TANGER FACTORY OUTLET CENTERS INC
Form 10-Q
August 09, 2011

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 June 30, 2011
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 August 2, 2011, there were 85,916,070 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 June 30, 2011 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, the Tanger GP Trust and the Tanger LP Trust. The Tanger GP Trust controls the Operating Partnership as its sole general partner. The Tanger LP Trust holds a limited partnership interest. Prior to June 1, 2011, The Tanger family, through its ownership of the Tanger Family Limited Partnership held the remaining units as a limited partner. On June 1, 2011, the Tanger Family Limited Partnership was dissolved, and the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the individual beneficial owners of the Tanger Family Limited Partnership. Each such individual beneficial owner is now an individual limited partner of the Operating Partnership (collectively the "Family Limited Partners").

As of June 30, 2011, the Company, through its ownership of the GP Trust and LP Trust, owned 20,329,018 units of the Operating Partnership and the Family Limited Partners collectively owned 3,033,305 units. Each unit held by the Family Limited Partners is exchangeable for four of the Company's common shares, subject to certain limitations to preserve the Company's REIT status. Prior to the Company's 2 for 1 splits of its common shares on January 24, 2011 and December 28, 2004, respectively, the exchange ratio was one for one.

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 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, the 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 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 contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required through its operations, by the Operating Partnership's incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholder's equity and partners' capital 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 the Family Limited Partners are accounted for as partners' capital 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;
- Shareholders' Equity of the Company and Partners' Equity of the Operating Partnership;
- Share-based compensation of the Company and equity-based compensation of the Operating Partnership;
- Other Comprehensive Income of the Company and Other Comprehensive Income of the Operating Partnership;
- Earnings Per Share and Earnings Per Unit and
- 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
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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)

	June 30, 2011	December 31, 2010
ASSETS:		
Rental property		
Land	$144,329	$141,577
Buildings, improvements and fixtures	1,560,920	1,411,404
Construction in progress	3,367	23,233
	1,708,616	1,576,214
Accumulated depreciation	(477,687)	(453,145)
Rental property, net	1,230,929	1,123,069
Cash and cash equivalents	18,438	5,758
Rental property held for sale	—	723
Investments in unconsolidated joint ventures	4,592	6,386
Deferred lease costs and other intangibles, net	51,573	29,317
Deferred debt origination costs, net	6,783	7,593
Prepaids and other assets	55,274	44,088
Total assets	$1,367,589	$1,216,934
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $2,386 and $2,594 respectively)	$554,644	$554,616
Senior, unsecured bridge loan	150,000	—
Unsecured lines of credit	182,000	160,000
Total debt	886,644	714,616
Construction trade payables	27,333	31,831
Accounts payable and accrued expenses	27,129	31,594
Other liabilities	16,170	16,998
Total liabilities	957,276	795,039
Commitments and contingencies		
Equity		
Tanger Factory Outlet Centers, Inc.		
Common shares, $.01 par value, 300,000,000 shares authorized, 81,316,070 and 80,996,068 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	813	810
Paid in capital	607,756	604,359
Accumluated distributions in excess of net income	(253,213)	(240,024)
Accumulated other comprehensive income	1,683	1,784
Equity attributable to Tanger Factory Outlet Centers, Inc.	357,039	366,929
Equity attributable to noncontrolling interests in Operating Partnership	53,274	54,966
Total equity	410,313	421,895
Total liabilities and equity	$1,367,589	$1,216,934

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

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

	Three month ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues				
Base rentals	$48,393	$43,968	$94,612	$87,465
Percentage rentals	1,137	1,048	2,528	2,353
Expense reimbursements	20,616	18,429	41,821	37,948
Other income	1,955	1,850	3,879	3,571
Total revenues	72,101	65,295	142,840	131,337
Expenses				
Property operating	23,765	21,758	47,873	44,107
General and administrative	7,185	5,963	13,952	11,429
Acquisition costs	974	—	1,541	—
Abandoned development costs	—	365	158	365
Impairment charges	—	—	—	735
Depreciation and amortization	17,858	17,109	35,823	43,583
Total expenses	49,782	45,195	99,347	100,219
Operating income	22,319	20,100	43,493	31,118
Interest expense	(10,713)	(7,951)	(21,038)	(15,899)
Loss on early extinguishment of debt	—	(563)	—	(563)
Loss on termination of derivatives	—	(6,142)	—	(6,142)
Income before equity in losses of unconsolidated joint ventures and discontinued operations	11,606	5,444	22,455	8,514
Equity in losses of unconsolidated joint ventures	(764)	(51)	(796)	(119)
Income from continuing operations	10,842	5,393	21,659	8,395
Discontinued operations	—	(1)	—	—
Net income	10,842	5,392	21,659	8,395
Noncontrolling interests	(1,420)	(524)	(2,839)	(734)
Net income attributable to Tanger Factory Outlet Centers, Inc.	$9,422	$4,868	$18,820	$7,661
Basic earnings per common share:				
Income from continuing operations	$0.11	$0.04	$0.23	$0.06
Net income	$0.11	$0.04	$0.23	$0.06
Diluted earnings per common share:				
Income from continuing operations	$0.11	$0.04	$0.23	$0.06
Net income	$0.11	$0.04	$0.23	$0.06
Dividends paid per common share	$0.2000	$0.1938	$0.3938	$0.3850

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)

	Six Months Ended June 30,	
	2011	2010
OPERATING ACTIVITIES		
Net income	$21,659	$8,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	35,823	43,670
Impairment charges (including discontinued operations)	—	735
Loss on termination of derivatives	—	6,142
Gain on sale of outparcels of land	—	(161)
Amortization of deferred financing costs	948	657
Loss on early extinguishment of debt	—	563
Equity in losses of unconsolidated joint ventures	796	119
Share-based compensation expense	3,618	2,682
Amortization of debt (premiums) and discount, net	45	(219)
Distributions of cumulative earnings from unconsolidated joint ventures	156	414
Net accretion of market rent rate adjustment	(357)	(381)
Straight-line base rent adjustment	(2,033)	(1,402)
Changes in other assets and liabilities:		
Other assets	4,295	2,250
Accounts payable and accrued expenses	(5,081)	(9,423)
Net cash provided by operating activities	59,869	54,041
INVESTING ACTIVITIES		
Additions to rental property	(30,031)	(26,692)
Acquisition of rental property	(134,000)	—
Termination payments related to derivatives	—	(6,142)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	444	536
Increases in escrow deposits	(13,089)	—
Net proceeds from the sale of real estate	724	602
Additions to deferred lease costs	(6,166)	(1,969)
Net cash used in investing activities	(182,118)	(33,665)
FINANCING ACTIVITIES		
Cash dividends paid	(32,009)	(33,962)
Distributions to noncontrolling interest in Operating Partnership	(4,776)	(4,671)
Proceeds from debt issuances	306,850	485,230
Repayments of debt	(135,030)	(465,000)
Additions to deferred financing costs	(149)	(2,486)
Proceeds from exercise of options	43	699
Net cash provided by (used in) financing activities	134,929	(20,190)
Net increase in cash and cash equivalents	12,680	186
Cash and cash equivalents, beginning of period	5,758	3,267
Cash and cash equivalents, end of period	$18,438	$3,453

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)

	June 30, 2011	December 31, 2010
ASSETS:		
Rental property		
Land	$144,329	$141,577
Buildings, improvements and fixtures	1,560,920	1,411,404
Construction in progress	3,367	23,233
	1,708,616	1,576,214
Accumulated depreciation	(477,687)	(453,145)
Rental property, net	1,230,929	1,123,069
Cash and cash equivalents	18,366	5,671
Rental property held for sale	—	723
Investments in unconsolidated joint ventures	4,592	6,386
Deferred lease costs and other intangibles, net	51,573	29,317
Deferred debt origination costs, net	6,783	7,593
Prepaids and other assets	54,942	43,717
Total assets	$1,367,185	$1,216,476
LIABILITIES AND PARTNERS' EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $2,386 and $2,594, respectively)	$554,644	$554,616
Senior, unsecured bridge loan	150,000	—
Unsecured lines of credit	182,000	160,000
Total debt	886,644	714,616
Construction trade payables	27,333	31,831
Accounts payable and accrued expenses	26,725	31,136
Other liabilities	16,170	16,998
Total liabilities	956,872	794,581
Commitments and contingencies		
Partners' Equity		
General partner	5,070	5,221
Limited partners	403,612	414,926
Accumulated other comprehensive income	1,631	1,748
Total partners' equity	410,313	421,895
Total liabilities and partners' equity	$1,367,185	$1,216,476

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, June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues				
Base rentals	$48,393	$43,968	$94,612	$87,465
Percentage rentals	1,137	1,048	2,528	2,353
Expense reimbursements	20,616	18,429	41,821	37,948
Other income	1,955	1,850	3,879	3,571
Total revenues	72,101	65,295	142,840	131,337
Expenses				
Property operating	23,765	21,758	47,873	44,107
General and administrative	7,185	5,963	13,952	11,429
Acquisition costs	974	—	1,541	—
Abandoned development costs	—	365	158	365
Impairment charges	—	—	—	735
Depreciation and amortization	17,858	17,109	35,823	43,583
Total expenses	49,782	45,195	99,347	100,219
Operating income	22,319	20,100	43,493	31,118
Interest expense	(10,713)	(7,951)	(21,038)	(15,899)
Loss on early extinguishment of debt	—	(563)	—	(563)
Loss on termination of derivatives	—	(6,142)	—	(6,142)
Income before equity in losses of unconsolidated joint ventures and discontinued operations	11,606	5,444	22,455	8,514
Equity in losses of unconsolidated joint ventures	(764)	(51)	(796)	(119)
Income from continuing operations	10,842	5,393	21,659	8,395
Discontinued operations	—	(1)	—	—
Net income	10,842	5,392	21,659	8,395
Net income available to limited partners	10,731	5,351	21,437	8,338
Net income available to general partner	$111	$41	$222	$57
Basic earnings per common unit:				
Income from continuing operations	$0.46	$0.17	$0.92	$0.23
Net income	$0.46	$0.17	$0.92	$0.23
Diluted earnings per common unit:				
Income from continuing operations	$0.46	$0.17	$0.91	$0.23
Net income	$0.46	$0.17	$0.91	$0.23
Distribution paid per common unit	$0.800	$0.775	$1.575	$1.540

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)

	Six Months Ended June 30,	
	2011	2010
OPERATING ACTIVITIES		
Net income	$21,659	$8,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	35,823	43,670
Impairment charge (including discontinued operations)	—	735
Loss on termination of derivatives	—	6,142
Loss on early extinguishment of debt	—	563
Gain on sale of outparcels of land	—	(161)
Amortization of deferred financing costs	948	657
Equity in losses of unconsolidated joint ventures	796	119
Equity-based compensation expense	3,618	2,682
Amortization of debt premiums and discount, net	45	(219)
Distributions of cumulative earnings from unconsolidated joint ventures	156	414
Net accretion of market rent rate adjustment	(357)	(381)
Straight-line base rent adjustment	(2,033)	(1,402)
Changes in other assets and liabilities:		
Other assets	4,256	2,319
Accounts payable and accrued expenses	(5,027)	(9,445)
Net cash provided by operating activities	59,884	54,088
INVESTING ACTIVITIES		
Additions to rental property	(30,031)	(26,692)
Acquisition of rental property	(134,000)	—
Termination payments related to derivatives	—	(6,142)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	444	536
Increase in escrow deposits	(13,089)	—
Net proceeds from the sale of real estate	724	602
Additions to deferred lease costs	(6,166)	(1,969)
Net cash used in investing activities	(182,118)	(33,665)
FINANCING ACTIVITIES		
Cash distributions paid	(36,785)	(38,633)
Proceeds from debt issuances	306,850	485,230
Repayments of debt	(135,030)	(465,000)
Additions to deferred financing costs	(149)	(2,486)
Proceeds from exercise of options	43	699
Net cash provided by (used in) financing activities	134,929	(20,190)
Net increase in cash and cash equivalents	12,695	233
Cash and cash equivalents, beginning of period	5,671	3,214
Cash and cash equivalents, end of period	$18,366	$3,447

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, or REIT, which, through our controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. As of June 30, 2011, we owned and operated 33 outlet centers, with a total gross leasable area of approximately 9.8 million square feet. We also operated and had partial ownership interests in 2 outlet centers totaling approximately 949,000 square feet.

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, the Tanger GP Trust and the Tanger LP Trust. The Tanger GP Trust controls the Operating Partnership as its sole general partner. The Tanger LP Trust holds a limited partnership interest. Through May 31, 2011, the Tanger family, through its ownership of the Tanger Family Limited Partnership held the remaining units as a limited partner. On June 1, 2011, the Tanger Family Limited Partnership was dissolved, and the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the individual beneficial owners of the Tanger Family Limited Partnership. Each such individual beneficial owner is now an individual limited partner of the Operating Partnership (collectively the "Family Limited Partners").

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 separate Annual Reports on Form 10-K for the year ended December 31, 2010. The December 31, 2010 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.

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, the primary beneficiary consolidates the entity.

Certain amounts in the consolidated balances sheet as of December 31, 2010 have been reclassified to conform with the presentations made as of June 30, 2011 related to deferred lease and intangible costs, net and deferred debt origination costs, net. These reclassifications had no impact on previously reported total assets.

3. Development of Rental Properties

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 June 30, 2011, the 177,000 square foot center was 96% occupied. In addition, the property features four pad sites, three of which are currently leased.

Commitments to complete construction of our redevelopment and other capital expenditure requirements amounted to approximately $4.1 million at June 30, 2011. Commitments for construction represent only those costs contractually required to be paid by us.

Interest costs capitalized during the three months ended June 30, 2011 and 2010 amounted to $8,000 and $313,000, respectively, and for the six months ended June 30, 2011 and 2010 amounted to $238,000 and $513,000, respectively.

4. Acquisition of Rental Property

On June 28, 2011, we purchased Prime Outlets at Jeffersonville, Ohio, a 410,000 square foot outlet center, from Ohio Factory Stores Partnership, a subsidiary of Simon Property Group, for a cash price of $134.0 million. The acquisition was funded by amounts available under our senior, unsecured bridge loan.

The following table summarizes the allocation of the purchase price to the identifiable assets acquired and liabilities assumed as of June 28, 2011, the date of acquisition and the weighted average amortization period by major intangible asset class:

	Value (in thousands)	Weighted-Average Amortization Period (in years)
Land	$2,752	
Buildings, improvements and fixtures	109,843	
Deferred lease costs and other intangibles		
Above/below market lease value, net	1,958	7.2
Lease in place value	8,224	3.7
Tenant relationships	10,029	7.8
Lease and legal costs	1,194	4.9
Total deferred lease costs and other intangibles	21,405	
Net assets acquired	$134,000	

There was no contingent consideration associated with this acquisition. We incurred approximately $563,000 in third-party acquisition related costs for the Jeffersonville acquisition which were expensed as incurred. The revenues and earnings from Jeffersonville from the acquisition date through to June 30, 2011, as well as the pro forma operating results for periods prior to the acquisition date, are not provided because the acquisition was not material to our results of operations.

5. Investments in Unconsolidated Real Estate Joint Ventures

Our investments in unconsolidated joint ventures as of June 30, 2011 and December 31, 2010 aggregated $4.6 million and $6.4 million, respectively. We have evaluated the accounting treatment for each of the joint ventures and have concluded based on the current facts and circumstances that the equity method of accounting should be used to account for the individual joint ventures. At June 30, 2011, we were members of the following unconsolidated real estate joint ventures:

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	$0.1	$269.3
Wisconsin Dells	Wisconsin Dells, Wisconsin	50.0 %	265,061	$4.3	$24.3
Other			—	$0.2	$—

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

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 discussed below.

The following management, leasing and marketing fees were recognized from services provided to Wisconsin Dells and Deer Park for the three and six months ended June 30, 2011 and 2010, respectively (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Fee:				
Management and leasing	$469	$471	$973	$935
Marketing	44	39	88	80
Total Fees	$513	$510	$1,061	$1,015

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. Our investments in real estate joint ventures are reduced by 50% of the profits earned for leasing services provided to Wisconsin Dells and by 33.3% of the profits earned for leasing services provided to Deer Park. The differences in basis are amortized over the various useful lives of the related assets.

Deer Park

On May 17, 2011, construction mortgage and mezzanine loans to the joint ventures in the aggregate principal amount of $269.3 million matured. As the joint venture did not qualify for the one-year extension options under the loans, Deer Park was given notices of default on behalf of the various lenders, who have also demanded default interest which is being accrued at a weighted average default interest rate of 9.2% on the outstanding loan balances based on current interest rates. Deer Park is currently in negotiations with the administrative agent bank of the lender group to negotiate new financing terms for the property.

We and our two joint venture partners have each, jointly and severally, guaranteed the payment of interest (but not principal) on the loans. The operations from Deer Park, together with cash on hand in the joint venture, have been sufficient in the past to pay interest on the loans, although the historical operations would not have generated sufficient cash flow to pay fully the monthly interest at the additional default interest rate subsequent to maturity or if the then applicable floating interest rates on the loans were significantly higher. We and our joint venture partners have each, jointly and severally, guaranteed completion of the construction of Deer Park.
We currently estimate that there is approximately $11.0 million of additional construction and tenant improvements required at Deer Park. The cash and cash equivalents balance at Deer Park as of June 30, 2011 was $11.6 million. The total amount of interest accrued at Deer Park as of June 30, 2011 was $4.2 million.
If the joint venture is unable to successfully extend or refinance the loans, each joint venture partner may be required to make a material capital contribution to pay for the remaining construction costs and/or shortfalls in interest payments to the extent that the joint venture is unable to pay them.

Galveston/Houston

On June 30, 2011, we announced the formation of a 50/50 joint venture agreement with Simon Property Group, Inc. for the development, construction, leasing and management of a Tanger Outlet Center south of Houston in Texas City, Texas. When completed, the center will feature over 90 brand name and designer outlet stores in the first phase which will contain approximately 350,000 square feet, with room for expansion for a total build out of approximately 470,000 square feet.

National Harbor

On May 23, 2011, we announced the formation of a 50/50 joint venture agreement with The Peterson Companies for the development, management, construction, leasing and management of Tanger Outlets at National Harbor. When completed, the 350,000 square foot Tanger Outlets at National Harbor will feature 80 brand name and designer outlet stores.

Investment and Variable Interest Entity Evaluations
On a periodic basis, we assess whether there are any indicators that the value of our investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investments, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair value for each joint venture investment are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates and operating costs of the property. As these factors are difficult to predict and are subject to future events that may alter our assumptions, the values estimated by us in our impairment analysis may not be realized.
As previously discussed in this note, Deer Park was given notices of default related to the joint venture's loans. Deer Park is currently in negotiations with the administrative agent bank of the lender group to negotiate new financing terms for the property. As of June 30, 2011, we do not believe that our $108,000 equity investment is impaired because we believe that ultimately a resolution will be reached between the lender group and Deer Park.

In accordance with amended guidance related to the consolidation of variable interest entities which became effective January 1, 2010, we performed an analysis of all of our real estate joint ventures to determine whether they would qualify as variable interest entities ("VIE"), and whether the joint venture should be consolidated or accounted for as an equity method investment in an unconsolidated joint venture. As a result of our qualitative assessment, we concluded that Deer Park is a VIE and Wisconsin Dells is not a VIE. Deer Park is considered a VIE because it does not meet the criteria of the members having a sufficient equity investment at risk.

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

a. The power to direct the activities of the variable interest entity 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 variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity

Based on the provisions of the operating and management agreements of Deer Park, we determined that no one member alone has the power to direct the significant activities that affect the economic performance of Deer Park.

We have determined that all three partners share power in the decisions that most significantly impact Deer Park, as well as the financial rights and obligations, and therefore we are not required to consolidate Deer Park. Our equity method investment in Deer Park as of June 30, 2011 was approximately $108,000. 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 Deer Park. Our maximum exposure consists of the following components: our investment, our completion guarantee which is currently estimated to be up to $11.0 million and our other operating performance guarantees.

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

Summary Balance Sheets - Unconsolidated Joint Ventures	As of June 30, 2011	As of December 31, 2010
Assets		
Investment properties at cost, net	$284,076	$283,902
Cash and cash equivalents	15,682	13,838
Deferred lease costs, net	2,877	2,563
Deferred debt origination costs, net	970	1,427
Prepaids and other assets	8,555	6,291
Total assets	$312,160	$308,021
Liabilities and Owners' Equity		
Mortgages payable	$293,534	$294,034
Construction trade payables	6,034	341
Accounts payable and other liabilities	6,937	4,810
Total liabilities	306,505	299,185
Owners' equity	5,655	8,836
Total liabilities and owners' equity	$312,160	$308,021

Summary Statements of Operations - Unconsolidated Joint Ventures	Three Months Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
Revenues	$9,752	$9,261	$19,314	$18,535
Expenses				
Property operating	4,473	4,200	8,574	8,410
General and administrative	(131)	72	56	359
Depreciation and amortization	3,627	3,546	7,238	7,043
Total expenses	7,969	7,818	15,868	15,812
Operating income	1,783	1,443	3,446	2,723
Interest expense	4,126	1,717	5,929	3,391
Net loss	$(2,343)	$(274)	$(2,483)	$(668)
The Company and Operating Partnership's share of:				
Net loss	$(764)	$(51)	$(796)	$(119)
Depreciation (real estate related)	$1,336	$1,280	$2,642	$2,545

6. Discontinued Operations

In May 2010, the Company's Board of Directors approved the plan for our management to sell our Commerce I, Georgia center. The majority of the center was sold in July 2010 for net proceeds of approximately $1.4 million. The remaining portion of the center, classified as held for sale in the consolidated balance sheet as of December 31, 2010, was sold in January 2011 for net proceeds of approximately $724,000. During the third quarter of 2010, we recorded an impairment of approximately $111,000 to lower the basis on the remaining portion of the center to its approximate fair value which was based on the actual sales contracts related to the remaining portion of the center.

Summary of results of operations for the property whose results of operations are considered discontinued operations for the three and six months ended June 30, 2011 and 2010, respectively (in thousands):

	Three Months Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
Total revenues	$—	$175	$—	$352
Total expenses	—	176	—	352
Discontinued operations	$—	$(1)	$—	$—

7. Debt of the Company

All of the Company's debt is held directly by the Operating Partnership.

The Company guarantees the Operating Partnership's obligations with respect to its unsecured lines of credit which have a total borrowing capacity of $400.0 million. As of June 30, 2011 and December 31, 2010, the Operating Partnership had $182.0 million and $160.0 million, respectively, outstanding in total on these lines.

The Company also guarantees the Operating Partnership's obligation with respect to the $150.0 million senior, unsecured bridge loan which closed on June 27, 2011.

In addition, the Company also guarantees the Operating Partnership's obligations with respect to its $7.0 million of outstanding senior exchangeable notes due in 2026. The Operating Partnership exercised its option to redeem all of the senior exchangeable notes outstanding by issuing a redemption notice on July 18, 2011 for all outstanding notes on August 18, 2011, the five year anniversary of the issuance of the notes. Noteholders have until August 16, 2011 to exercise their exchange rights and may exchange their notes for cash in an amount equal to the lesser of the exchange value and the aggregate principal amount of the notes to be exchanged, and, at our option, Company common shares, cash or a combination thereof for any excess.

8. Debt of the Operating Partnership

As of June 30, 2011 and December 31, 2010, the debt of the Operating Partnership consisted of the following (in thousands):

	June 30, 2011	December 31, 2010
Senior, unsecured notes:		
6.15% Senior notes, maturing November 2015, net of discount of $464 and $510, respectively	$249,536	$249,490
3.75% Senior exchangeable notes, maturing August 2026, net of discount of $20 and $103, respectively	7,010	7,107
6.125% Senior notes, maturing June 2020, net of discount of $1,902 and $1,981, respectively	298,098	298,019
Senior, unsecured bridge loan, 1.79% (1)	150,000	—
Unsecured lines of credit with a weighted average interest rates of 2.14% and 2.16%, respectively (2)	182,000	160,000
	$886,644	$714,616

(1) Our senior, unsecured bridge loan bears interest at a rate of LIBOR + 1.60% and has an initial maturity date of September 26, 2011. At our discretion we may extend the maturity to June 22, 2012 by exercising each of the three ninety-day extension options.

(2) Our unsecured lines of credit as of June 30, 2011 bear interest at a rate of LIBOR + 1.90% and expire in November 2013. These lines require a facility fee payment of 0.40% annually based on the total amount of the commitment. The credit spread and facility fee can vary depending on our investment grade rating.

Debt Maturities

Maturities of the existing long-term debt as of June 30, 2011 are as follows (in thousands):

Year	Amount
2011 (1)	$157,030
2012	—
2013	182,000
2014	—
2015	250,000
Thereafter	300,000
Subtotal	889,030
Discounts	(2,386)
Total	$886,644

(1) On July 18, 2011, we issued a redemption notice for the remaining 7.0 million outstanding 3.75% senior exchangeable notes. These notes, with an original maturity of August 2026, will be redeemable on August 18, 2011. Holders of the notes will have until August 16, 2011 to exercise their exchange rights.

9. Shareholders' Equity of the Company

The Company's Board of Directors declared a 2 for 1 split of the Company's common shares on January 13, 2011, effective in the form of a share dividend, payable on January 24, 2011. The Company retained the current par value of $0.01 per share on all common shares. All references to the number of shares outstanding, per share amounts and share options data of the Company's common shares have been restated to reflect the effect of the split for all periods presented. Shareholders' equity as of December 31, 2010 reflects the split by reclassifying from additional paid in capital to common shares an amount equal to the par value of the additional shares arising from the split. While the number of Operating Partnership units did not change as a result of the split, each Operating Partnership unit owned by the Family Limited Partners is now exchangeable for four of the Company's common shares. Prior to the 2011 split, the exchange ratio was one unit for two common shares.

Changes in Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to common shareholders and equity attributable to noncontrolling interests:

	Common shares	Paid in capital	Distributions in excess of earnings	Accumulated other comprehensive income	Total shareholders' equity	Noncontrolling interest in Operating Partnership	Total equity
December 31, 2010	$810	$604,359	$(240,024)	$1,784	$366,929	$54,966	$421,895
Comprehensive income:							
Net income	—	—	18,820	—	18,820	2,839	21,659
Other comprehensive income (loss)	—	—	—	(101)	(101)	(16)	(117)
Total comprehensive income	—	—	18,820	(101)	18,719	2,823	21,542
Compensation under Incentive Award Plan	—	3,618	—	—	3,618	—	3,618
Grant of 312,400 restricted shares, net of forfeitures	3	(3)	—	—	—	—	—
Issuance of 4,500 common shares upon exercise of options	—	43	—	—	43	—	43
Issuance of 2,232 common shares upon exchange of senior, exchangeable notes	—	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	(261)	—	—	(261)	261	—
Common dividends ($.3938 per share)	—	—	(32,009)	—	(32,009)	—	(32,009)
Distributions to noncontrolling interests in Operating Partnership	—	—	—	—	—	(4,776)	(4,776)
June 30, 2011	$813	$607,756	$(253,213)	$1,683	$357,039	$53,274	$410,313

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10. Partners' Equity of the Operating Partnership

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 every four common shares issued. At June 30, 2011 and December 31, 2010, the ownership interests of the Operating Partnership consisted of the following:

	June 30, 2011	December 31, 2010
Common units:		
General partner	237,000	237,000
Limited partners	23,125,323	23,045,322
Total common units	23,362,323	23,282,322

11. Other Comprehensive Income of the Company

Total comprehensive income for the three and six months months ended June 30, 2011 and 2010 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$10,842	$5,392	21,659	$8,395
Other comprehensive income:				
Reclassification adjustment for amortization of gain on 2005 settlement of US treasury rate lock included in net income	(82)	(78)	(163)	(154)
Reclassification adjustment for settlement of interest rate swap agreements	—	6,142	—	6,142
Change in fair value of cash flow hedges	—	2,053	—	2,905
Change in fair value of our portion of our unconsolidated joint ventures' cash flow hedges	—	3	46	(36)
Other comprehensive income (loss)	(82)	8,120	(117)	8,857
Total comprehensive income	10,760	13,512	21,542	17,252
Comprehensive income attributable to the noncontrolling interests	(1,409)	(1,591)	(2,823)	(1,898)
Total comprehensive income attributable to the Company	$9,351	$11,921	18,719	$15,354

12. Other Comprehensive Income of the Operating Partnership

Total comprehensive income for the three and six months ended June 30, 2011 and 2010 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$10,842	$5,392	$21,659	$8,395
Other comprehensive income:				
Reclassification adjustment for amortization of gain on 2005 settlement of US treasury rate lock included in net income	(82)	(78)	(163)	(154)
Reclassification adjustment for settlement of interest rate swap agreements	—	6,142	—	6,142
Change in fair value of cash flow hedges	—	2,053	—	2,905
Change in fair value of our portion of our unconsolidated joint ventures' cash flow hedges	—	3	46	(36)
Other comprehensive income (loss)	(82)	8,120	(117)	8,857
Total comprehensive income	$10,760	$13,512	$21,542	$17,252

13. Share-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. During the first six months of 2011, the Company's Board of Directors approved grants of 324,000 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 $25.245 to $26.85 per share and was determined based upon the closing market price of our common shares on the day prior to the grant date in accordance with the terms of the Plan. 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. Compensation expense related to the amortization of the deferred compensation amount is being recognized in accordance with the vesting schedule of the restricted shares.

In February 2011, the Company's Board of Directors approved the grant of 191,500 stock options to non-executive employees of the Company. The exercise price of the options granted during the first quarter of 2011 is $26.06 which equaled the market price of the Company's common shares as of the close on the day prior to the grant date. The options expire ten years from the date of grant and 20% of the options become exercisable in each of the first five years commencing one year from the date of grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for the 2011 grant: expected dividend yield 3.0%; expected life of 7 years; expected volatility of 32.8%; a risk-free rate of 2.9%; and forfeiture rates of 3.0% to 20.0% dependent upon the employee's position within the Company.

We recorded share-based compensation expense in our statements of operations for the three and six months ended June 30, 2011 and 2010 as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Restricted shares	$1,266	$1,006	$2,533	$1,965
Notional unit performance awards	507	450	1,013	717
Options	47	—	72	—
Total share-based compensation	$1,820	$1,456	$3,618	$2,682

Options outstanding at June 30, 2011 had the following weighted average exercise prices and weighted average remaining contractual lives:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Options	Weighted-average exercise price	Weighted-average remaining contractual life in years	Options	Weighted-average exercise price
$9.6900	10,000	$ 9.69	2.83	10,000	$ 9.69
$9.7075	93,700	9.71	2.83	93,700	9.71
$11.8125	12,000	11.81	3.34	12,000	11.81
$26.0600	185,000	26.06	9.66	—	—
	300,700	$ 19.85	7.05	115,700	$ 9.92

A summary of option activity under our Amended and Restated Incentive Award Plan as of June 30, 2011 and changes during the year then ended is presented below (aggregate intrinsic value amount in thousands):

Options	Shares	Weighted-average exercise price	Weighted-average remaining contractual life in years	Aggregate intrinsic value
Outstanding as of December 31, 2010	120,200	$ 9.92		
Granted	191,500	26.06		
Exercised	(4,500)	9.71		
Forfeited	(6,500)	26.06		
Outstanding as of June 30, 2011	300,700	$ 19.85	7.05	$1,945
Vested and Expected to Vest as of June 30, 2011	259,905	$ 18.88	6.64	$1,934
Exercisable as of June 30, 2011	115,700	$ 9.92	2.88	$1,897

The total intrinsic value of options exercised during the three months and six months ended June 30, 2011 was $78,000.

The following table summarizes information related to unvested restricted shares outstanding as of June 30, 2011:

Unvested Restricted Shares	Number of shares	Weighted-average grant date fair value
Unvested at December 31, 2010	717,760	$ 17.95
Granted	324,000	25.44
Vested	(207,600)	17.87
Forfeited	(11,600)	17.78
Unvested at June 30, 2011	822,560	$ 20.92

The total value of restricted shares vested during the six months ended June 30, 2011 was $5.5 million.

As of June 30, 2011, there was $23.4 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expect to be recognized over a weighted-average period of 3.6 years.

14. Equity-Based Compensation of the Operating Partnership

As discussed in Note 13, the Operating Partnership and the Company have a joint plan whereby equity based and performance based awards may be granted to directors, officers and 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. Based on the current exchange ratio, each unit in the Operating Partnership is equivalent to four common shares of the Company. Therefore, when the Company grants an equity based award, the Operating Partnership treats each award as having been granted by the Operating Partnership.

The tables below set forth the unit based compensation expense and other related information as recognized in the Operating Partnership's consolidated financial statements.

We recorded equity-based compensation expense in our statements of operations as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Restricted units	$1,266	$1,006	$2,533	$1,965
Notional unit performance awards	507	450	1,013	717
Options	47	—	72	—
Total equity-based compensation	$1,820	$1,456	$3,618	$2,682

Options outstanding at June 30, 2011 had the following weighted average exercise prices and weighted average remaining contractual lives:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Options	Weighted-average exercise price	Weighted-average remaining contractual life in years	Options	Weighted-average exercise price
$38.76	2,500	$ 38.76	2.83	2,500	$ 38.76
$38.83	23,425	38.83	2.83	23,425	38.83
$47.25	3,000	47.25	3.34	3,000	47.25
$104.24	46,250	104.24	9.66	—	—
	75,175	$ 79.41	7.05	28,925	$ 19.85

A summary of option activity under our Amended and Restated Incentive Award Plan as of June 30, 2011 and changes during the year then ended is presented below (aggregate intrinsic value amount in thousands):

Options	Units	Weighted-average exercise price	Weighted-average remaining contractual life in years	Aggregate intrinsic value
Outstanding as of December 31, 2010	30,050	$ 39.66		
Granted	47,875	104.24		
Exercised	(1,125)	38.83		
Forfeited	(1,625)	104.24		
Outstanding as of June 30, 2011	75,175	$ 79.41	7.05	$1,945
Vested and Expected to Vest as of June 30, 2011	64,976	$ 75.51	6.64	$1,934
Exercisable as of June 30, 2011	28,925	$ 39.7	2.88	$1,897

The total intrinsic value of options exercised during the three and six months ended June 30, 2011 was $78,000.

The following table summarizes information related to unvested restricted units outstanding as of June 30, 2011:

Unvested Restricted Units	Number of units	Weighted-average grant date fair value
Unvested at December 31, 2010	179,440	$ 71.81
Granted	81,000	101.74
Vested	(51,900)	71.47
Forfeited	(5,800)	35.57
Unvested at June 30, 2011	202,740	$ 83.69

The total value of restricted units vested during the six months ended June 30, 2011 was $5.5 million.

As of June 30, 2011, there was $23.4 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expect to be recognized over a weighted-average period of 3.6 years.

15. 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 for the three and six months ended June 30, 2011 and 2010, respectively (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Numerator				
Income from continuing operations attributable to the Company	$9,422	$4,869	$18,820	$7,661
Less applicable preferred share dividends	—	(1,407)	—	(2,813)
Less allocation of earnings to participating securities	(165)	(143)	(357)	(312)
Income from continuing operations available to common shareholders of the Company	9,257	3,319	18,463	4,536
Discontinued operations attributable to the Company	—	(1)	—	—
Net income available to common shareholders of the Company	$9,257	$3,318	$18,463	$4,536
Denominator				
Basic weighted average common shares	80,483	80,206	80,418	80,133
Effect of notional units	416	—	416	—
Effect of senior exchangeable notes	131	51	131	51
Effect of outstanding options	74	86	74	98
Diluted weighted average common shares	81,104	80,343	81,039	80,282
Basic earnings per common share:				
Income from continuing operations	$0.11	$0.04	$0.23	$0.06
Discontinued operations	—	—	—	—
Net income	$0.11	$0.04	$0.23	$0.06
Diluted earnings per common share:				
Income from continuing operations	$0.11	$0.04	$0.23	$0.06
Discontinued operations	—	—	—	—
Net income	$0.11	$0.04	$0.23	$0.06

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 senior, exchangeable notes are included in the diluted earnings per share computation, if the effect is dilutive, using the treasury stock method. In applying the treasury stock method, the effect will be dilutive if the average market price of our common shares for at least 20 trading days in the 30 consecutive trading days at the end of each quarter is higher than the exchange price of $17.83 per share.

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 and six months ended June 30, 2011, respectively, 185,000 options were excluded from the computation. No options were excluded from the computation for the three and six months ended June 30, 2010. The assumed exchange of the partnership units held by the noncontrolling interest limited partner 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.

The Company's unvested restricted share awards contain non-forfeitable rights to dividends or dividend equivalents. The impact of the unvested restricted share awards on earnings per share has been calculated using the two-class method whereby earnings are allocated to the unvested restricted share awards based on dividends declared and the unvested restricted shares' participation rights in undistributed earnings.

16. 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 for the three and six months ended June 30, 2011 and 2011, respectively (in thousands, except per unit amounts):

	Three Months Ended June 30,		Six Months Ending June 30,	
	2011	2010	2011	2010
Numerator				
Income from continuing operations	$10,842	$5,393	$21,659	$8,395
Less applicable preferred unit distributions	—	(1,407)	—	(2,813)
Less allocation of earnings to participating securities	(165)	(143)	(357)	(312)
Income from continuing operations available to common unitholders of the Operating Partnership	10,677	3,843	21,302	5,270
Discontinued operations	—	(1)	—	—
Net income available to common unitholders of the Operating Partnership	$10,677	$3,842	$21,302	$5,270
Denominator				
Basic weighted average common units	23,154	23,085	23,138	23,067
Effect of notional units	104	—	104	—
Effect of senior exchangeable notes	32	13	32	13
Effect of outstanding options	19	21	19	24
Diluted weighted average common units	23,309	23,119	23,293	23,104
Basic earnings per common unit:				
Income from continuing operations	$0.46	$0.17	$0.92	$0.23
Discontinued operations	—	—	—	—
Net income	$0.46	$0.17	$0.92	$0.23
Diluted earnings per common unit:				
Income from continuing operations	$0.46	$0.17	$0.91	$0.23
Discontinued operations	—	—	—	—
Net income	$0.46	$0.17	$0.91	$0.23

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 every four common shares issued. The senior, exchangeable notes are included in the diluted earnings per unit computation, if the effect is dilutive, using the treasury stock method. In applying the treasury stock method, the effect will be dilutive if the average market price of the Company's common shares for at least 20 trading days in the 30 consecutive trading days at the end of each quarter is higher than the exchange price of $17.83 per common share.

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 four times the market price of a Company common share. For the three and six months ended June 30, 2011, 46,250 options were excluded from the computation. No options were excluded from the computation for the three and six months ended June 30, 2010.

The Company's unvested restricted share awards contain non-forfeitable rights to distributions or distribution equivalents. The impact of the unvested restricted unit awards on earnings per unit has been calculated using the two-class method whereby earnings are allocated to the unvested restricted unit awards based on distributions declared and the unvested restricted units' participation rights in undistributed earnings.

17. Fair Value Measurements

Fair value guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

Tier	Description
Level 1	Defined as observable inputs such as quoted prices in active markets
Level 2	Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable
Level 3	Defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

We had no assets or liabilities measured at fair value on either a recurring or non-recurring basis as of June 30, 2011 or December 31, 2010, respectively.

The estimated fair value of our debt, consisting of senior unsecured notes, a senior, unsecured bridge loan, senior exchangeable notes and unsecured lines of credit, at June 30, 2011 and December 31, 2010, respectively, was $956.2 million and $770.1 million, respectively, and its recorded value was $886.6 million and $714.6 million, respectively. Fair values were determined, based on level 2 inputs, using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements.

18. Related Party Transactions

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 was the noncontrolling interest in the Company's consolidated financial statements through May 31, 2011. The sole trustee of the Stanley K. Tanger Marital Trust, and thus effectively the general partner of Tanger Family Limited Partnership, was 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 was considered a related party. However, Mr. Vernon had 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 $326,000 and $278,000 for the three months ended June 30, 2011 and 2010 and $743,000 and $740,000 for the six months ended June 30, 2011 and 2010, respectively. Effective June 1, 2011, upon dissolution of the Tanger Family Limited Partnership, Mr. Vernon was no longer considered a related party.

Prior to its dissolution on June 1, 2011, Tanger Family Limited Partnership received quarterly distributions of earnings which were $2.4 million and $2.4 million for the three months ended June 30, 2011 and 2010 and $4.8 million and $4.7 million for the six months ended June 30, 2011 and 2010 respectively.

On June 1, 2011, the Tanger Family Limited Partnership was dissolved in connection with the settling of the estate of the Company's founder, Stanley Tanger. Upon dissolution of the Tanger Family Limited Partnership, the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the Family Limited Partners, who are primarily the descendants of Stanley Tanger (including Steven Tanger, the Company's Chief Executive Officer), their spouses or former spouses or their children and/or trusts for their benefit. Each such individual beneficial owner is now an individual limited partner of the Operating Partnership, and each has 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.

On June 14, 2011, pursuant to an existing registration rights agreement, Steven Tanger, the Company's Chief Executive Officer, made a written request of the Company to effect a registration under the Securities Act of 1933, as amended, of the Company's common shares equivalent in number to his holdings of Operating Partnership units as if exchanged in the ratio described above. This request required the Company to give notice of the pending registration to the other Family Limited Partners. Once given notice, all of the other Family Limited Partners notified the Company that they wanted common shares registered in an amount equal to their holdings of the Operating Partnership's units on an as-exchanged basis. Per the registration rights agreement, the Company must use its best efforts to register by August 12, 2011, the 12,133,220 Company common shares that are receivable upon the exchange of the Operating Partnership's units by the Family Limited Partners.

The Company anticipates that some of the Family Limited Partners 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, the Company's Chief Executive Officer, Steven Tanger, who beneficially owns 1,136,185 Operating Partnership units, which would total 4,544,740 Company common shares on an as-exchanged basis, has not indicated any present intention to exchange the Operating Partnership units that he received upon the dissolution of the Tanger Family Limited Partnership.

19. Non-Cash Activities

We purchase capital equipment and incur costs relating to construction of facilities, including tenant finishing allowances. Expenditures included in construction trade payables as of June 30, 2011 and 2010 amounted to $27.3 million and $30.8 million, respectively.

20. Subsequent Events

Common share offering

On July 6, 2011, the Company completed a public offering of 4.6 million common shares at a price of $25.662 per share. Jefferies & Company, Inc. served as the sole underwriter for the Offering. The net proceeds to the Company from the offering, after deducting estimated offering expenses, were approximately $117.3 million. Net proceeds from the offering were contributed to the Operating Partnership in exchange for 13,000 general partnership common units and 1,137,000 limited partnership common units. The Operating Partnership used the net proceeds from the offering to repay borrowings under its unsecured lines of credit and for general operating purposes.

Acquisitions in Atlantic City, New Jersey and Ocean City, Maryland

On July 15, 2011, we announced closing on our admission as a member into three existing entities that results in our acquiring substantially all of the economic interests from Cordish AC-1 Associates, LLC, Cordish AC-2 Associates, LLC and OCF Holdings LLC in Phase I & II of Atlantic City Outlets The Walk (Atlantic City, New Jersey) and Ocean City Factory Outlets (Ocean City, Maryland). We are also under contract to purchase substantially all of the economic interests in Phase III of Atlantic City Outlets The Walk, which it currently expects to close by the end of 2011 (collectively with Phase I & II of Atlantic City Outlets The Walk and Ocean City Factory Outlets, the "Properties").

We currently estimate that the combined acquisition price of the Properties will be approximately $199.3 million, which consists of approximately $125.8 million in cash and the assumption of approximately $73.5 million of indebtedness, the cash portion of which is subject to adjustment with respect to Phase III of Atlantic City Outlets The Walk depending on the leased status of that property.

Atlantic City Outlets The Walk is comprised of approximately 491,000 square feet, built in a series of three phases, and is located across from The Boardwalk at the intersections of Atlantic, Baltic, Michigan and Arkansas Avenues. There are approximately 100 outlet stores in Atlantic City Outlets The Walk, many of whom are current tenants at Tanger Outlet Centers across the United States.

Ocean City Factory Outlets is comprised of approximately 200,000 square feet with approximately 40 outlet stores.

The cash purchase price for Phase I and II of Atlantic City Outlets The Walk and Ocean City Outlets was funded by amounts available under our unsecured lines of credit. There can be no assurance that we will ultimately close on Phase III of Atlantic City Outlets The Walk.

Redemption of Senior Exchangeable Notes

The Operating Partnership exercised its option to redeem all of the senior exchangeable notes outstanding by issuing a redemption notice on July 18, 2011 for all outstanding notes on August 18, 2011, the five year anniversary of the issuance of the notes. Noteholders have until August 16, 2011 to exercise their exchange rights and may exchange their notes for cash in an amount equal to the lesser of the exchange value and the aggregate principal amount of the notes to be exchanged, and, at our option, Company common shares, cash or a combination thereof for any excess.

Acquisition of Land in Galveston/Houston, Texas

On July 27, 2011, the joint venture with Simon Property Group, Inc. to develop a Tanger outlet center south of Houston and in Texas City, Texas acquired the land underlying the site for approximately $5.6 million. Ground breaking ceremonies are scheduled for August 30, 2011.

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 and six months ended June 30, 2011 with the three and six months ended June 30, 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 June 30, 2011.

General Overview

At June 30, 2011, our consolidated portfolio included 33 wholly owned outlet centers in 22 states totaling 9.8 million square feet compared to 31 wholly owned outlet centers in 21 states totaling 9.1 million square feet at June 30, 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 June 30, 2010	31	9,056	21
Center acquisition:			
Jeffersonville, Ohio	1	410	1
Center redevelopment:			
Hilton Head I, South Carolina	1	177	—
New center development:			
Mebane, North Carolina	1	319	—
Center disposition:			
Commerce I, Georgia	(1)	(186)	—
As of June 30, 2011	33	9,776	22

The following table summarizes certain information for our existing outlet centers in which we have an ownership interest as of June 30, 2011. Except as noted, all properties are fee owned.

Location	Square	%
Wholly Owned Properties	Feet	Occupied
Riverhead, New York [1]	729,475	100
Rehoboth Beach, Delaware [1]	568,900	98
Foley, Alabama	557,228	98
San Marcos, Texas	441,929	97
Myrtle Beach Hwy 501, South Carolina	424,247	99
Sevierville, Tennessee [1]	419,038	100
Jeffersonville, Ohio	410,016	99
Myrtle Beach Hwy 17, South Carolina [1]	403,161	97
Washington, Pennsylvania	372,972	99
Commerce II, Georgia	370,512	99
Charleston, South Carolina	352,315	93
Howell, Michigan	324,632	98
Mebane, North Carolina	318,910	100
Branson, Missouri	302,922	98
Park City, Utah	298,379	100
Locust Grove, Georgia	295,268	99
Westbrook, Connecticut	291,051	98
Gonzales, Louisiana	282,403	99
Williamsburg, Iowa	277,230	97
Lincoln City, Oregon	270,212	98
Lancaster, Pennsylvania	254,002	100
Tuscola, Illinois	250,439	87
Tilton, New Hampshire	245,698	100
Hilton Head II, South Carolina	206,586	98
Fort Myers, Florida	198,950	85
Terrell, Texas	177,800	94
Hilton Head I, South Carolina	177,199	96
Barstow, California	171,300	100
West Branch, Michigan	112,120	100
Blowing Rock, North Carolina	104,154	100
Nags Head, North Carolina	82,178	100
Kittery I, Maine	59,694	93
Kittery II, Maine	24,619	100
Totals	9,775,539	98 [2]
Unconsolidated Joint Ventures		
Deer Park, New York [3]	684,366	88
Wisconsin Dells, Wisconsin	265,069	99

(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.

Leasing Activity

The following table provides information for our wholly-owned centers regarding space released or renewed during the six months ended June 30, 2011 and 2010, respectively:

	2011					
	# of Leases	Square Feet	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) [1]
Re-tenant	132	469,000	$28.26	$34.86	8.33	$24.08
Renewal	241	1,192,000	$20.23	$1.70	4.89	$19.88

	2010					
	# of Leases	Square Feet	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) [1]
Re-tenant	86	323,000	$23.08	$25.84	7.12	$19.45
Renewal	208	899,000	$19.47	$0.07	4.44	$19.45

(1) Net average straight-line rentals is calculated by dividing the average tenant allowance costs per square foot by the average initial term and subtracting this calculated number from the average straight-line rent per year amount.

RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2011 to the three months ended June 30, 2010

NET INCOME

Net income increased $5.4 million in the 2011 period to $10.8 million as compared to $5.4 million for the 2010 period. The increase in net income was a result of $6.8 million increased operating revenue offset by $4.6 million of increased operating expenses, $2.7 million higher interest costs, and $0.7 million higher losses on unconsolidated joint ventures. In addition, $6.7 million of losses on debt extinguishment and termination of derivatives were recorded during the 2010 period compared to none for the same period of 2011.

BASE RENTALS

Base rentals increased $4.4 million, or 10%, 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	$45,587	$43,543	$2,044
Incremental base rentals from new developments	2,458	43	2,415
Incremental base rentals from acquisition	101	—	101
Termination fees	45	167	(122)
Amortization of net above and below market rent adjustments	202	215	(13)
	$48,393	$43,968	$4,425

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 .

During the first quarter of 2011, we completed the redevelopment of our 177,000 square foot center in Hilton Head I, South Carolina.

On June 28, 2011, we purchased Prime Outlets at Jeffersonville, a 410,000 square foot outlet center, from Ohio Factory Stores Partnership, a subsidiary of Simon Property Group.

At June 30, 2011, the net asset representing the amount of unrecognized combined above and below market lease values totaled approximately $838,000. 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 $89,000, or 8%, 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 June 30, 2011 increased 4.6% to $361 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 $2.2 million, or 12%, 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	$19,843	$18,320	$1,523
Incremental expense reimbursements from new developments	754	43	711
Termination fees allocated to expense reimbursements	19	66	(47)
	$20,616	$18,429	$2,187

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 $105,000, or 6%, 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	$1,871	$1,835	$36
Incremental other income from new developments	84	15	69
	$1,955	$1,850	$105

PROPERTY OPERATING EXPENSES

Property operating expenses increased $2.0 million, or 9%, 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	$22,679	$20,968	$1,711
Incremental property operating expenses from new developments	1,086	149	937
Demolition costs related to the redevelopment of Hilton Head I, SC center	—	641	(641)
	$23,765	$21,758	$2,007

Property operating expenses incurred at existing properties during the 2011 period increased due primarily to increased advertising costs, 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 and Hilton Head I, SC centers. Property operating expenses in the 2010 period included approximately $641,000 of demolition costs, a non- reimbursable expense, relating to the Hilton Head I, SC center.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased $1.2 million, or 20%, 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 July 1, 2010, including an executive vice president of operations.

ACQUISITION COSTS

During the 2011 period, we incurred costs related to the acquisitions of Jeffersonville, OH, Phase I & II of Atlantic City Outlets The Walk and Ocean City Factory Outlets, as well as due diligence costs related to other potential acquisitions. We are in the midst of completing our due diligence work and/or are subject to regulatory or lender approval on the remaining potential acquisitions. As such, there can be no assurance that we will ultimately close on these transactions.

ABANDONED DEVELOPMENT COSTS

The 2010 period includes the write-off of costs incurred related to an abandoned project in Irving, Texas.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased $749,000, or 4%, 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	$16,769	$17,055	$(286)
Incremental depreciation and amortization from new developments	1,089	54	1,035
	$17,858	$17,109	$749

INTEREST EXPENSE

Interest expense increased approximately $2.8 million, or 35%, in the 2011 period compared to the 2010 period. The primary reason for the increase in interest expense is the increase in the average amount of debt outstanding from approximately $595.0 million for the 2010 period to approximately $803.8 million for the 2011 period. The higher debt levels outstanding were a result of the funding necessary for the development projects in Mebane, NC and Hilton Head I, SC, the repurchase of 3.0 million preferred shares in December 2010 and other general operating purposes.

LOSS ON EARLY EXTINGUISHMENT OF DEBT

The 2010 period includes the write-off of approximately $563,000 of unamortized loan origination costs. These assets were written-off due to the repayment of the $235.0 million term loan facility in the 2010 period with a portion of the proceeds from the $300.0 million unsecured bond offering in June 2010.

LOSS ON TERMINATION OF DERIVATIVES

During the second quarter of 2010, we terminated two interest rate swap agreements with a total notional amount of $235.0 million originally entered into in 2008 for the purpose of fixing the LIBOR based interest rate on the $235.0 million term loan facility originally completed in June 2008. We paid approximately $6.1 million to terminate the two interest rate swap agreements. The agreements were terminated because the underlying debt for the derivative transaction was repaid with a portion of the proceeds from the $300.0 million bond offering mentioned above.

Comparison of the six months ended June 30, 2011 to the six months ended June 30, 2010

NET INCOME

Net income increased $13.3 million in the 2011 period to $21.7 million as compared to $8.4 million for the 2010 period. The increase in net income was a result of $11.5 million increased operating revenue, a $7.8 million decrease in depreciation and amortization offset by $6.3 million of increased operating expenses, $5.1 million higher interest costs, $0.7 million higher losses on unconsolidated joint ventures and $0.6 million other. In addition, $6.7 million of losses on debt extinguishment and termination of derivatives were recorded during the 2010 period compared to none for the same period of 2011.

BASE RENTALS

Base rentals increased $7.1 million, or 8%, 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	$89,878	$85,987	$3,891
Incremental base rentals from new developments	4,065	301	3,764
Incremental base rentals from acquisition	101	—	101
Termination fees	211	788	(577)
Amortization of net above and below market rent adjustments	357	389	(32)
	$94,612	$87,465	$7,147

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 .

During the first quarter of 2011, we completed the redevelopment of our 177,000 square foot center in Hilton Head I, South Carolina.

On June 28, 20011, we purchased Prime Outlets at Jeffersonville, a 410,000 square foot outlet center, from Ohio Factory Stores Partnership, a subsidiary of Simon Property Group.

At June 30, 2011, the net asset representing the amount of unrecognized combined above and below market lease values totaled approximately $838,000. 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 $175,000, 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 June 30, 2011 increased 4.6% to $361 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 $3.9 million or 10%, 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	$40,085	$37,372	$2,713
Incremental expense reimbursements from new developments	1,623	175	1,448
Termination fees allocated to expense reimbursements	113	401	(288)
	$41,821	$37,948	$3,873

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 $308,000, or 9%, 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	$3,678	$3,382	$296
Incremental other income from new developments	201	28	173
Gain on sale of land outparcel	—	161	(161)
	$3,879	$3,571	$308

PROPERTY OPERATING EXPENSES

Property operating expenses increased $3.8 million, or 9%, 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	$45,709	$43,007	$2,702
Incremental property operating expenses from new developments	2,164	401	1,763
Demolition costs related to the redevelopment of Hilton Head I, SC center	—	699	(699)
	$47,873	$44,107	$3,766

Property operating expenses incurred at existing properties increased due primarily to higher snow removal costs due to severe winter weather, increased advertising costs, 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. Property operating expenses in the 2010 period included approximately $699,000 of demolition costs relating to the Hilton Head I, SC center.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased $2.5 million, or 22%, 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 July 1, 2010, including an executive vice president of operations.

ACQUISITION COSTS

During the 2011 period, we incurred costs related to the acquisitions of Jeffersonville, OH, Phase I & II of Atlantic City Outlets The Walk and Ocean City Factory Outlets, as well as due diligence costs related to other potential acquisitions. We are in the midst of completing our due diligence work and/or are subject to regulatory or lender approval on the remaining potential acquisitions. As such, there can be no assurance that we will ultimately close on 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. The 2010 period includes the write-off of costs incurred related to an abandoned project in Irving, Texas.

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 $7.8 million, or 18%, 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	$34,050	$34,282	$(232)
Incremental depreciation and amortization from Mebane, NC center new development	1,773	—	1,773
Accelerated depreciation and amortization related to the redevelopment of the Hilton Head I, SC center	—	9,301	(9,301)
	$35,823	$43,583	$(7,760)

As of June 30, 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.

INTEREST EXPENSE

Interest expense increased approximately $5.1 million, or 32%, in the 2011 period compared to the 2010 period. The primary reason for the increase in interest expense is the increase in the average amount of debt outstanding from approximately $594.9 million for the 2010 period to approximately $800.6 million for the 2011 period. The higher debt levels outstanding were a result of the funding necessary for the development projects in Mebane, NC and Hilton Head I, SC, the repurchase of 3.0 million preferred shares in December 2010 and other general operating purposes.

LOSS ON EARLY EXTINGUISHMENT OF DEBT

The 2010 period includes the write-off of approximately $563,000 of unamortized loan origination costs. These assets were written-off due to the repayment of the $235.0 million term loan facility in the 2010 period with a portion of the proceeds from the $300.0 million unsecured bond offering in June 2010.

LOSS ON TERMINATION OF DERIVATIVES

During the second quarter of 2010, we terminated two interest rate swap agreements with a total notional amount of $235.0 million originally entered into in 2008 for the purpose of fixing the LIBOR based interest rate on the $235.0 million term loan facility originally completed in June 2008. We paid approximately $6.1 million to terminate the two interest rate swap agreements. The agreements were terminated because the underlying debt for the derivative transaction was repaid with a portion of the proceeds from the $300.0 million bond offering mentioned above.

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 July 7, 2011, the Company's Board of Directors declared a $.20 cash dividend per common share payable on August 15, 2011 to each shareholder of record on July 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 six months ended June 30, 2011 and 2010, respectively (in thousands):

	2011	2010	Change
Net cash provided by operating activities	$59,884	$54,088	$5,796
Net cash used in investing activities	(182,118)	(33,665)	(148,453)
Net cash provided by (used in) financing activities	134,929	(20,190)	155,119
Net increase in cash and cash equivalents	$12,695	$233	$12,462

Cash and cash equivalents as of June 30, 2011 included proceeds from the funding of the senior, unsecured bridge loan on June 27, 2011 in excess of the funds utilized on June 28, 2011 for the purchase of the Jeffersonville, Ohio center. The excess funds were utilized during the first week of July to repay amounts outstanding under our unsecured lines of credit.

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 and Hilton Head I, SC centers to our portfolio subsequent to the 2010 period. 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 the acquisition of the Jeffersonville, Ohio outlet center and the completion of the Hilton Head I, SC redevelopment. In addition, the 2011 period includes increases in escrow deposits related to acquisitions which closed subsequent to June 30, 2011.

Financing Activities

Cash used in financing activities was higher in the 2011 period due to the capital necessary to purchase the Jeffersonville, OH center and complete the redevelopment of the Hilton Head I, SC mentioned above. These capital needs were funded by a $150.0 million senior, unsecured bridge loan which was funded in June 2011 and amounts available under our unsecured lines of credit.

Capital Expenditures

The following table details our capital expenditures for the six months ended June 30, 2011 and 2010, respectively (in thousands):

	Six Months Ended June 30,		
	2011	2010	Change
Capital expenditures analysis:			
New center developments	$1,466	$22,219	$(20,753)
Center redevelopment	9,338	4,696	4,642
Major center renovations	825	—	825
Second generation tenant allowances	8,422	10,796	(2,374)
Other capital expenditures	5,483	5,616	(133)
	25,534	43,327	(17,793)
Conversion from accrual to cash basis	4,497	(16,635)	21,132
Additions to rental property-cash basis	$30,031	$26,692	$3,339

- New center development expenditures, which includes first generation tenant allowances, decreased in the 2011 period due primarily to the completion of the Mebane, NC center which opened in November 2010.
- Center redevelopment increased in the 2011 period due to the on-going redevelopment of our Hilton Head I, SC center which began in April 2010 and re-opened in March 2011.
- Major center renovations increased in the 2011 period due to our on-going renovation at our Howell, Michigan center.

Current Developments and Acquisitions

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 June 30, 2011, the 177,000 square foot center was 96% occupied. In addition, the property features four pad sites, three of which are currently leased.

Commitments to complete portfolio-wide capital expenditure requirements amounted to approximately $4.1 million at June 30, 2011. Commitments for construction represent only those costs contractually required to be paid by us.

WHOLLY OWNED AND CONSOLIDATED ACQUISITIONS

Jeffersonville, Ohio

On June 28, 2011, we purchased Prime Outlets at Jeffersonville, Ohio from Ohio Factory Stores Partnership, a subsidiary of Simon Properties Group for $134.0 million. The acquisition was financed from amounts available under our $150.0 million senior, unsecured bridge loan. The center contains approximately 410,000 square foot outlet center and was approximately 99% occupied as of June 30, 2011.

Atlantic City, New Jersey and Ocean City, Maryland

On July 15, 2011, we announced closing on our admission as a member into three existing entities that results in it acquiring substantially all of the economic interests from Cordish AC-1 Associates, LLC, Cordish AC-2 Associates, LLC and OCF Holdings LLC in Phase I & II of Atlantic City Outlets The Walk (Atlantic City, New Jersey) and Ocean City Factory Outlets (Ocean City, Maryland). We are also under contract to purchase substantially all of the economic interests in Phase III of Atlantic City Outlets The Walk, which we currently expect to close by the end of 2011 (collectively with Phase I & II of Atlantic City Outlets The Walk and Ocean City Factory Outlets, the "Properties").

We currently estimate that the combined acquisition price of the Properties will be approximately $199.3 million, which consists of approximately $125.8 million in cash and the assumption of approximately $73.5 million of indebtedness, the cash portion of which is subject to adjustment with respect to Phase III of Atlantic City Outlets The Walk depending on the leased status of that property.

Atlantic City Outlets The Walk is comprised of approximately 491,000 square feet, built in a series of three phases, and is located across from The Boardwalk at the intersections of Atlantic, Baltic, Michigan and Arkansas Avenues. There are approximately 100 outlet stores in Atlantic City Outlets The Walk, many of whom are current tenants at Tanger Outlet Centers across the United States.

Ocean City Factory Outlets is comprised of approximately 200,000 square feet with approximately 40 outlet stores. The cash purchase price for Phase I and II of Atlantic City Outlets The Walk and Ocean City Outlets was funded by amounts available under our unsecured lines of credit. There can be no assurance that we will ultimately close on Phase III of Atlantic City Outlets The Walk.

Potential Acquisitions and Future Developments

We are currently negotiating the purchase of or have entered into agreements for other 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 lender approvals and 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 two potential new development sites located in 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. Subsequently, in July 2011, we finalized and executed the co-ownership documentation related to the joint venture. 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 12 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.

National Harbour Joint Venture

In June 2011, we announced the entrance into an agreement to form an exclusive joint venture with The Peterson Companies for the development, management and leasing of Tanger Outlets at National Harbor. National Harbor, the Washington, DC metro area's premier waterfront resort destination, includes fine restaurants, distinctive retail, office and residences, and a number of world-class hotels including the Gaylord National Resort and Convention Center. Developed by The Peterson Companies, National Harbor comprises 350 acres of prime real estate along the scenic Potomac River in Prince George's County, MD. It is anticipated that the joint venture will develop an approximately 40 acre parcel at National Harbor offering easy access to I-495, I-95, I-295 and the Woodrow Wilson Bridge. The resulting Tanger Outlet Center is expected to house approximately 80 outlet designer and name brand stores in a center measuring up to 350,000 square feet.

The joint venture will be co-owned by The Peterson Companies and us and will be branded as Tanger Outlets at National Harbor. We and The Peterson Companies will jointly provide site development and construction supervision services to the venture; Tanger Outlet Centers will provide management services, leasing and marketing to the joint venture. There can be no assurance that the current plans of the joint venture will be realized.

Galveston/Houston Joint Venture

On June 30, 2011, we announced the formation of a 50/50 joint venture agreement with Simon Property Group, Inc. for the development, construction, leasing and management of a Tanger Outlet Center south of Houston in Texas City, Texas. When completed, the center will feature over 90 brand name and designer outlet stores in the first phase which will contain approximately 350,000 square feet, with room for expansion for a total build out of approximately 470,000 square feet.

On July 27, 2011, the joint venture acquired the land underlying the site for approximately $5.6 million. Ground breaking ceremonies are scheduled for August 30, 2011.

Financing Arrangements

At June 30, 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	47	%
Total secured debt to adjusted total assets	<40	—	%
Total unencumbered assets to unsecured debt	>135	213	%

OFF-BALANCE SHEET ARRANGEMENTS

The following table details certain information as of June 30, 2011 about various unconsolidated real estate joint ventures with operating properties 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	$0.1	$269.3
Wisconsin Dells	Wisconsin Dells, Wisconsin	50.0 %	265,061	$4.3	$24.3

(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 June 30, 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%

(1) The Deer Park mortgages did not qualify for the associated one-year extension options which were exercisable in May 2011.

On May 17, 2011, construction mortgage and mezzanine loans to the joint ventures in the aggregate principal amount of $269.3 million matured. As the joint venture did not qualify for the one-year extension options under the loans, Deer Park was given notices of default on behalf of the various lenders, who have also demanded default interest which could be charged at a weighted average default interest rate of 9.2% on the outstanding loan balances based on current interest rates. Deer Park is currently in negotiations with the administrative agent bank of the lender group to negotiate new financing terms for the property.

The principal amount of the loans are generally non-recourse to the Company. The Company and its two joint venture partners have each, jointly and severally, guaranteed the payment of interest (but not principal) on the loans. The operations from Deer Park, together with cash on hand in the joint venture, have been sufficient in the past to pay interest on the loans, although the historical operations would not have generated sufficient cash flow to pay fully the monthly interest at the additional default interest rate subsequent to maturity or if the then applicable floating interest rates on the loans were significantly higher. The Company and its joint venture partners have each, jointly and severally, guaranteed completion of the construction of Deer Park.

The Company currently estimates that there is approximately $11.0 million of additional construction and tenant improvements required at Deer Park. The cash and cash equivalents balance at Deer Park as of June 30, 2011 was $11.6 million. The total amount of interest accrued at Deer Park as of June 30, 2011 was $4.2 million. In addition, we and our joint venture partners have agreed to guarantee against certain environmental and Americans with Disabilities Act ("ADA") liabilities, payment of property taxes and interest. The Company currently does not believe that there are any material liabilities under its environmental or property tax guarantees.

If the joint venture is unable to successfully extend or refinance the loans, each joint venture partner may be required to make a material capital contribution to pay for the remaining construction costs and/or shortfalls in interest payments to the extent that the joint venture is unable to pay them. In addition, any extension or refinancing of the loans may require additional capital and/or guarantees from the joint venture partners, each of whom may or may not be willing to make such capital contributions or guarantees.

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 and six months ended June 30, 2011 and 2010, respectively, we recognized the following fees (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Fee:				
Management and leasing	$469	$471	$973	$935
Marketing	44	39	88	80
Total Fees	$513	$510	$1,061	$1,015

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 was the noncontrolling interest in the Company's consolidated financial statements through May 31, 2011. The sole trustee of the Stanley K. Tanger Marital Trust, and thus effectively the general partner of Tanger Family Limited Partnership, was 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 was considered a related party. However, Mr. Vernon had 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 $326,000 and $278,000 for the three months ended June 30, 2011 and 2010 and $743,000 and $740,000 for the six months ended June 30, 2011 and 2010, respectively. Effective June 1, 2011, upon dissolution of the Tanger Family Limited Partnership, Mr. Vernon was no longer considered a related party.

Prior to its dissolution on June 1, 2011, Tanger Family Limited Partnership received quarterly distributions of earnings which were $2.4 million and $2.4 million for the three months ended June 30, 2011 and 2010 and $4.8 million and $4.7 million for the six months ended June 30, 2011 and 2010, respectively.

On June 1, 2011, Tanger Family Limited Partnership was dissolved in connection with the settling of the estate of the Company's founder, Stanley Tanger. Upon dissolution of the Tanger Family Limited Partnership, the units of the Operating Partnership owned by the Tanger Family Limited Partnership were distributed to the Family Limited Partners, who are primarily the descendants of Stanley Tanger (including Steven Tanger, the Company's Chief Executive Officer), their spouses or former spouses or their children and/or trusts for their benefit. Each such individual beneficial owner is now an individual limited partner of the Operating Partnership, and each has 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. On June 14, 2011, pursuant to an existing registration rights agreement, Steven Tanger, the Company's Chief Executive Officer, made a written request of the Company to effect a registration under the Securities Act of 1933, as amended, of the Company's common shares equivalent in number to his holdings of Operating Partnership units as if exchanged in the ratio described above. This request required the Company to give notice of the pending registration to the other Family Limited Partners. Once given notice, all of the other Family Limited Partners notified the Company that they wanted common shares registered in an amount equal to their holdings of the Operating Partnership's units on an as-exchanged basis. Per the registration rights agreement, the Company must use its best efforts to register by August 12, 2011, the 12,133,220 Company common shares that are receivable upon the exchange of the Operating Partnership's units by the Family Limited Partners.

The Company anticipates that some of the other Family Limited Partners 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, the Company's Chief Executive Officer, Steven Tanger, who beneficially owns 1,136,185 Operating Partnership units, which would total 4,544,740 Company common shares on an as-exchanged basis, has not indicated any present intention to exchange the Operating Partnership units that he received 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 and six months ended June 30, 2011 and 2010 as well as other data for those respective periods (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
FUNDS FROM OPERATIONS				
Net income	$10,842	$5,392	$21,659	$8,395
Adjusted for:				
Depreciation and amortization uniquely significant to real estate - discontinued operations	—	34	—	87
Depreciation and amortization uniquely significant to real estate - wholly-owned	17,686	16,984	35,493	43,343
Depreciation and amortization uniquely significant to real estate - unconsolidated joint ventures	1,336	1,280	2,642	2,545
Funds from operations (FFO)	29,864	23,690	59,794	54,370
Preferred share dividends	—	(1,407)	—	(2,813)
Allocation of FFO to participating securities	(264)	(177)	(572)	(442)
Funds from operations available to common shareholders and noncontrolling interest in Operating Partnership	$29,600	$22,106	$59,222	$51,115
Tanger Factory Outlet Centers, Inc.:				
Weighted average common shares outstanding [1] [2]	93,237	92,476	93,172	92,415
Funds from operations per share	$0.32	$0.24	$0.64	$0.55
Tanger Properties Limited Partnership:				
Weighted average Operating Partnership units outstanding [1]	23,309	23,119	23,293	23,104
Funds from operations per unit	$1.27	$0.96	$2.54	$2.21

(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 and six months ended June 30, 2011 and 2010 as well as other data for those respective periods (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
ADJUSTED FUNDS FROM OPERATIONS				
Funds from operations	29,864	23,690	$59,794	$54,370
Adjusted for non-core items:				
Acquisition costs	974	—	1,541	—
Abandoned development costs	—	365	158	365
Termination of derivatives	—	6,142	—	6,142
Impairment charges	—	—	—	735
Loss on early termination of debt	—	563	—	563
Gain on sale of outparcel	—	—	—	(161)
Demolition costs of Hilton Head I, South Carolina	—	641	—	699
Adjusted funds from operations (AFFO)	30,838	31,401	61,493	62,713
Preferred share dividends	—	(1,407)	—	(2,813)
Allocation of AFFO to participating securities	(272)	(237)	(588)	(511)
Adjusted funds from operations available to common shareholders and noncontrolling interest in Operating Partnership.	$30,566	$29,757	$60,905	$59,389
Tanger Factory Outlet Centers, Inc.				
Weighted average common shares outstanding [1] [2]	93,237	92,476	93,172	92,415
Adjusted funds from operations per share	$0.33	$0.32	$0.65	$0.64
Tanger Properties Limited Partnership:				
Weighted average Operating Partnership units outstanding [1]	23,309	23,119	23,293	23,104
Adjusted funds from operations per unit	$1.31	$1.29	$2.61	$2.57

(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.

Same Center Net Operating Income

We present Same Center Net Operating Income ("NOI") as a supplemental measure of our performance. We define NOI as total operating revenues less property operating expenses. Same Center NOI represents the NOI for the stabilized properties that were operational for the entire portion of both comparable reporting periods and which were not acquired, expanded, renovated or subject to a material, non-recurring event, such as a natural disaster, during the comparable reporting periods. We believe that NOI and Same Center NOI provide useful information to our investors and analysts about our financial and operating performance because it provides a performance measure of the revenues and expenses directly involved in owning and operating real estate assets and provides a perspective not immediately apparent from net income or FFO. Because Same Center NOI excludes the change in NOI from properties developed, redeveloped, acquired and disposed of, it highlights operating trends such as occupancy levels, rental rates and operating costs on properties that were operational for both comparable periods. Other REITs may use different methodologies for calculating Same Center NOI, and accordingly, our Same Center NOI may not be comparable to other REITs.

Same Center NOI should not be viewed as an alternative measure of the Company's financial performance since it does not reflect the operations of the Company's entire portfolio, nor does it reflect the impact of general and administrative expenses, acquisition-related expenses, interest expense, depreciation and amortization costs, other nonproperty income and losses, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties, or trends in development and construction activities which are significant economic costs and activities that could materially impact the Company's results from operations.

Below is a reconciliation of Income before equity in losses of unconsolidated joint ventures and discontinued operations to same center net operating income for the three and six months ended June 30, 2011 and 2010 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
SAME CENTER NET OPERATING INCOME				
Income before equity in losses of unconcolidated joint ventures and discontinued operations	$11,606	$5,444	$22,455	$8,514
Loss on termination of derivatives	—	6,142	—	6,142
Loss on early extinguishment of debt	—	563	—	563
Interest expense	10,713	7,951	21,038	15,899
Operating Income	22,319	20,100	43,493	31,118
Depreciation and amortization	17,858	17,109	35,823	43,583
Impairment charges	—	—	—	735
Abandoned development costs	—	365	158	365
Acquisition costs	974	—	1,541	—
General and administrative expenses	7,185	5,963	13,952	11,429
Property Net Operating Income	48,336	43,537	94,967	87,230
Less: non-cash adjustments and termination rents [1]	(1,470)	(1,090)	(2,643)	(2,307)
Property Net Operating Income - cash basis	46,866	42,447	92,324	84,923
Less: non-same center and other NOI	(3,094)	(287)	(5,435)	(2,102)
Total Same Center NOI - cash basis	$43,772	$42,160	$86,889	$82,821

(1) Non-cash items include straight-line rent, net above and below market rent amortization and gains or losses on outparcel sales.

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. As of January 1, 2011, we had approximately 1.7 million square feet, or 18%, of our then-owned, wholly-owned portfolio coming up for renewal. During the first six months of 2011, we renewed approximately 1.2 million square feet of this space at a 15% increase in the average base rental rate compared to the expiring rate. We also re-tenanted approximately 469,000 square feet at a 52% 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 8.3% of our square feet or 5.0% 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 June 30, 2011 and 2010, respectively, occupancy at our wholly-owned centers was 98% and 97%.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are exposed to various market risks, including changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We may periodically enter into certain interest rate protection and interest rate swap agreements to effectively convert floating rate debt to a fixed rate basis. We do not enter into derivatives or other financial instruments for trading or speculative purposes. As of June 30, 2011, we were not a party to any interest rate protection agreements.

As of June 30, 2011, approximately 37% of our outstanding debt had a variable interest rate and was therefore subject to market fluctuations. An increase in the LIBOR rate of 100 basis points would result in an increase of approximately $3.1 million in interest expense on an annual basis. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate effect upon our operating results of interest rate fluctuations will depend on the interest rate exposures that arise during the period, our hedging strategies at that time and future changes in the level of interest rates.

The estimated fair value of our debt, consisting of senior unsecured notes, a senior, unsecured bridge loan, senior exchangeable notes and unsecured lines of credit, at June 30, 2011 and December 31, 2010 was $956.2 million and $770.1 million, respectively, and its recorded value was $886.6 million and $714.6 million, respectively. A 1% increase from prevailing interest rates at June 30, 2011 and December 31, 2010 would result in a decrease in fair value of total debt of approximately $33.5 million and $35.4 million, respectively. Fair values were determined, based on level 2 inputs, using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements.

Item 4. Controls and Procedures

Tanger Factory Outlet Centers, Inc. Controls and Procedures

Based on the most recent evaluation, the Company's Chief Executive Officer and Chief Financial Officer, have concluded the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of June 30, 2011. There were no changes to the Company's internal controls over financial reporting during the quarter ended June 30, 2011, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Tanger Properties Limited Partnership Controls and Procedures

Based on the most recent evaluation, the Chief Executive Officer of the Operating Partnership's general partner, and the Vice-President, Treasurer and Assistant Secretary (Principal Financial and Accounting Officer) of the Operating Partnership's general partner, have concluded the Operating Partnership's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of June 30, 2011. There were no changes to the Operating Partnership's internal controls over financial reporting during the quarter ended June 30, 2011, that materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor the Operating Partnership is presently involved in any material litigation nor, to their knowledge, is any material litigation threatened against the Company or the Operating Partnership or its properties, other than routine litigation arising in the ordinary course of business and which is expected to be covered by liability insurance.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Reports on Form 10-K for the year ended December 31, 2010.

Item 6. Exhibits

3.1	Articles of Amendment to Amended and Restated Articles of Incorporation of Tanger Factory Outlet Centers, Inc.
10.1	Form of Share Option Between Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership and certain employees.
10.2	Bridge Term Loan Agreement dated June 27, 2011 between Tanger Properties Limited Partnership and Wells Fargo Bank, National Association, as administrative and syndication agent and Wells Fargo Securities, LLC, as bookrunner and lead arranger. (Incorporated by reference to the exhibits to the Company and Operating Partnership's Current Report on Form 8-K dated June 27, 2011.)
12.1	Company's Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.
12.2	Operating Partnership's Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Distributions.
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.
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32.4	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 for Tanger Properties Limited Partnership.
101	The following financial statements from Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership's dual Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Cash Flows (unaudited), and (iv) Notes to Consolidated Financial Statements (unaudited). (In accordance with Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended,

and otherwise is not subject to liability under these sections.)

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: August 9, 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

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