of the acquisitions, the measurements may be subject to change within 12 months of the business combination date if new facts or circumstances are brought to our attention that were previously unknown but existed as of the business combination date.

Following the acquisition, we and the remaining one-third owner of the Deer Park property restructured certain aspects of our ownership of the property, whereby we receive substantially all of the economics generated by the property and would have substantial control over the property's financial activities. We and the remaining one-third owner of the Deer Park property entered into a triple net lease agreement with a different wholly-owned subsidiary of ours which operates the property as lessee. Under the new structure, we will serve as property manager and control the management, leasing, marketing and other operations of the property. We and the remaining one-third property owner will receive, in proportion to our respective ownership interests, fixed annual lease payments of approximately $2.5 million, plus an amount necessary to pay the interest expense on debt related to the property. In addition, we and the remaining property owner have entered into an agreement whereby they may require us to acquire their ownership interest in the property on the second anniversary of the acquisition date for a price of $28.4 million, and we have the option to acquire their ownership interest on the fourth anniversary of the acquisition date at the same price. Due to the other partner's ability to require us to purchase their interest, we have recorded an obligation to redeem their interest at the redemption price as a deferred financing obligation in the other liabilities section of the balance sheet.

The results of operations from the property are included in the consolidated statements of operations beginning on the acquisition date. The aggregate revenues and net loss from the property from the acquisition date through September 30, 2013, were $3.2 million and $337,000, respectively. The following unaudited condensed pro forma financial information for the three and nine months ended September 30, 2013 is presented as if the acquisition had been consummated as of January 1, 2012, the beginning of the previous reporting period (in thousands, except per share data):

	(Pro forma) Three months ended September 30,		(Pro forma) Nine months ended September 30,	
	2013	2012	2013	2012
Total Revenue	$104,326	$98,905	$300,931	$286,452
Income from continuing operations	29,417	15,041	61,700	60,333
Net income attributable to Tanger Factory Outlet Centers, Inc.	27,861	14,257	58,466	58,102
Basic earnings per common share	0.30	0.15	0.62	0.63
Diluted earnings per common share	0.29	0.15	0.61	0.62

4. Investments in Unconsolidated Real Estate Joint Ventures

Our investments in unconsolidated joint ventures as of September 30, 2013 and December 31, 2012 aggregated $136.9 million and $126.6 million, respectively. We have concluded based on the current facts and circumstances that the equity method of accounting should be used to account for each of the individual joint ventures below. At September 30, 2013 and December 31, 2012, we were members of the following unconsolidated real estate joint ventures:

As of September 30, 2013

Joint Venture	Center Location	Ownership %		Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Charlotte	Charlotte, NC	50.0	%	—	$5.9	$—
Galveston/Houston	Texas City, TX	50.0	%	347,930	7.7	65.0
National Harbor	Washington D.C. Metro Area	50.0	%	—	17.5	28.1
RioCan Canada	Various	50.0	%	434,162	86.7	18.8
Westgate	Glendale, AZ	58.0	%	331,739	16.4	43.0

Wisconsin Dells	Wisconsin Dells, WI	50.0	%	265,086	2.5	24.3
Other				—	0.2	—
					$136.9	$179.2

20

As of December 31, 2012

Joint Venture	Center Location	Ownership %		Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Deer Park	Deer Park, Long Island, NY	33.3	%	741,981	$3.0	$246.9
Deer Park Warehouse	Deer Park, Long Island, NY	33.3	%	29,253	—	1.9
Galveston/Houston	Texas City, TX	50.0	%	352,705	36.7	—
National Harbor	Washington D.C. Metro Area	50.0	%	—	2.6	—
RioCan Canada	Various	50.0	%	434,562	62.2	20.1
Westgate	Glendale, AZ	58.0	%	332,234	19.1	32.0
Wisconsin Dells	Wisconsin Dells, WI	50.0	%	265,086	2.8	24.3
Other				—	0.2	—
					$126.6	$325.2

These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss), cash contributions, distributions and other adjustments required by the equity method of accounting as described below.

The following management, development, leasing and marketing fees were recognized from services provided to our unconsolidated joint ventures (in thousands):

	Three months ended September 30,			Nine months ended September 30,	
	2013		2012	2013	2012
Fee:					
Development	$(6	)	$8	$57	$8
Loan Guarantee	40		16	121	16
Management and leasing	761		554	2,391	1,507
Marketing	93		61	301	161
Total Fees	$888		$639	$2,870	$1,692

Our investments in real estate joint ventures are reduced by the percentage of the profits earned for leasing and development services associated with our ownership interest in each joint venture. Our carrying value of investments in unconsolidated joint ventures differs from our share of the assets reported in the "Summary Balance Sheets - Unconsolidated Joint Ventures" shown below due to adjustments to the book basis, including intercompany profits on sales of services that are capitalized by the unconsolidated joint ventures. The differences in basis are amortized over the various useful lives of the related assets.

Charlotte, North Carolina

In May 2013, we formed a 50/50 joint venture for the development of an outlet center in the Charlotte, NC market. Subsequently, during the third quarter of 2013, the joint venture began construction on the outlet center which will be located eight miles southwest of uptown Charlotte at the interchange of I-485 and Steele Creek Road (NC Highway 160), the two major thoroughfares for the city. The approximately 400,000 square foot project will feature approximately 90 brand name and designer stores and is expected to open during the third quarter of 2014.

As of September 30, 2013, we and our partner had each contributed approximately $5.9 million in cash to the joint venture to fund development activities. We are providing development services to the project; and with our partner, are jointly providing leasing services. Our partner will provide property management and marketing services to the center once open.

Deer Park, Long Island, New York

As described in Note 3, we acquired an additional one-third ownership interest in Deer Park and have consolidated the property for financial reporting purposes since the acquisition date.

Deer Park Warehouse, Long Island, New York

In March 2013, in connection with a loan forbearance agreement signed in 2012 with the lender to the joint venture, the warehouse property was sold for approximately $1.2 million. The proceeds were used to satisfy the terms of the forbearance agreement. There was no impact to the net income of the joint venture as a result of this sale and the retirement of the associated mortgage debt.

Galveston/Houston, Texas

Tanger Outlets Texas City, which opened on October 19, 2012, was initially fully funded with equal equity contributions to the joint venture by us and our 50/50 joint venture partner. In July 2013, the joint venture closed on a mortgage loan with the ability to borrow up to $70.0 million with a rate of LIBOR + 1.50% and a maturity date of July 1, 2017, and with the option to extend the maturity for one additional year. The joint venture received total loan proceeds of $65.0 million and distributed the proceeds equally to the partners.

National Harbor, Washington, D.C. Metro Area

In May 2011, we announced the formation of a joint venture for the development of a Tanger Outlet Center at National Harbor in the Washington, D.C. Metro area. The planned Tanger Outlet Center is expected to open in time for the 2013 holiday shopping season with approximately 80 brand name and designer outlet stores in a center containing approximately 340,000 square feet. In November 2012, the joint venture broke ground and began development. Both parties have made equity contributions of $17.2 million to fund certain development costs. In May 2013, the joint venture closed on a construction loan with the ability to borrow up to $62.0 million and which carries an interest rate of LIBOR + 1.65%. As of September 30, 2013 the balance on the loan was $28.1 million. We provide property management, leasing and marketing services to the joint venture; and with our partner, are jointly providing site development and construction supervision services.

RioCan Canada

We have entered into a 50/50 co-ownership agreement with RioCan Real Estate Investment Trust ("RioCan Joint Venture") to develop and acquire outlet centers in Canada. Any projects developed or acquired 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.

In March of 2013 the RioCan Joint Venture acquired the land adjacent to the existing Cookstown Outlet Mall for $13.9 million. The land is being used for the joint venture's expansion of the Cookstown Outlet Mall which began in May 2013. The expansion, which is expected to open in the fourth quarter of 2014, will add approximately 153,000 square feet to the center and will add approximately 35 new brand name and designer outlet stores to the center.

Also, during the second quarter of 2013, the joint venture purchased land for $28.7 million and broke ground on Tanger Outlets Ottawa, the first ground up development of a Tanger Outlet Center in Canada. Located in suburban Kanata off the TransCanada Highway (Highway 417) at Palladium Drive, this center will contain approximately 303,000 square feet and will feature approximately 80 brand name and designer outlet stores. The center is currently expected to open in the fourth quarter of 2014.

Additionally, the RioCan Joint Venture partners have decided not to proceed with the proposed development at Mississauga’s Heartland Town Centre, west of Toronto, at the current time.

We evaluate our real estate joint ventures in accordance with the Consolidation guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC"). As a result of our qualitative assessment, we concluded that our Westgate joint venture is a Variable Interest Entity ("VIE") and all of our other joint ventures are not a VIE. Westgate is considered a VIE because the voting rights are disproportionate to the economic interests. Investments in real estate joint ventures in which we have a non-controlling ownership interest are accounted for using the equity method of accounting.

After making the determination that Westgate was a VIE, we performed an assessment to determine if we would be considered the primary beneficiary and thus be required to consolidate its balance sheet and results of operations. This assessment was based upon whether we had the following:

a. The power to direct the activities of the VIE that most significantly impact the entity's economic performance

b. The obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE

The operating, development, leasing, and management agreement of Westgate provides that the activities that most significantly impact the economic performance of the venture require unanimous consent. Accordingly, we determined that we do not have the power to direct the significant activities that affect the economic performance of the ventures and therefore, have applied the equity method of accounting for Westgate. Our equity method investment in Westgate as of September 30, 2013 was approximately $16.4 million. We are unable to estimate our maximum exposure to loss at this time because our guarantees are limited and based on the future operating performance of Westgate.

Condensed combined summary financial information of unconsolidated joint ventures accounted for using the equity method is as follows (in thousands):

Summary Balance Sheets - Unconsolidated Joint Ventures	September 30, 2013	December 31, 2012
Assets		
Land	$49,184	$96,455
Buildings, improvements and fixtures	256,652	493,424
Construction in progress, including land	138,615	16,338
	444,451	606,217
Accumulated depreciation	(25,561)	(62,547)
Total rental property, net	418,890	543,670
Assets held for sale [(1)]	—	1,828
Cash and cash equivalents	13,727	21,879
Deferred lease costs, net	20,012	24,411
Deferred debt origination costs, net	1,970	5,213
Prepaids and other assets	8,167	25,350
Total assets	$462,766	$622,351
Liabilities and Owners' Equity		
Mortgages payable	$179,212	$325,192
Construction trade payables	13,950	21,734
Accounts payable and other liabilities	6,253	31,944
Total liabilities	199,415	378,870
Owners' equity	263,351	243,481
Total liabilities and owners' equity	$462,766	$622,351

(1) Assets related to our Deer Park Warehouse joint venture that were sold in March 2013.

Summary Statements of Operations - Unconsolidated Joint Ventures	Three months ended September 30, 2013	2012	Nine months ended September 30, 2013	2012
Revenues (a)	$29,013	$11,985	$70,961	$35,249
Expenses				
Property operating	7,808	5,521	25,440	15,495
General and administrative	629	365	962	765
Acquisition costs	19	—	474	704
Abandoned development costs	19	—	153	1,390
Impairment Charge	—	—	—	420
Depreciation and amortization	6,232	4,283	21,200	13,191
Total expenses	14,707	10,169	48,229	31,965
Operating income	14,306	1,816	22,732	3,284
Gain on early extinguishment of debt	13,820	—	13,820	—
Interest expense	(2,840)	(3,540)	(10,406)	(10,967)
Net income (loss)	$25,286	$(1,724)	$26,146	$(7,683)
The Company and Operating Partnership's share of:				
Net income (loss)	$9,014	$(555)	$10,107	$(2,874)
Depreciation and impairment charge (real estate related)	$2,861	$1,641	$9,465	$5,249

a) Note that revenues for the three and nine months ended September 30, 2013 include approximately $9.5 million of other income from the settlement of a lawsuit at Deer Park prior to our acquisition of an additional one-third interest in and the consolidation of the property.

5. New Developments

Foxwoods, Connecticut

In September 2013, we broke ground at Foxwoods Resort Casino in Mashantucket, Connecticut on Tanger Outlets at Foxwoods. We own a two-thirds controlling interest in the joint venture, which will be consolidated for financial reporting purposes. The outlet center will feature approximately 80 brand name and designer tenants. The approximately 314,000 square foot project will be suspended above ground to join the casino floors of the two major hotels located within the resort, which attract millions of visitors each year. Due to the relative complexity of the project, the construction period is expected to exceed our typical development timeline and we currently expect the property to open in the second quarter of 2015.

6. Debt of the Company

All of the Company's debt is held by the Operating Partnership and its consolidated subsidiaries.

The Company guarantees the Operating Partnership's obligations with respect to its unsecured lines of credit which have a total borrowing capacity of $520.0 million. As of September 30, 2013 and December 31, 2012, the Operating Partnership had amounts outstanding on these lines totaling $259.0 million and $178.3 million, respectively.

The Company also guarantees the Operating Partnership's unsecured term loan in the amount of $250.0 million as well as its obligation with respect to the mortgage assumed in connection with the acquisition of the outlet center in Ocean City, Maryland in July 2011.

25

7. Debt of the Operating Partnership

The debt of the Operating Partnership consisted of the following (in thousands):

			As of September 30, 2013		As of December 31, 2012	
	Stated Interest Rate(s)	Maturity Date	Principal	Premium (Discount)	Principal	Premium (Discount)
Senior, unsecured notes:						
Senior notes	6.15 %	November 2015	$250,000	$(238)	$250,000	$(317)
Senior notes	6.125 %	June 2020	300,000	(1,515)	300,000	(1,650)
Mortgages payable:						
Atlantic City [(1)]	5.14%-7.65%	November 2021-December 2026	49,148	4,189	52,212	4,495
Deer Park [(2)]	LIBOR + 1.50%	August 2018	150,000	(1,583)	—	—
Hershey [(1)]	5.17%-8.00%	August 2015	30,139	1,141	30,631	1,581
Ocean City [(1)]	5.24 %	January 2016	18,283	216	18,540	285
Note payable [(1)]	1.50 %	June 2016	10,000	(435)	10,000	(546)
Unsecured term loan [(3)]	LIBOR + 1.60%	February 2019	250,000	—	250,000	—
Unsecured term note	LIBOR + 1.30%	August 2017	7,500	—	—	—
Unsecured lines of credit [(4)]	LIBOR + 1.10%	November 2015	259,000	—	178,306	—
			$1,324,070	$1,775	$1,089,689	$3,848

(1) The effective interest rates assigned during the purchase price allocation to these assumed mortgages and note payable during acquisitions in 2011 were as follows: Atlantic City 5.05%, Ocean City 4.68%, Hershey 3.40% and note payable 3.15%.

(2) On August 30, 2013, as part of the acquisition of a controlling interest in Deer Park, we assumed an interest-only mortgage loan that has a 5 year term and carries an interest rate of LIBOR + 1.50%. In October 2013, we entered into interest rate swap agreements that fix the base LIBOR rate at an average of 1.30%, creating a contractual interest rate of 2.80%.

(3) This unsecured term loan is pre-payable without penalty beginning in February of 2015.

(4) At September 30, 2013, we had the option to extend the lines for one additional year to November 10, 2016. These lines required a facility fee payment of 0.175% annually based on the total amount of the commitment. The credit spread and facility fee can vary depending on our investment grade rating. In October 2013, we amended the lines of credit which extended the maturity to October 2017 with the ability to extend for one additional year, reduced the interest rate spread over LIBOR to 1.00% and reduced the facility fee to 0.15%. Loan origination costs associated with the amendments totaled approximately $1.5 million.

The unsecured lines of credit and senior unsecured notes include covenants that 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% of funds from operations on a cumulative basis. As of September 30, 2013 we were in compliance with all of our debt covenants.

Debt Maturities

Maturities of the existing long-term debt as of September 30, 2013 are as follows (in thousands):

Calendar Year	Amount
2013	$871
2014	3,603
2015	541,344
2016	30,283
2017	10,508
Thereafter	737,461
Subtotal	1,324,070
Net premiums	1,775
Total	$1,325,845

8. Shareholders' Equity of the Company

Throughout the first nine months of 2013, limited partners of the Operating Partnership exchanged a total of 67,428 Operating Partnership units for an equal number of common shares of the Company. After the above described exchanges, the limited partners not wholly owned by the Company owned 5,145,012 Operating Partnership units which were exchangeable for an equal number of Company common shares.

9. Partners' Equity of the Operating Partnership

The ownership interests of the Operating Partnership as of September 30, 2013 and December 31, 2012, consisted of the following:

	September 30, 2013	December 31, 2012
Common units:		
General partner	1,000,000	1,000,000
Limited partners	98,623,797	97,823,248
Total common units	99,623,797	98,823,248

During the third quarter of 2013, the Operating Partnership's operating agreement was amended to, among other things, effect a four-for-one split by issuing to its existing holders four units of partnership interest for every one unit outstanding. After the effect of the split, each unit of partnership interest held by limited partners not wholly owned by the Company may be exchanged for one common share of the Company. Prior to the split, each unit held by the limited partners not wholly owned by the Company was exchangeable for four common shares of the Company. All references to the number of units outstanding and per unit amounts reflect the effect of the split for all periods presented.

Also, in August 2013 as disclosed in Note 3, the Operating Partnership issued 450,576 common limited partnership units, as partial consideration for the acquisition of an additional one-third interest in Deer Park.

10. Equity Based Compensation of the Company

We have a shareholder approved share-based compensation plan, the Amended and Restated Incentive Award Plan of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership (the "Plan"), which covers our independent directors, officers and our employees. When shares are issued by the Company, the Operating Partnership issues corresponding units to the Company, based on the current exchange ratio as provided by the Operating Partnership agreement. Therefore, when the Company grants an equity based award, the Operating Partnership treats each award as having been granted by the Operating Partnership.

During February 2013, the Company's Board of Directors approved grants of 349,373 restricted common shares to the Company's independent directors and the Company's senior executive officers. The grant date fair value of the awards ranged from $28.84 to $36.05 per share. The independent directors' restricted common shares vest ratably over a three year period and the senior executive officers' restricted shares vest ratably over a five year period. For the grants to certain senior executive officers, the grants have a provision that requires the senior officers to hold the shares for a minimum of three years following the vesting date. Compensation expense related to the amortization of the deferred compensation is being recognized in accordance with the vesting schedule of the restricted shares.

In February 2013, the Compensation Committee of the Company approved the general terms of the Tanger Factory Outlet Centers, Inc. 2013 Outperformance Plan (the “2013 OPP"). The 2013 OPP provides for the grant of performance shares under the Amended and Restated Incentive Award Plan of Tanger Factory Outlet Centers, Inc.

The 2013 OPP is a long-term incentive compensation plan pursuant to which award recipients may earn up to an aggregate of 315,150 restricted common shares of the Company based on the Company’s absolute share price appreciation (or total shareholder return) and its share price appreciation relative to its peer group, over a three year measurement period from January 1, 2013 through December 31, 2015. The maximum number of shares will be earned under this plan if the Company both (a) achieves 35% or higher share price appreciation, inclusive of all dividends paid, over the three-year measurement period and (b) is in the 70th or greater percentile of its peer group for total shareholder return over the three-year measurement period. The maximum value of the awards that could be earned on December 31, 2015, if the Company achieves or exceeds the 35% share price appreciation and is in the 70th or greater percentile of its peer group for total shareholder return over the three-year measurement period, will equal approximately $13.25 million.

Any shares earned on December 31, 2015 are also subject to a time based vesting schedule, with 50% of the shares vesting on January 4, 2016 and the remaining 50% vesting on January 3, 2017, contingent upon continued employment with the Company through the vesting dates.

With respect to 70% of the performance shares (or 220,605 shares), 33.33% of this portion of the award (or 73,535 shares) will be earned if the Company’s aggregate share price appreciation, inclusive of all dividends paid during this period, equals 25% over the three-year measurement period, 66.67% of the award (or 147,070 shares) will be earned if the Company’s aggregate share price appreciation, inclusive of all dividends paid during this period equals 30%, and 100.00% of this portion of the award (or 220,605 shares) will be earned if the Company’s aggregate share price appreciation, inclusive of all dividends paid during this period, equals 35% or higher.

With respect to 30% of the performance shares (or 94,545 shares), 33.33% of this portion of the award (or 31,515 shares) will be earned if the Company's share price appreciation inclusive of all dividends paid is in the 50th percentile of its peer group over the three-year measurement period, 66.67% of this portion of the award (or 63,030 shares) will be earned if the Company's share price appreciation inclusive of all dividends paid is in the 60th percentile of its peer group during this period, and 100.00% of this portion of the award (or 94,545 shares) will be earned if the Company's share price appreciation inclusive of all dividends paid is in the 70th percentile of its peer group or greater during this period. The peer group will be based on the SNL Equity REIT index.

The performance shares will convert on a pro-rata basis by linear interpolation between share price appreciation thresholds, both for absolute share price appreciation and for relative share price appreciation amongst the Company's peer group. The share price targets will be reduced on a dollar-for-dollar basis with respect to any dividend payments made during the measurement period. The compensation expense is amortized using the graded vesting attribution method over the requisite service period. The fair value of the awards are calculated using a Monte Carlo simulation pricing model.

We recorded share-based compensation expense in general and administrative expenses in our consolidated statements of operations as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Restricted common shares [1]	$2,141	$1,886	$6,162	$6,600
Notional unit performance awards	778	495	2,069	1,475
Options	45	53	132	156
Total share-based compensation	$2,964	$2,434	$8,363	$8,231

(1) For the nine months ended September 30, 2012, includes approximately $1.3 million of compensation expense related to 45,000 common shares that vested immediately upon grant under the terms of the amended and restated Employment Agreement (the "Employment Agreement") for Steven B. Tanger, President and Chief Executive Officer of the Company.

The following table summarizes information related to unvested restricted common shares outstanding as of September 30, 2013:

Unvested Restricted Common Shares	Number of shares	Weighted-average grant date fair value
Unvested at December 31, 2012	1,047,993	$ 24.39
Granted	349,373	31.01
Vested	(291,400)	22.34
Forfeited	(12,000)	25.61
Unvested at September 30, 2013	1,093,966	$ 27.04

The total value of restricted common shares vested during the nine months ended September 30, 2013 and September 30, 2012 was $9.7 million and $8.0 million, respectively.

As of September 30, 2013, there was $30.7 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.1 years.

11. Earnings Per Share of the Company

The following table sets forth a reconciliation of the numerators and denominators in computing the Company's earnings per share (in thousands, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Numerator				
Net income attributable to Tanger Factory Outlet Centers, Inc.	$53,294	$15,327	$85,621	$35,172
Less allocation of earnings to participating securities	(609)	(209)	(932)	(576)
Net income available to common shareholders of Tanger Factory Outlet Centers, Inc.	$52,685	$15,118	$84,689	$34,596
Denominator				
Basic weighted average common shares	93,368	92,674	93,278	91,359
Effect of notional units	856	880	841	865
Effect of outstanding options and restricted common shares	76	93	91	78
Diluted weighted average common shares	94,300	93,647	94,210	92,302
Basic earnings per common share:				
Net income	$0.56	$0.16	$0.91	$0.38
Diluted earnings per common share:				
Net income	$0.56	$0.16	$0.90	$0.37

The notional units are considered contingently issuable common shares and are included in earnings per share if the effect is dilutive using the treasury stock method.

The computation of diluted earnings per share excludes options to purchase common shares when the exercise price is greater than the average market price of the common shares for the period. For the three months ended September 30, 2013 and 2012 no options were excluded from the computation. For the nine months ended September 30, 2013, 200 options were excluded from the computation and for the nine months ended September 30, 2012, 167,800 options were excluded from the computation. The assumed exchange of the partnership units held by the noncontrolling interest limited partners as of the beginning of the year, which would result in the elimination of earnings allocated to the noncontrolling interest in the Operating Partnership, would have no impact on earnings per share since the allocation of earnings to a partnership unit, as if exchanged, is equivalent to earnings allocated to a common share.

Certain of the Company's unvested restricted common share awards contain non-forfeitable rights to dividends or dividend equivalents. The impact of these unvested restricted common share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted common share awards based on dividends declared and the unvested restricted common shares' participation rights in undistributed earnings. Unvested restricted common shares that do not contain non-forfeitable rights to dividends or dividend equivalents, are included in the diluted earnings per share computation if the effect is dilutive, using the treasury stock method.

12. Earnings Per Unit of the Operating Partnership

The following table sets forth a reconciliation of the numerators and denominators in computing the Operating Partnership's earnings per unit (in thousands, except per unit amounts). Note that all per unit amounts reflect a four-for-one split of the Operating Partnership's units.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Numerator				
Net income attributable to partners of the Operating Partnership	$56,081	$16,163	$90,056	$37,487
Less allocation of earnings to participating securities	(609)	(209)	(933)	(576)
Net income available to common unitholders of the Operating Partnership	$55,472	$15,954	$89,123	$36,911
Denominator				
Basic weighted average common units	98,246	97,727	98,072	97,656
Effect of notional units	856	879	841	865
Effect of outstanding options and restricted common units	76	93	91	78
Diluted weighted average common units	99,178	98,699	99,004	98,599
Basic earnings per common unit:				
Net income	$0.56	$0.16	$0.91	$0.38
Diluted earnings per common unit:				
Net income	$0.56	$0.16	$0.90	$0.37

The notional units are considered contingently issuable common units and are included in earnings per unit if the effect is dilutive using the treasury stock method.

When the Company issues common shares upon exercise of options or issues restricted share awards, the Operating Partnership issues one corresponding unit to the Company for each Company common share issued.

The computation of diluted earnings per unit excludes options to purchase common units when the exercise price is greater than the average market price of the common units for the period. The market price of a common unit is considered to be equivalent to the market price of a Company common share. For the three months ended September 30, 2013 and 2012 no units were excluded from the computation. For the nine months ended September 30, 2013, 200 units were excluded from the computation and for the nine months ended September 30, 2012, 167,800 units, which would be issued upon the exercise of outstanding options, were excluded from the computation.

Certain of the Company's unvested restricted common share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of these unvested restricted share awards on earnings per unit has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on distributions declared and the unvested restricted shares awards' participation rights in undistributed earnings. Unvested restricted common shares that do not contain non-forfeitable rights to dividends or dividend equivalents, are included in the diluted earnings per unit compilation if the effect is dilutive, using the treasury stock method.

13. Accumulated Other Comprehensive Income of the Company

The following table presents changes in the balances of each component of accumulated comprehensive income for the nine months ended September 30, 2013 (in thousands):

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Beginning balance as of December 31, 2012	$(5)	$1,205	$1,200
Amortization of cash flow hedges	—	(263)	(263)
Unrealized gains/(losses) on foreign currency translation adjustments	119	—	119
Realized loss on foreign currency	123	—	123
Current period other comprehensive income (loss), net	242	(263)	(21)