TANGER FACTORY OUTLET CENTERS INC
Form 10-Q
May 09, 2013

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

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

For the quarterly period ended March 31, 2013
OR

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

For the transition period from _________ to _________

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

TANGER FACTORY OUTLET CENTERS, INC.
TANGER PROPERTIES LIMITED PARTNERSHIP
(Exact name of Registrant as specified in its charter)

North Carolina (Tanger Factory Outlet Centers, Inc.)	56-1815473
North Carolina (Tanger Properties Limited Partnership)	56-1822494
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(336) 292-3010
(Registrant's telephone number)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

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

Tanger Factory Outlet Centers, Inc.	Yes x No o
Tanger Properties Limited Partnership	Yes x No o

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

Tanger Factory Outlet Centers, Inc.

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

Tanger Properties Limited Partnership

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

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

Tanger Factory Outlet Centers, Inc.	Yes o No x
Tanger Properties Limited Partnership	Yes o No x

As of April 30, 2013, there were 94,415,137 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 March 31, 2013 of Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership. Unless the context indicates otherwise, the term, Company, refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, Operating Partnership, refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

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

The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. 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. As a result, each such individual beneficial owner became an individual limited partner of the Operating Partnership (collectively the "Family Limited Partners").

As of March 31, 2013, the Company, through its ownership of Tanger GP Trust and Tanger LP Trust, owned 23,603,784 units of the Operating Partnership and the Family Limited Partners collectively owned 1,186,921 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 December 28, 2004 and January 24, 2011, 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 a few differences between the Company and the Operating Partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated consolidated company. As stated above, the Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership through its wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. As a result, the Company does not conduct business itself, other than issuing public equity from time to time and incurring expenses required to operate as a public company. However, all operating expenses incurred by the Company are reimbursed by the Operating Partnership, thus the only material item on the Company's income statement is its equity in the earnings of the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. The Company itself does not hold any indebtedness but does guarantee certain debt of the Operating Partnership, as disclosed in this report. The Operating Partnership holds substantially all the assets of the Company and holds the ownership interests in the Company's consolidated and unconsolidated joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by the Company, which are required to be contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required through its operations, its incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholder's equity and partners' 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 of the Company and the Operating Partnership;
- Shareholders' Equity and Partners' Equity;
- Share-Based Compensation of the Company and Equity-Based Compensation of the Operating Partnership;
- Earnings Per Share and Earnings Per Unit;
- Accumulated Other Comprehensive Income of the Company and the Operating Partnership
- Liquidity and Capital Resources in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

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

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

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

	March 31, 2013	December 31, 2012
ASSETS		
Rental property		
Land	$148,002	$148,002
Buildings, improvements and fixtures	1,802,160	1,796,042
Construction in progress	6,336	3,308
	1,956,498	1,947,352
Accumulated depreciation	(600,713)	(582,859)
Total rental property, net	1,355,785	1,364,493
Cash and cash equivalents	2,691	10,335
Investments in unconsolidated joint ventures	133,982	126,632
Deferred lease costs and other intangibles, net	97,328	101,040
Deferred debt origination costs, net	8,534	9,083
Prepaids and other assets	63,353	60,842
Total assets	$1,661,673	$1,672,425
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $1,897 and $1,967, respectively)	$548,103	$548,033
Unsecured term loans (net of discount of $509 and $547, respectively)	259,491	259,453
Mortgages payable (including premiums of $6,085 and $6,362, respectively)	105,346	107,745
Unsecured lines of credit	174,917	178,306
Total debt	1,087,857	1,093,537
Construction trade payables	7,744	7,084
Accounts payable and accrued expenses	37,957	41,149
Other liabilities	16,676	16,780
Total liabilities	1,150,234	1,158,550
Commitments and contingencies		
Equity		
Tanger Factory Outlet Centers, Inc.		
Common shares, $.01 par value, 300,000,000 shares authorized, 94,415,137 and 94,061,384 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	944	941
Paid in capital	768,702	766,056
Accumulated distributions in excess of net income	(289,880)	(285,588)
Accumulated other comprehensive income	1,179	1,200
Equity attributable to Tanger Factory Outlet Centers, Inc.	480,945	482,609
Equity attributable to noncontrolling interests		
Noncontrolling interests in Operating Partnership	24,184	24,432
Noncontrolling interests in other consolidated partnerships	6,310	6,834
Total equity	511,439	513,875

Total liabilities and equity	$1,661,673	$1,672,425

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

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

	Three months ended March 31,	
	2013	2012
Revenues		
Base rentals	$59,244	$57,219
Percentage rentals	2,017	1,744
Expense reimbursements	25,306	23,673
Other income	2,122	1,607
Total revenues	88,689	84,243
Expenses		
Property operating	28,135	26,088
General and administrative	9,572	10,020
Acquisition costs	179	—
Depreciation and amortization	22,288	25,515
Total expenses	60,174	61,623
Operating income	28,515	22,620
Interest expense	12,876	12,334
Income before equity in earnings (losses) of unconsolidated joint ventures	15,639	10,286
Equity in earnings (losses) of unconsolidated joint ventures	590	(1,452)
Net income	16,229	8,834
Noncontrolling interests in Operating Partnership	(789)	(713)
Noncontrolling interests in other consolidated partnerships	(1)	7
Net income attributable to Tanger Factory Outlet Centers, Inc.	$15,439	$8,128
Basic earnings per common share		
Net income	$0.16	$0.09
Diluted earnings per common share		
Net income	$0.16	$0.09
Dividends paid per common share	$0.21	$0.20

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

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

	Three months ended March 31,	
	2013	2012
Net income	$16,229	$8,834
Other comprehensive loss		
Reclassification adjustment for amortization of gain on settlement of US treasury rate lock included in net income	(90)	(86)
Foreign currency translation adjustments	68	(6)
Other comprehensive loss	(22)	(92)
Comprehensive income	16,207	8,742
Comprehensive income attributable to noncontrolling interests	(789)	(700)
Comprehensive income attributable to Tanger Factory Outlet Centers, Inc.	$15,418	$8,042

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

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

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2011	$867	$720,073	$(261,913)	$ 1,535	$460,562	$ 61,027	$ 6,843	$528,432
Net income	—	—	53,228	—	53,228	3,267	(19)	56,476
Other comprehensive loss	—	—	—	(335)	(335)	(21)	—	(356)
Compensation under Incentive Award Plan	—	10,676	—	—	10,676	—	—	10,676
Issuance of 37,700 common shares upon exercise of options	—	481	—	—	481	—	—	481
Grant of 566,000 restricted shares, net of forfeitures	6	(6)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	34,910	—	—	34,910	(34,910)	—	—
Adjustment for noncontrolling interests in other consolidated partnerships	—	(10)	—	—	(10)	—	10	—
Exchange of 1,682,507 Operating Partnership units for 6,730,028 common shares	68	(68)	—	—	—	—	—	—
Common dividends ($0.8300 per share)	—	—	(76,903)	—	(76,903)	—	—	(76,903)
Distributions to noncontrolling interest in Operating Partnership	—	—	—	—	—	(4,931)	—	(4,931)

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

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

	Common shares	Paid in capital	Accumulated distributions in excess of earnings	Accumulated other comprehensive income	Total Tanger Factory Outlet Centers, Inc. equity	Noncontrolling interests in Operating Partnership	Noncontrolling interests in other consolidated partnerships	Total equity
Balance, December 31, 2012	$941	$766,056	$(285,588)	$1,200	$482,609	$24,432	$6,834	$513,875
Net income	—	—	15,439	—	15,439	789	1	16,229
Other comprehensive loss	—	—	—	(21)	(21)	(1)	—	(22)
Compensation under Incentive Award Plan	—	2,496	—	—	2,496	—	—	2,496
Issuance of 7,200 common shares upon exercise of options	—	117	—	—	117	—	—	117
Grant of 337,373 restricted shares, net of forfeitures	3	(3)	—	—	—	—	—	—
Adjustment for noncontrolling interests in Operating Partnership	—	36	—	—	36	(36)	—	—
Acquisition of noncontrolling interests in other consolidated partnerships	—	—	—	—	—	—	(525)	(525)
Exchange of 3,545 Operating Partnership units for 14,180 common shares	—	—	—	—	—	—	—	—
Common dividends ($.21 per share)	—	—	(19,731)	—	(19,731)	—	—	(19,731)
Distributions to noncontrolling interests in Operating Partnership	—	—	—	—	—	(1,000)	—	(1,000)
Balance, March 31, 2013	$944	$768,702	$(289,880)	$1,179	$480,945	$24,184	$6,310	$511,439

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)

	Three months ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	$16,229	$8,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,288	25,515
Amortization of deferred financing costs	603	561
Equity in (earnings) losses of unconsolidated joint ventures	(590)	1,452
Distributions of cumulative earnings from unconsolidated joint ventures	293	237
Share-based compensation expense	2,460	3,391
Amortization of debt (premiums) and discounts, net	(259)	(248)
Net accretion of market rent rate adjustments	(27)	(234)
Straight-line rent adjustments	(1,088)	(997)
Changes in other assets and liabilities:		
Other assets	(1,313)	(1,287)
Accounts payable and accrued expenses	(3,305)	5,373
Net cash provided by operating activities	35,291	42,597
INVESTING ACTIVITIES		
Additions to rental property	(8,495)	(8,335)
Additions to investments in unconsolidated joint ventures	(9,751)	(21,371)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	1,221	63
Additions to deferred lease costs	(648)	(1,329)
Net cash used in investing activities	(17,673)	(30,972)
FINANCING ACTIVITIES		
Cash dividends paid	(19,731)	(18,156)
Distributions to noncontrolling interests in Operating Partnership	(1,000)	(1,488)
Proceeds from debt issuances	80,246	341,781
Repayments of debt	(84,313)	(328,432)
Acquisition of noncontrolling interests in other consolidated partnerships	(525)	—
Additions to deferred financing costs	(56)	(2,483)
Proceeds from exercise of options	117	46
Net cash used in financing activities	(25,262)	(8,732)
Net increase (decrease) in cash and cash equivalents	(7,644)	2,893
Cash and cash equivalents, beginning of period	10,335	7,894
Cash and cash equivalents, end of period	$2,691	$10,787

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)

	March 31, 2013	December 31, 2012
ASSETS		
Rental property		
Land	$148,002	$148,002
Buildings, improvements and fixtures	1,802,160	1,796,042
Construction in progress	6,336	3,308
	1,956,498	1,947,352
Accumulated depreciation	(600,713)	(582,859)
Total rental property, net	1,355,785	1,364,493
Cash and cash equivalents	2,612	10,295
Investments in unconsolidated joint ventures	133,982	126,632
Deferred lease costs and other intangibles, net	97,328	101,040
Deferred debt origination costs, net	8,534	9,083
Prepaids and other assets	62,832	60,408
Total assets	$1,661,073	$1,671,951
LIABILITIES AND EQUITY		
Liabilities		
Debt		
Senior, unsecured notes (net of discount of $1,897 and $1,967, respectively)	$548,103	$548,033
Unsecured term loans (net of discount of $509 and $547, respectively)	259,491	259,453
Mortgages payable (including premiums of $6,085 and $6,362, respectively)	105,346	107,745
Unsecured lines of credit	174,917	178,306
Total debt	1,087,857	1,093,537
Construction trade payables	7,744	7,084
Accounts payable and accrued expenses	37,357	40,675
Other liabilities	16,676	16,780
Total liabilities	1,149,634	1,158,076
Commitments and contingencies		
Equity		
Partners' Equity		
General partner	4,676	4,720
Limited partners	499,368	501,214
Accumulated other comprehensive income	1,085	1,107
Total partners' equity	505,129	507,041
Noncontrolling interests in consolidated partnerships	6,310	6,834
Total equity	511,439	513,875
Total liabilities and equity	$1,661,073	$1,671,951

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 March 31, 2013	2012
Revenues		
Base rentals	$59,244	$57,219
Percentage rentals	2,017	1,744
Expense reimbursements	25,306	23,673
Other income	2,122	1,607
Total revenues	88,689	84,243
Expenses		
Property operating	28,135	26,088
General and administrative	9,572	10,020
Acquisition costs	179	—
Depreciation and amortization	22,288	25,515
Total expenses	60,174	61,623
Operating income	28,515	22,620
Interest expense	12,876	12,334
Income before equity in earnings (losses) of unconsolidated joint ventures	15,639	10,286
Equity in earnings (losses) of unconsolidated joint ventures	590	(1,452)
Net income	16,229	8,834
Noncontrolling interests in consolidated partnerships	(1)	7
Net income available to partners	16,228	8,841
Net income available to limited partners	16,062	8,750
Net income available to general partner	$166	$91
Basic earnings per common unit:		
Net income	$0.66	$0.36
Diluted earnings per common unit:		
Net income	$0.65	$0.35
Distribution paid per common unit	$0.84	$0.80

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

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

	Three months ended March 31,	
	2013	2012
Net income	$16,229	$8,834
Other comprehensive loss		
Reclassification adjustment for amortization of gain on settlement of US treasury rate lock included in net income	(90)	(86)
Foreign currency translation adjustments	68	(6)
Other comprehensive loss	(22)	(92)
Comprehensive income	16,207	8,742
Comprehensive income attributable to noncontrolling interests in consolidated partnerships	1	7
Comprehensive income attributable to the Operating Partnership	$16,208	$8,749

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

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

	General partner	Limited partners	Accumulated other comprehensive income	Total partners' equity	Noncontrolling interests in consolidated partnerships	Total equity
Balance, December 31, 2011	$4,972	$515,154	$1,463	$521,589	$6,843	$528,432
Net income	578	55,917	—	56,495	(19)	56,476
Other comprehensive loss	—	—	(356)	(356)	—	(356)
Compensation under Incentive Award Plan	—	10,676	—	10,676	—	10,676
Issuance of 9,425 common units upon exercise of options	—	481	—	481	—	481
Grant of 141,500 restricted units, net of forfeitures	—	—	—	—	—	—
Adjustments for noncontrolling interests in consolidated partnerships	—	(10)	—	(10)	10	—
Common distributions ($3.32 per common unit)	(830)	(81,004)	—	(81,834)	—	(81,834)
Balance, December 31, 2012	4,720	501,214	1,107	507,041	6,834	513,875
Net income	166	16,062	—	16,228	1	16,229
Other comprehensive loss	—	—	(22)	(22)	—	(22)
Compensation under Incentive Award Plan	—	2,496	—	2,496	—	2,496
Issuance of 1,800 common units upon exercise of options	—	117	—	117	—	117
Grant of 84,343 restricted units, net of forfeitures	—	—	—	—	—	—
Acquisition of noncontrolling interests in other consolidated partnerships	—	—	—	—	(525)	(525)
Common distributions ($.84 per common unit)	(210)	(20,521)	—	(20,731)	—	(20,731)
Balance, March 31, 2013	$4,676	$499,368	$1,085	$505,129	$6,310	$511,439

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)

	Three months ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	$16,229	$8,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,288	25,515
Amortization of deferred financing costs	603	561
Equity in (earnings) losses of unconsolidated joint ventures	(590)	1,452
Distributions of cumulative earnings from unconsolidated joint ventures	293	237
Equity-based compensation expense	2,460	3,391
Amortization of debt (premiums) and discounts, net	(259)	(248)
Net accretion of market rent rate adjustments	(27)	(234)
Straight-line rent adjustments	(1,088)	(997)
Changes in other assets and liabilities:		
Other assets	(1,226)	(1,072)
Accounts payable and accrued expenses	(3,431)	5,114
Net cash provided by operating activities	35,252	42,553
INVESTING ACTIVITIES		
Additions to rental property	(8,495)	(8,335)
Additions to investments in unconsolidated joint ventures	(9,751)	(21,371)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	1,221	63
Additions to deferred lease costs	(648)	(1,329)
Net cash used in investing activities	(17,673)	(30,972)
FINANCING ACTIVITIES		
Cash distributions paid	(20,731)	(19,644)
Proceeds from debt issuances	80,246	341,781
Repayments of debt	(84,313)	(328,432)
Acquisition of noncontrolling interests in other consolidated partnerships	(525)	—
Additions to deferred financing costs	(56)	(2,483)
Proceeds from exercise of options	117	46
Net cash used in financing activities	(25,262)	(8,732)
Net increase (decrease) in cash and cash equivalents	(7,683)	2,849
Cash and cash equivalents, beginning of period	10,295	7,866
Cash and cash equivalents, end of period	$2,612	$10,715

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

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

1. Business
Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of outlet centers in the United States. We are a fully-integrated, self-administered and self-managed real estate investment trust ("REIT") which, through our controlling interest in the Operating Partnership, focuses exclusively on developing, acquiring, owning, operating and managing outlet shopping centers. As of March 31, 2013, we owned and operated 36 outlet centers, with a total gross leasable area of approximately 10.8 million square feet. We also had partial ownership interests in 7 outlet centers totaling approximately 2.1 million square feet, including 3 outlet centers in Canada.
Our outlet centers and other assets are held by, and all of our operations are conducted by, Tanger Properties Limited Partnership and subsidiaries. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.
The Company owns the majority of the units of partnership interest issued by the Operating Partnership through its two wholly-owned subsidiaries, Tanger GP Trust and Tanger LP Trust. Tanger GP Trust controls the Operating Partnership as its sole general partner. Tanger LP Trust holds a limited partnership interest. The Family Limited Partners own the remaining Operating Partnership units.

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

Noncontrolling interests relate to the interests in the Operating Partnership owned by Family Limited Partners and interests in consolidated partnerships not wholly-owned by the Company or the Operating Partnership. Family Limited Partners are holders of Operating Partnership units that may be exchanged for the Company's common shares in a ratio of one unit for four common shares. The noncontrolling interests in other consolidated partnerships consist of outside equity interests in partnerships not wholly owned by the Company or the Operating Partnership that are consolidated with the financial results of the Company and Operating Partnership because the Operating Partnership exercises control over the entities that own the properties.

Certain amounts related to reimbursements of payroll related expenses from unconsolidated joint ventures in the statement of operations for the three months ended March 31, 2012 have been reclassified to the caption “expense reimbursements” from the caption “other income” to conform to the presentation of the consolidated statement of operations presented for the three months ended March 31, 2013.

3. Investments in Unconsolidated Real Estate Joint Ventures

Our investments in unconsolidated joint ventures as of March 31, 2013 and December 31, 2012 aggregated $134.0 million and $126.6 million, respectively. We have concluded based on the current facts and circumstances that the equity method of accounting should be used to account for each of the individual joint ventures below. At March 31, 2013 and December 31, 2012, we were members of the following unconsolidated real estate joint ventures:

As of March 31, 2013

Joint Venture	Center Location	Ownership %	Square Feet	Carrying Value of Investment (in millions)	Total Joint Venture Debt (in millions)
Deer Park	Deer Park, Long Island NY	33.3 %	741,981	$2.4	$246.9
Galveston/Houston	Texas City, Texas	50.0 %	352,705	39.8	—
National Harbor	Washington D.C. Metro Area	50.0 %	—	2.6	—
RioCan Canada	Various	50.0 %	434,562	66.8	19.5
Westgate	Glendale, Arizona	58.0 %	332,234	19.6	38.6
Wisconsin Dells	Wisconsin Dells, Wisconsin	50.0 %	265,086	2.6	24.3
Other			—	0.2	—
				$134.0	$329.3

As of December 31, 2012

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

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

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

	Three months ended March 31,	
	2013	2012
Fee:		
Development	$71	$—
Loan Guarantee	40	—
Management and leasing	844	479
Marketing	110	53
Total Fees	$1,065	$532

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

Deer Park, Long Island, New York

In December 2011, the joint venture refinanced its mortgage and mezzanine loans, totaling $246.9 million. The non-default interest rates for the mortgage and mezzanine loans are LIBOR + 3.50% and LIBOR + 5.00%, respectively and both loans mature on May 17, 2014. The loans require certain financial covenants, such as debt service coverage and loan to value ratios, to be met at various measurement dates. Based on the administrative agent bank's calculation of Deer Park's debt service coverage ratio utilizing financial information as of December 31, 2012, the joint venture was not in compliance with the coverage ratio. As a result, on March 22, 2013, the lender group placed Deer Park in default. The lenders have advised the joint venture that a principal payment of approximately $14.2 million would satisfy the debt service coverage test. Such principal payment would require additional capital contributions to Deer Park by its partners. Deer Park does not agree with the lender's principal payment computation and believes the principal payment required could be substantially less. As a result, no capital contributions have been authorized by the managing member of Deer Park. The managing member continues to work with the administrative agent bank of the lender group to negotiate a resolution. The lenders have also notified Deer Park that the default interest rates will continue to accrue until the default is cured. The default interest rates for the mortgage and mezzanine loans are PRIME + 7.5% and LIBOR + 9%, respectively.

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.

In addition, the managing member delivered to us a revocable notice of termination of our property management agreement with Deer Park that purports to be effective September 1, 2013. We believe the decision to terminate was improper and we continue to manage the property. We are in discussions with our partners on these management issues as well as the matters with the lenders described above. There can be no assurance that we will be able to resolve these matters on favorable terms.

Deer Park Warehouse, Long Island, New York

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

National Harbor, Washington, D.C. Metro Area

In May 2011, we announced the formation of a joint venture for the development of a Tanger Outlet Center at National Harbor in the Washington, D.C. Metro area. The planned Tanger Outlet Center is expected to contain approximately 80 brand name and designer outlet stores in a center measuring up to 340,000 square feet. In November 2012, the joint venture broke ground and began site development. Both parties have made initial equity contributions of $2.6 million to fund certain pre-development costs. In February 2013, the joint venture executed a term sheet for a three year construction loan with the ability to borrow up to $61.0 million, which carries an interest rate of LIBOR + 1.65%. We will provide property management, leasing and marketing services to the joint venture; and with our partner, will jointly provide site development and construction supervision services.

RioCan Canada

In March of 2013 the RioCan Joint Venture acquired the land adjacent to the existing Cookstown Outlet Mall for $13.9 million. The land purchase will be used as the site for the joint venture's expansion of the Cookstown Outlet Mall which we expect to begin during the second quarter of 2013.

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

After making the determination that Westgate and Deer Park were VIEs, we performed an assessment to determine if we would be considered the primary beneficiary and thus be required to consolidate their 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 VIE that most significantly impact the entity's economic performance

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

The operating, development, leasing, and management agreements of Westgate and Deer Park provide that the activities that most significantly impact the economic performance of the ventures require either unanimous consent or, for certain activities related to Deer Park, majority consent. Accordingly, we determined that we do not have the power to direct the significant activities that affect the economic performance of the ventures and therefore, have applied the equity method of accounting for both Westgate and Deer Park. Our equity method investments in Westgate and Deer Park as of March 31, 2013 were approximately $19.6 million and $2.4 million, respectively. We are unable to estimate our maximum exposure to loss at this time because our guarantees are limited and based on the future operating performance of Westgate and Deer Park.

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

Summary Balance Sheets - Unconsolidated Joint Ventures	March 31, 2013	December 31, 2012
Assets		
Land	$95,748	$96,455
Buildings, improvements and fixtures	495,958	493,424
Construction in progress, including land	21,974	16,338
	613,680	606,217
Accumulated depreciation	(68,667)	(62,547)
Total rental property, net	545,013	543,670
Assets held for sale [1]	—	1,828
Cash and cash equivalents	20,531	21,879
Deferred lease costs, net	23,080	24,411
Deferred debt origination costs, net	4,399	5,213
Prepaids and other assets	24,900	25,350
Total assets	$617,923	$622,351
Liabilities and Owners' Equity		
Mortgages payable	$329,262	$325,192
Construction trade payables	14,232	21,734
Accounts payable and other liabilities	16,726	31,944
Total liabilities	360,220	378,870
Owners' equity	257,703	243,481
Total liabilities and owners' equity	$617,923	$622,351

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

Summary Statements of Operations - Unconsolidated Joint Ventures	Three months ended March 31, 2013	2012
Revenues	$21,395	$11,658
Expenses		
Property operating	8,803	4,891
General and administrative	485	163
Acquisition costs	421	704
Abandoned development costs	—	954
Depreciation and amortization	7,384	4,608