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TANGER FACTORY OUTLET CENTERS INC

Form 8-K/A

December 12, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

Current Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

December 12, 2003
Date of Report (Date of earliest event reported)

TANGER FACTORY OUTLET CENTERS, INC.
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of incorporation or organization)

1-11986 56-1815473
(Commission File No.) (I.R.S. Employer Identification No.)

3200 Northline Avenue, Greensboro, NC 27408
(Address of principal executive offices, including zip code)

(336) 292-3010 (Registrant's telephone number,
including area code)

Not Applicable
(Former name or former address, if changed since last report)

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TANGER FACTORY OUTLET CENTERS, INC.

CURRENT REPORT

ON

FORM 8-K/A

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

We are amending the pro forma information previously included under Item 7 (b) in our Current Report on Form 8-K, dated December 8, 2003 in order to reflect the actual offering price of our common share offering which priced on December 10, 2003.

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The unaudited pro forma financial information and exhibits filed herewith are as set forth below

	Page
(b) Pro Forma Financial Information	
(1) Unaudited Pro Forma Consolidating Statements of Operations for the nine months ended September 30, 2003 and for the year ended December 31, 2002	5 6
(2) Unaudited Pro Forma Consolidating Balance Sheets as of September 30, 2003	7
(3) Notes to Unaudited Pro Forma Consolidating Financial Statements	8
(4) Unaudited Pro Forma Funds from Operations	9

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TANGER FACTORY OUTLET CENTERS, INC. PRO FORMA CONSOLIDATING FINANCIAL STATEMENTS

The accompanying unaudited Pro Forma Consolidating Financial Statements have been derived from the historical statements of the Company and give effect to the proposed acquisition of the Charter Oak Properties, which is expected to close in December 2003. The unaudited Pro Forma Consolidating Statements of Operations for the nine months ended September 30, 2003 and the year ended December 31, 2002 assume the acquisition had occurred as of January 1, 2002. The unaudited Pro forma Consolidating Balance Sheet assumes the acquisition had occurred on September 30, 2003.

The Charter Oak Properties are being acquired by COROC for a purchase price of \$491.0 million, including the assumption of \$187.1 million of debt. We will be required to fund one-third of the net acquisition costs plus closing costs and certain other escrows and reserves, collectively estimated to be \$107.9 million. Blackstone will be required to contribute the remaining \$215.8 million. The Pro Forma Consolidating Financial Statements reflect our assumption that we will issue 2.3 million common shares with net proceeds of approximately \$88.0 million and borrow an additional \$19.9 million under our existing lines of credit to fund our investment. There can be no assurance that closing on the transaction will actually occur or that we will be able to issue the common shares to fund our transaction.

The accompanying unaudited Pro Forma Consolidating Financial Statements reflect a preliminary allocation of the purchase price under Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"). This allocation is subject to final adjustment following the acquisition. Included in the allocation is \$76.8 million allocated to lease related intangible assets. The ultimate allocation and estimated useful lives could change upon final valuation of these lease related intangibles. The Company expects to finalize

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the valuation following the consummation of the transaction. Changes in the allocation of the purchase price and/or estimated useful lives from those used in the Pro Forma Consolidating Financial Statements would result in an increase or decrease in pro forma net income and related pro forma earnings per share. Further, the Pro Forma Consolidating Financial Statements reflect the consolidation of the Charter Oak Properties as if it is a Variable Interest Entity and we are the Primary Beneficiary under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). Currently, there are proposed amendments to FIN 46 that may ultimately lead us to conclude that we should account for our investment in COROC under the equity method of accounting in accordance with Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock".

Certain amounts in the historical financial statements of the Company for the year ended December 31, 2002 have been reclassified to reflect the requirements of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). FAS 144 requires that results of operations and gains and losses from the sale of properties to be reclassified as discontinued operations for all periods presented.

The unaudited Pro Forma Consolidating Financial Statements have been prepared by the Company's management. These pro forma statements may not be indicative of the results that would have actually occurred if the acquisition had been in effect on the dates indicated, nor do they purport to represent the results of

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operations for future periods. The unaudited Pro Forma Consolidating Financial Statements should be read in conjunction with the unaudited Combined Statement of Revenues and Certain Operating Expenses of the Charter Oak Properties for the nine months ended September 30, 2003 and the audited Combined Statement of Revenues and Certain Operating Expenses of the Charter Oak Properties for the year ended December 31, 2002 (both of which are contained in the Company's Current Report on Form 8-K, dated December 8, 2003), the Company's unaudited financial statements and notes thereto as of September 30, 2003 and for the nine months then ended (which are contained in the Company's Form 10-Q for the period ended September 30, 2003), and the Company's audited financial statements and notes thereto as of December 31, 2002 and for the year then ended (which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002).

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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
 PRO FORMA CONSOLIDATING STATEMENTS OF OPERATIONS
 Nine Months Ended September 30, 2003
 (Unaudited)
 (In thousands, except per share data)

	The Company	Charter Oak	Pro Adju
	(a)	(b)	
REVENUES			
Base rentals	\$ 59,498	\$ 37,203	\$ (9

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Percentage rentals	1,743	1,085	
Expense reimbursements	25,305	13,551	
Other income	2,547	187	
Total revenues	89,093	52,026	(9)
EXPENSES			
Property operating	30,135	13,611	
General and administrative	7,375	487	
Interest	19,707	-	7,5
Depreciation and amortization	21,463	-	16,7
Total expenses	78,680	14,098	25,1
Income before equity in earnings of unconsolidated joint ventures, minority interest and discontinued operations	10,413	37,928	(26,1
Equity in earnings of unconsolidated joint ventures	639		
Minority interests:			
Consolidated joint venture	-		(19,4
Operating partnership	(2,415)		1,8
Income from continuing operations	\$ 8,637	\$ 37,928	\$ (43,7
Basic earnings per common share:			
Income from continuing operations	\$.80		
Weighted average shares	9,729		2,3
Diluted earnings per common share:			
Income from continuing operations	\$.79		
Weighted average shares	9,958		2,3

The accompanying notes are an integral part of these unaudited pro forma consolidating financial

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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATING STATEMENTS OF OPERATIONS
Year Ended December 31, 2002
(Unaudited)
(In thousands, except per share data)

	The Company	Charter Oak	Pro f Adjust
	(i)	(b)	
REVENUES			
Base rentals	\$ 75,560	\$ 49,718	\$ (1,
Percentage rentals	3,558	1,838	
Expense reimbursements	30,477	18,709	
Other income	3,303	514	
Total revenues	112,898	70,779	\$ (1,

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EXPENSES

Property operating	35,898	18,727	
General and administrative	9,227	822	1,
Interest	28,460	-	10,
Depreciation and amortization	28,551	-	22,

Total expenses	102,136	19,549	33,

Income before equity in earnings of unconsolidated joint ventures, minority interest and discontinued operations	10,762	51,230	(35,
Equity in earnings of unconsolidated joint ventures	392		
Minority interests:			
Consolidated joint venture	-		(25,
Operating partnership	(2,438)		2,

Income from continuing operations	\$ 8,716	\$ 51,230	\$ (58,

Basic earnings per common share:			
Income from continuing operations	\$.83		
Weighted average shares	8,322		2,

Diluted earnings per common share:			
Income from continuing operations	\$.81		
Weighted average shares	8,514		2,

The accompanying notes are an integral part of these unaudited pro forma consolidating financial

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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES
 PRO FORMA CONSOLIDATING BALANCE SHEET
 As of September 30, 2003
 (Unaudited)
 (In thousands)

	The Company	Charter Oak

ASSETS	(a)	
Rental Property		
Land	\$ 50,474	\$ 70,100 (j)
Buildings, improvements and fixtures	583,269	367,792 (j)

Accumulated depreciation	633,743 (191,628)	437,892

Rental property, net	442,115	437,892
Cash and cash equivalents	209	
Deferred charges, net	9,398	76,817 (j)
Other assets	13,666	8,636 (k)

Total assets	\$ 465,388	\$ 523,345

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LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Debt

Senior, unsecured notes	\$ 147,509	
Mortgages payable	172,552	199,617 (1)
Lines of credit	7,272	19,916 (m)

	327,333	219,533
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Construction trade payables	7,188	
Accounts payable and accrued expenses	13,949	

Total liabilities	348,470	219,533
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Commitments

Minority interests:

Consolidated joint venture		215,819 (n)
Operating partnership	26,202	

Total minority interest	26,202	215,819
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Shareholders' equity

Common Stock	105	23 (h)
Paid in capital	171,747	87,970 (h)
Distributions in excess of net income	(81,063)	
Accumulated other comprehensive loss	(73)	

Total shareholders' equity	90,716	87,993
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Total liabilities and shareholders' equity	\$ 465,388	\$ 523,345
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The accompanying notes are an integral part of these unaudited pro forma consolidating financial

Notes to Pro Forma Consolidating Financial Statements

- a) As reported in the unaudited consolidated financial statements of Tanger Factory Outlet Centers, Inc. as of or for the nine months ended September 30, 2003.
- b) Derived from the Combined Statements of Revenues and Certain Operating Expenses of the Charter Oak Properties (contained herein).
- c) To reflect amortization of the portion of the purchase price assigned to above and below market leases in accordance with FAS 141.
- d) To reflect estimated incremental personnel and overhead costs to be incurred as a result of the acquisition.
- e) To reflect interest expense from (1) the assumption of debt with a face value of \$187.1 million (\$199.6 million fair value, 4.97% imputed interest rate) and (2) additional borrowings under existing lines of credit of \$19.9 million at LIBOR plus 160 basis points (assumed to be 2.7%). A 1% increase or decrease in the LIBOR rate would equal \$199,000.
- f) To reflect depreciation and amortization based on an acquisition price of \$491.0 million (including debt assumption of \$187.1 million and cash paid to seller of \$303.9), plus closing costs of \$11.2 million and a market value debt premium of \$12.5 million. Estimated lives used are 35 years for buildings, 4 to 24 years for site improvements, 10 years for lease in-place value, and remaining leases terms for tenant improvements and other lease related intangibles.

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- g) To reflect minority interest in net income.
- h) To reflect the issuance of 2.3 million common shares in December 2003 with net proceeds of \$88.0 million as part of the funding of the acquisition of the Charter Oak properties.
- i) Derived from the audited consolidated financial statements of Tanger Factory Outlet Centers, Inc. for the year ended December 31, 2002, as reclassified from that previously reported to reflect the requirements of FAS 144.
- j) To reflect total acquisition costs of \$514.7 million, including purchase price of \$491.0 million (including debt assumption of \$187.1 million and cash paid to seller of \$303.9 million) plus estimated closing costs of \$11.2 million and market value debt premium of \$12.5 million. In accordance with FAS 141, a portion of the acquisition costs have been allocated to deferred charges to reflect the fair value of in-place leases and other related intangibles.
- k) To reflect initial escrows for insurance and real estate taxes and other working capital reserves expected to be funded at the closing of the acquisition.
- l) To reflect the assumption of debt with a face value of \$187.1 million and fair value of \$199.6 million.
- m) Represents additional borrowings under existing lines of credit to be used along with the proceeds from the expected common share offering to fund the acquisition.
- n) To reflect the minority interest in the consolidated joint venture which will own the Charter Oak Properties.

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FUNDS FROM OPERATIONS

Funds from operations, or "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 GAAP historical cost depreciation of real estate, which assumes that the value of real estate assets diminish 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 real estate investment trusts, or "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, our employment agreements with certain members of management base bonus compensation 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:

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- o FFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- o FFO does not reflect changes in, or cash requirements for, our working capital needs;
- o 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;
- o FFO may reflect the impact of earnings or charges resulting from matters which may not to be indicative of our ongoing operations; and
- o 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.

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The following tables represent a reconciliation of the unaudited pro forma FFO to unaudited pro forma income from continuing operations for the nine months ended September 30, 2003 and the year ended December 31, 2002 after giving effect to the acquisition of the Charter Oak Properties (in thousands, except per share data):

	The Company	Charter Oak

For the nine months ended September 30, 2003		
Funds from Operations:		
Income from continuing operations	\$ 8,637	\$ 37,928
Discontinued operations	(619)	-
Minority interest in operating partnership	2,415	
Minority interest, depreciation and amortization attributable to discontinued operations	(107)	
Depreciation and amortization uniquely significant to real estate - consolidated	21,252	
Depreciation and amortization uniquely significant to real estate - unconsolidated joint ventures	808	
Loss/(gain) on sale of real estate	735	

Funds from operations	\$ 33,121	\$37,928

Weighted average shares	13,424	

Funds from operations per share - diluted	\$ 2.47	

For the year ended December 31, 2002

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Funds from Operations:		
Income from continuing operations	\$ 8,716	\$ 51,230
Discontinued operations	2,291	
Minority interest in operating partnership	2,438	
Minority interest, depreciation and amortization attributable to discontinued operations	1,273	
Depreciation and amortization uniquely significant to real estate - consolidated	28,257	
Depreciation and amortization uniquely significant to real estate - unconsolidated joint ventures	422	
Loss/(gain) on sale of real estate	(1,702)	

Funds from operations	\$ 41,695	\$51,230

Weighted average shares	12,271	

Funds from operations per share - diluted	\$ 3.40	

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SIGNATURES

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

TANGER FACTORY OUTLET CENTERS, INC.

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

Date: December 12, 2003

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