

TANGER FACTORY OUTLET CENTERS INC  
Form 10-Q  
August 04, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2006**  
OR

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

For the transition period from to

**Commission File No. 1-11986**

**TANGER FACTORY OUTLET CENTERS, INC.**  
(Exact name of Registrant as specified in its Charter)

**NORTH CAROLINA**  
(State or other jurisdiction  
of incorporation or organization)

**56-1815473**  
(I.R.S. Employer  
Identification No.)

**3200 Northline Avenue, Suite 360, Greensboro, North Carolina 27408**  
(Address of principal executive offices)  
(Zip code)

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

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. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

31,000,536 shares of Common Stock,  
\$.01 par value, outstanding as of July 25, 2006



**TANGER FACTORY OUTLET CENTERS, INC.**

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**PART I. - FINANCIAL INFORMATION****Item 1 - Financial Statements****TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2006	December 31, 2005
<b>ASSETS:</b>		
Rental property		
Land	\$ 119,876	\$ 120,715
Building, improvement and fixtures	1,017,245	1,004,545
Construction in progress	51,260	27,606
	1,188,381	1,152,866
Accumulated depreciation	(266,958)	(253,765)
Rental property, net	921,423	899,101
Cash and cash equivalents	1,785	2,930
Assets held for sale	---	2,637
Investments in unconsolidated joint ventures	15,130	13,020
Deferred charges, net	56,867	64,555
Other assets	27,008	18,362
<b>Total assets</b>	<b>\$ 1,022,213</b>	<b>\$ 1,000,605</b>
<b>LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Debt		
Senior, unsecured notes (net of discount of \$867 and \$901, respectively)	\$ 349,132	\$ 349,099
Mortgages payable (including a debt premium of \$4,623 and \$5,771, respectively)	198,177	201,233
Unsecured note	53,500	53,500
Unsecured lines of credit	49,800	59,775
	650,609	663,607
Construction trade payables	22,372	13,464
Accounts payable and accrued expenses	22,095	23,954
<b>Total liabilities</b>	<b>695,076</b>	<b>701,025</b>
Commitments		
<b>Minority interest in operating partnership</b>	<b>53,541</b>	<b>49,366</b>
<b>Shareholders' equity</b>		
Preferred shares, 7.5% Class C, liquidation preference \$25 per share, 8,000,000 shares authorized, 3,000,000 and 2,200,000 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	75,000	55,000
Common shares, \$.01 par value, 50,000,000 shares authorized, 31,000,536 and 30,748,716 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	310	307
Paid in capital	332,103	338,688
Distributions in excess of net income	(142,497)	(140,738)

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Deferred compensation	---	(5,501)
Accumulated other comprehensive income	8,680	2,458
<b>Total shareholders' equity</b>	<b>273,596</b>	<b>250,214</b>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<b>\$ 1,022,213</b>	<b>\$ 1,000,605</b>

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		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
<b>Revenues</b>				
Base rentals	\$ 33,879	\$ 32,845	\$ 66,844	\$ 64,061
Percentage rentals	1,398	1,254	2,556	2,134
Expense reimbursements	13,747	12,296	26,467	26,235
Other income	1,504	1,182	2,859	2,112
Total revenues	50,528	47,577	98,726	94,542
<b>Expenses</b>				
Property operating	15,995	14,143	30,760	29,843
General and administrative	4,077	3,711	8,158	6,754
Depreciation and amortization	13,593	11,243	29,543	23,996
Total expenses	33,665	29,097	68,461	60,593
Operating income	16,863	18,480	30,265	33,949
Interest expense	9,890	8,167	19,924	16,395
<b>Income before equity in earnings of unconsolidated joint ventures, minority interests, discontinued operations and loss on sale of real estate</b>				
	6,973	10,313	10,341	17,554
Equity in earnings of unconsolidated joint ventures	285	268	432	459
Minority interests				
Consolidated joint venture	---	(6,727)	---	(13,351)
Operating partnership	(969)	(700)	(1,350)	(846)
<b>Income from continuing operations</b>	6,289	3,154	9,423	3,816
Discontinued operations, net of minority interest	---	326	11,713	578
<b>Income before loss on sale of real estate</b>	6,289	3,480	21,136	4,394
Loss on sale of real estate excluded from discontinued operations, net of minority interest	---	---	---	(3,843)
<b>Net income</b>	6,289	3,480	21,136	551
Preferred share dividends	(1,406)	---	(2,621)	---
<b>Net income available to common shareholders</b>	\$ 4,883	\$ 3,480	\$ 18,515	\$ 551
<b>Basic earnings per common share</b>				
Income from continuing operations	\$ .16	\$ .12	\$ .22	\$ ---
Net income	\$ .16	\$ .13	\$ .61	\$ .02

**Diluted earnings per common share**

Income from continuing operations	\$	.16	\$	.11	\$	.22	\$	---
Net income	\$	.16	\$	.13	\$	.60	\$	.02
Dividends paid per common share	\$	.3400	\$	.3225	\$	.6625	\$	.6350

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	
	2006	2005
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 21,136	\$ 551
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including discontinued operations)	29,659	24,350
Amortization of deferred financing costs	596	689
Equity in earnings of unconsolidated joint ventures	(432)	(459)
Consolidated joint venture minority interest	---	13,351
Operating partnership minority interest (including discontinued operations)	3,678	127
Compensation expense related to restricted shares and share options granted	1,141	709
Amortization of debt premiums and discount, net	(1,236)	(1,430)
Gain on sale of outparcels	(225)	(127)
(Gain) loss on sale of real estate	(13,833)	4,690
Distributions received from unconsolidated joint ventures	1,250	950
Net accretion of market rent rate adjustment	(806)	(659)
Straight-line base rent adjustment	(1,065)	(651)
Decrease due to changes in:		
Other assets	(1,663)	(269)
Accounts payable and accrued expenses	(1,546)	(484)
Net cash provided by operating activities	36,654	41,338
<b>INVESTING ACTIVITIES</b>		
Additions to rental property	(37,361)	(13,451)
Additions to investments in unconsolidated joint ventures	(2,020)	(950)
Additions to deferred lease costs	(1,678)	(1,418)
Net proceeds from sale of real estate	21,091	2,211
Net cash used in investing activities	(19,968)	(13,608)
<b>FINANCING ACTIVITIES</b>		
Cash dividends paid	(22,895)	(17,481)
Distributions to consolidated joint venture minority interest	---	(10,921)
Distributions to operating partnership minority interest	(4,019)	(3,852)
Proceeds from sale of preferred shares	19,445	---
Proceeds from debt issuances	106,550	74,990
Repayments of debt	(118,433)	(72,540)
Additions to deferred financing costs	(94)	(1)
Proceeds from exercise of share and unit options	1,615	1,515
Net cash used in financing activities	(17,831)	(28,290)
Net decrease in cash and cash equivalents	(1,145)	(560)



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Cash and cash equivalents, beginning of period	2,930	4,103
Cash and cash equivalents, end of period	\$ 1,785	\$ 3,543

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

**TANGER FACTORY OUTLET CENTERS INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

Tanger Factory Outlet Centers, Inc. and subsidiaries is one of the largest owners and operators of factory outlet centers in the United States. We are a fully-integrated, self-administered and self-managed real estate investment trust, or REIT, that focuses exclusively on developing, acquiring, owning, operating and managing factory outlet shopping centers. As of June 30, 2006, we owned 29 centers with a total gross leasable area, or GLA, of approximately 8.0 million square feet. These factory outlet centers were 96.2% occupied. Also, we owned a 50% interest in one center with a GLA of approximately 402,000 square feet and managed for a fee three centers with a GLA of approximately 293,000 square feet.

Our factory 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.

We own the majority of the units of partnership interest issued by the Operating Partnership through our 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. The Tanger family, through its ownership of the Tanger Family Limited Partnership ("TFLP"), holds the remaining units as a limited partner. Stanley K. Tanger, our Chairman of the Board and Chief Executive Officer, is the sole general partner of TFLP.

**2. Basis of Presentation**

Our unaudited consolidated financial statements 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 our Annual Report on Form 10-K for the year ended December 31, 2005. The December 31, 2005 balance sheet data 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 Securities and Exchange Commission's ("SEC") rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

The accompanying unaudited consolidated financial statements include our accounts, our wholly-owned subsidiaries, as well as the Operating Partnership and its subsidiaries and reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim consolidated financial statements. All such adjustments are of a normal and recurring nature. Intercompany balances and transactions have been eliminated in consolidation.

Investments in real estate joint ventures that represent non-controlling ownership interests 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) and cash contributions and distributions.

**3. Development of Rental Properties**

*Charleston, South Carolina*

We are currently under construction of a center located near Charleston, South Carolina. We expect the center to be approximately 352,500 square feet upon total build out with a scheduled grand opening date in August 2006.

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Commitments to complete construction of the new development and other capital expenditure requirements amounted to approximately \$7.7 million at June 30, 2006. Commitments for construction represent only those costs contractually required to be paid by us.

Interest costs capitalized during the three month period ended June 30, 2006 and 2005 amounted to \$722,000 and \$80,000, respectively, and for the six month periods ended June 30, 2006 and 2005 amounted to \$1.2 million and \$113,000, respectively.

#### 4. Investments in Unconsolidated Real Estate Joint Ventures

Our investment in unconsolidated real estate joint ventures as of June 30, 2006 and December 31, 2005 was \$15.1 million and \$13.0 million, respectively. We have evaluated the accounting treatment for each of the joint ventures under the guidance of FIN 46R 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. We are members of the following unconsolidated real estate joint ventures:

Joint Venture	Our Ownership %	Project Location
TWMB Associates, LLC	50%	Myrtle Beach, South Carolina
Tanger Wisconsin Dells, LLC	50%	Wisconsin Dells, Wisconsin
Deer Park Enterprise, LLC	33%	Deer Park, New York

These investments are recorded initially at cost and subsequently adjusted for our equity in the venture's net income (loss) and cash contributions and distributions. Our investments in real estate joint ventures are also reduced by 50% of the profits earned for leasing and development services we provided to TWMB Associates, LLC ("TWMB") and Tanger Wisconsin Dells, LLC ("Wisconsin Dells"). The following management, leasing, development and marketing fees were recognized from services provided to TWMB and Wisconsin Dells during the three and six month periods ended June 30, 2006 and 2005, respectively (in thousands):

Fee:	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Management	\$ 78	\$ 78	\$ 156	\$ 156
Leasing	25	---	29	5
Marketing	9	---	9	---
Development	65	---	162	---
Total Fees	\$ 177	\$ 78	\$ 356	\$ 161

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.

#### *Tanger Wisconsin Dells, LLC*

In March 2005, we established the Wisconsin Dells joint venture to construct and operate a Tanger Outlet center in Wisconsin Dells, Wisconsin. During the first quarter of 2006, capital contributions of approximately \$510,000 were made by each member. Construction is nearing completion and we expect the center to be approximately 264,900 square feet upon total build out of the initial phase with a scheduled grand opening in August 2006.

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In February 2006, in conjunction with the construction of the center, Wisconsin Dells closed on a construction loan in the amount of \$30.25 million with Wells Fargo Bank, NA due in February 2009. The construction loan is repayable on an interest only basis with interest floating based on the 30, 60 or 90 day LIBOR index plus 1.30%. The construction loan incurred by this unconsolidated joint venture is collateralized by its property as well as joint and several guarantees by us and designated guarantors of our venture partner. The construction loan balance as of June 30, 2006 was approximately \$16.5 million. Commitments to complete construction of the new development and other capital expenditure requirements amounted to approximately \$2.1 million at June 30, 2006. Commitments for construction represent only those costs contractually required to be paid by Wisconsin Dells.

The above mentioned guarantee of the construction loan debt is accounted for under the provisions of FASB Interpretation No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee which represents the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payment will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. We recorded at inception, the fair value of our guarantee of the Wisconsin Dells joint venture's debt as an increase to our investment in Wisconsin Dells and recorded a corresponding liability of approximately \$409,000. We have elected to account for the release from the obligation under the guarantee by the straight-line amortization method over the three year life of the guarantee. The remaining value of the guarantee liability as of June 30, 2006 was approximately \$364,000.

#### *Deer Park Enterprise, LLC*

In October 2003, Deer Park Enterprises ("Deer Park"), a joint venture in which we have a one-third ownership interest, entered into a sale-leaseback transaction for the location on which it ultimately will develop a shopping center that will contain both outlet and big box retail tenants in Deer Park, New York. To date, we have made equity contributions totaling \$4.5 million to Deer Park, including \$1.5 million in 2006. Both of the other venture partners have made equity contributions equal to ours.

In conjunction with the real estate purchase, Deer Park closed on a loan in the amount of \$19 million due in October 2005 and a purchase money mortgage note with the seller in the amount of \$7 million. In October 2005, Bank of America extended the maturity of the loan until October 2006. The loan with Bank of America incurs interest at a floating interest rate equal to LIBOR plus 2.00% and is collateralized by the property as well as joint and several guarantees by all three venture partners. The purchase money mortgage note bears no interest. However, interest has been imputed for financial statement purposes at a rate which approximates fair value.

The sale-leaseback transaction consisted of the sale of the property to Deer Park for \$29 million, including a 900,000 square foot industrial building, which was being leased back to the seller under an operating lease agreement. At the end of the lease in May 2005, the tenant vacated the building. However, the tenant had not satisfied all of the conditions necessary to terminate the lease nor to receive payment under the purchase money mortgage. Deer Park is currently in litigation to recover from the tenant its monthly lease payments and will continue to do so until recovered. Annual rents due from the tenant are \$3.4 million.

Through March 2006, the Deer Park joint venture was accounted for under the provisions of FASB Statement No. 67 "Accounting for Costs and Initial Rental Operations of Real Estate Projects", where the rent received from the tenant prior to May 2005 and that accrued from June 2005 through March 2006, net of applicable expenses, were treated as incidental revenues and were recorded as a reduction in the basis of the assets. Given the uncertainty regarding the final outcome of the litigation described above, Deer Park discontinued the accrual of rental revenues associated with

the sale-leaseback transaction as of April 1, 2006. As a result, we recorded our portion of the project loss, which amounted to \$2,000 for the second quarter of 2006 as a reduction in our investment in Deer Park and as a reduction to equity in earnings of unconsolidated joint ventures. Deer Park continues to incur architectural, engineering and other construction costs associated with this development. We currently anticipate final permits and approvals will be obtained by the end of 2006, at which time Deer Park intends to demolish the building and begin construction.

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

<b>Summary Balance Sheets</b>	As of			
<b>- Unconsolidated Joint Ventures</b>	June 30,	As of December		
<b>Assets</b>	2006	31, 2005		
Investment properties at cost, net	\$ 37,474	\$ 64,915		
Construction in progress	65,298	15,734		
Cash and cash equivalents	2,926	6,355		
Deferred charges, net	1,805	1,548		
Other assets	13,220	6,690		
Total assets	\$120,723	\$ 95,242		
<b>Liabilities and Owners' Equity</b>				
Mortgages payable	\$ 77,380	\$ 61,081		
Construction trade payables	9,665	6,588		
Accounts payable and other liabilities	858	1,177		
Total liabilities	87,903	68,846		
Owners' equity	32,820	26,396		
Total liabilities and owners' equity	\$120,723	\$ 95,242		
<b>Consolidated Statements of Operations -</b>				
<b>Unconsolidated Joint Ventures</b>				
	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
<b>Revenues</b>	\$ 3,171	\$ 2,933	\$ 5,828	\$ 5,444
<b>Expenses</b>				
Property operating	1,202	1,067	2,232	2,041
General and administrative	66	15	73	15
Depreciation and amortization	788	769	1,574	1,536
Total expenses	2,056	1,851	3,879	3,592
<b>Operating income</b>	1,115	1,082	1,949	1,852
Interest expense	578	574	1,147	991
<b>Net income</b>	\$ 537	\$ 508	\$ 802	\$ 861
<b>Tanger's share of:</b>				
Net income	\$ 285	\$ 268	\$ 432	\$ 459
Depreciation (real estate related)	379	370	758	739

## 5. Disposition of Properties

### 2006 Transactions

In January 2006, we completed the sale of our property located in Pigeon Forge, Tennessee. Net proceeds received from the sale of the center were approximately \$6.0 million. We recorded a gain on sale of real estate of approximately \$3.5 million.



In March 2006, we completed the sale of our property located in North Branch, Minnesota. Net proceeds received from the sale of the center were approximately \$14.2 million. We recorded a gain on sale of real estate of approximately \$10.3 million.

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We continue to manage and lease these properties for a fee. Based on the nature and amounts of the fees to be received, we have determined that our management relationship does not constitute a significant continuing involvement and therefore we have shown the results of operations and gain on sale of real estate as discontinued operations under the provisions of FAS 144. Below is a summary of the results of operations for the Pigeon Forge, Tennessee and North Branch, Minnesota properties sold during the first quarter of 2006 (in thousands):

Summary Statements of Operations - Disposed Properties Included in Discontinued Operations	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
<b>Revenues:</b>				
Base rentals	\$ ---	\$ 683	\$ 448	\$ 1,328
Percentage rentals	---	14	6	19
Expense reimbursements	---	323	219	682
Other income	---	23	14	40
<b>Total revenues</b>	---	1,043	687	2,069
<b>Expenses:</b>				
Property operating	---	468	360	1,008
General and administrative	---	---	3	1
Depreciation and amortization	---	177	116	354
<b>Total expenses</b>	---	645	479	1,363
<b>Discontinued operations before gain on sale of real estate</b>	---	398	208	706
Gain on sale of real estate included in discontinued operations	---	---	13,833	---
<b>Discontinued operations before minority interest</b>	---	398	14,041	706
Minority interest	---	(72)	(2,328)	(128)
<b>Discontinued operations</b>	\$ ---	\$ 326	\$ 11,713	\$ 578

### 2005 Transactions

In February 2005, we completed the sale of the outlet center on our property located in Seymour, Indiana and recognized a loss of \$3.8 million, net of minority interest of \$847,000. Net proceeds received from the sale of the center were approximately \$2.0 million. We continue to have a significant interest in the property by retaining several outparcels and significant excess land. As such, the results of operations from the property continue to be recorded as a component of income from continuing operations and the loss on sale of real estate is reflected outside the caption discontinued operations under the guidance of Regulation S-X 210.3-15.

**Outparcel Sales**

Gains on sale of outparcels are included in other income in the consolidated statements of operations. Cost is allocated to the outparcels based on the relative market value method. Below is a summary of outparcel sales that we completed during the three and six months ended June 30, 2006 and 2005, respectively. (in thousands, except number of outparcels):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Number of outparcels	1	1	3	1
Net proceeds	\$238	\$252	\$863	\$252
Gains on sales included in other income	\$115	\$127	\$225	\$127

**6. Other Comprehensive Income**

Total comprehensive income for the three and six months ended June 30, 2006 and 2005 is as follows (in thousands):

	Three		Six	
	Months Ended		Months Ended	
	June		June	
	30,	2005	30,	2005
	2006		2006	
Net income	\$6,289	\$ 3,480	\$21,136	\$ 551
Other comprehensive income (loss):				
Reclassification adjustment for amortization of gain on settlement of US treasury rate lock included in net income, net of minority interest of \$(10) and \$(20)	(51)	---	(101)	---
Change in fair value of treasury rate locks, net of minority interest of \$303 and \$1,182	1,535	---	5,959	---
Change in fair value of our portion of TWMB cash flow hedge, net of minority interest of \$29, \$(64), \$72 and \$(80)	149	(290)	364	(362)
Other comprehensive income (loss)	1,633	(290)	6,222	(362)
Total comprehensive income	\$7,922	\$ 3,190	\$27,358	\$ 189

**7. Share-Based Compensation**

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), under the modified prospective method. Since we had previously accounted for our share-based compensation plan under the fair value provisions of SFAS No. 123, our adoption did not significantly impact our financial position or our results of operations.

During the first quarter of 2006, the Board of Directors approved the grant of 164,000 restricted common shares to the independent directors and our executive officers. We determined the grant date fair value of restricted share grants

based upon the market price of common shares on the date of grant. Compensation expense related to the amortization of the deferred compensation amount is being recognized in accordance with the vesting schedule of the restricted shares. The independent directors' restricted common shares vest ratably over a three year period. The executive officer's restricted common shares vest ratably over a five year period.

We recorded share based compensation expense for the three and six month periods ended June 30, 2006 and 2005, respectively as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Restricted shares	\$ 603	\$ 365	\$ 1,027	\$ 537
Share options	58	103	114	172
Total share based compensation	\$ 661	\$ 468	\$ 1,141	\$ 709

Compensation expensed capitalized during the periods was not significant.

Share options outstanding at June 30, 2006 had the following weighted average exercise prices and weighted average remaining contractual lives:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Options	Weighted average exercise price	Weighted average remaining contractual life in years	Options	Weighted average exercise price
\$9.3125 to \$11.0625	58,120	\$ 9.84	3.34	58,120	\$ 9.84
\$15.0625 to \$19.38	62,000	17.15	4.57	44,000	16.24
\$19.415 to \$23.96	419,180	19.50	7.83	114,780	19.48
	539,300	\$18.19	6.97	216,900	\$16.24

A summary of option activity under our Amended and Restated Incentive Award Plan as of June 30, 2006 and changes during the quarter then ended is presented below (aggregate intrinsic value amount in thousands):

Share Options	Shares	Weighted-average exercise Price	Weighted-average remaining contractual life in years	Aggregate intrinsic value
Outstanding as of December 31, 2005	632,240	\$18.08		
Granted	---	---		\$ ---
Exercised	(87,820 )	17.33		1,364
Forfeited	(5,120 )	19.42		---
Outstanding as of June 30, 2006	539,300	\$18.19	6.97	\$7,302
Vested and Expected to Vest as of June 30, 2006	521,973	\$18.15	6.97	\$7,090
Exercisable as of June 30, 2006	216,900	\$16.24	5.70	\$3,360

The following table summarizes information related to unvested restricted common shares outstanding as of June 30, 2006:

<b>Unvested Restricted Shares</b>	Number of shares	Weighted average grant date fair value
Unvested at December 31, 2005	225,586	\$20.95
Granted	164,000	31.92
Vested	(750 )	19.38
Forfeited	---	---
Unvested at June 30, 2006	388,836	\$25.58

As of June 30, 2006, there was \$9.5 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.8 years.

### 8. Earnings Per Share

The following table sets forth a reconciliation of the numerators and denominators in computing earnings per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2006	2005	June 30, 2006	2005
<b>Numerator</b>				
Income from continuing operations	\$ 6,289	\$ 3,154	\$ 9,423	\$ 3,816
Loss on sale of real estate	---	---	---	(3,843)
Less applicable preferred share dividends	(1,406)	---	(2,621)	---
Income from continuing operations available to common shareholders	4,883	3,154	6,802	(27)
Discontinued operations	---	326	11,713	578
Net income available to common shareholders	\$ 4,883	\$ 3,480	\$ 18,515	\$ 551
<b>Denominator</b>				
Basic weighted average common shares	30,593	27,357	30,562	27,330
Effect of outstanding share and unit options	220	165	233	173
Effect of unvested restricted share awards	102	54	94	43
Diluted weighted average common shares	30,915	27,576	30,889	27,546
<b>Basic earnings per common share</b>				
Income from continuing operations	\$ .16	\$ .12	\$ .22	\$ ---
Discontinued operations	---	.01	.39	.02
Net income	\$ .16	\$ .13	\$ .61	\$ .02
<b>Diluted earnings per common share</b>				
Income from continuing operations	\$ .16	\$ .11	\$ .22	\$ ---
Discontinued operations	---	.02	.38	.02

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Net income	\$ .16	\$ .13	\$ .60	\$ .02
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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. A total of 7,000 and 6,000 options were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2005. No options were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2006. The assumed conversion of the partnership units held by the minority interest limited partner as of the beginning of the year, which would result in the elimination of earnings allocated to the minority interest in the Operating Partnership, would have no impact on earnings per share since the allocation of earnings to a partnership unit, as if converted, is equivalent to earnings allocated to a common share.

Restricted share awards are included in the diluted earnings per share computation if the effect is dilutive, using the treasury stock method. All restricted shares issued are included in the calculation of diluted weighted average shares outstanding. If the share based awards were granted during the period, the shares issuable are weighted to reflect the portion of the period during which the awards were outstanding.

## 9. Derivatives

In accordance with our derivatives policy, all derivatives have been designated as cash flow hedges and assessed for effectiveness at the time the contract was entered into and are assessed for effectiveness on an on-going basis at each quarter end. Unrealized gains and losses related to the effective portion of our derivatives are recognized in other comprehensive income and gains or losses related to ineffective portions are recognized in the income statement. At June 30, 2006, all of our derivatives were considered effective.

The following table summarizes the notional values and fair values of our derivative financial instruments as of June 30, 2006.

### Financial Instrument

Type	Notional Value	Rate	Maturity	Fair Value
<b>TANGER PROPERTIES LIMITED PARTNERSHIP</b>				
US Treasury Lock	\$100,000,000	4.526%	July 2008	\$3,949,000
US Treasury Lock	\$100,000,000	4.715%	July 2008	\$2,879,000
<b>TWMB, ASSOCIATES, LLC</b>				
LIBOR Interest Rate Swap	\$35,000,000	4.59%	March 2010	\$1,054,000

## 10. Preferred Share Offering

In February 2006, we completed the sale of an additional 800,000 7.5% Class C Cumulative Preferred Shares with net proceeds of approximately \$19.4 million. The proceeds were used to repay amounts outstanding on our unsecured lines of credit. We pay annual dividends equal to \$1.875 per share and after the offering our total amount of Preferred Shares outstanding was 3,000,000.

## 11. Non-Cash Investing 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, 2006 and 2005 amounted to \$22.4 million and \$9.2 million, respectively.

## 12. New Accounting Pronouncements



In July 2006, the FASB issued FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize the impact of a tax position in our financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of January 1, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

### **13. Subsequent Events**

In July 2006, we closed on an unsecured line of credit for \$25 million with Branch Banking and Trust Co. During the month we also received a commitment for a \$25 million unsecured line of credit with SunTrust Bank.

On September 1, 2006, we intend to repay in full our mortgage debt outstanding with Woodman of the World Life Insurance Society totaling approximately \$15.3 million, with an interest rate of 8.86% and an original maturity of September 2010. We intend to make the repayment with amounts available under our existing unsecured lines of credit. As a result of the early repayment, we expect to recognize a charge for the early extinguishment of the mortgages of approximately \$708,000. The charge, which will be included in interest expense, will consist of a prepayment premium of approximately \$613,000 and the write-off of deferred loan fees totaling approximately \$95,000.

## 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, 2006 with the three and six months ended June 30, 2005. 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 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 our Annual Report on Form 10-K for the year ended December 31, 2005. There have been no material changes to the risk factors listed there through June 30, 2006.

### General Overview

In November 2005 we completed the acquisition of the final two-thirds interest in the COROC joint venture which owned nine factory outlet centers totaling approximately 3.3 million square feet. We originally purchased a one-third interest in December 2003. From December 2003 to November 2005, COROC was consolidated for financial reporting purposes under the provisions of FASB Interpretation No. 46 (Revised 2003): "Consolidation of Variable Interest Entities: An Interpretation of ARB No. 51", or FIN 46R. The purchase price for the final two-thirds interest of COROC was \$286.0 million (including closing and acquisition costs of \$3.5 million) which we funded with a combination of unsecured debt and equity raised through the capital markets in the fourth quarter of 2005.

At June 30, 2006, our consolidated portfolio included 29 wholly owned centers in 21 states totaling 8.0 million square feet compared to 31 wholly or partially owned centers in 22 states totaling 8.2 million square feet at June 30, 2005. The changes in the number of centers and GLA are due to the following events:

	No. of Centers	GLA (000's)	States
As of June 30, 2005	31	8,194	22
New development expansion:			
Locust Grove, Georgia	---	46	---
Foley, Alabama	---	21	---
Dispositions:			
Pigeon Forge, Tennessee	(1)	(95)	---
North Branch, Minnesota	(1)	(134)	(1)

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Other	---	(3)	---
As of June 30, 2006	29	8,029	21

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The table set forth below summarizes certain information with respect to our existing centers in which we have an ownership interest or manage as of June 30, 2006. (Excludes one wholly owned center in Charleston, South Carolina and one center in Wisconsin Dells, Wisconsin in which we own a 50% ownership interest. Both of these centers are currently under construction and will open in August 2006.)

<b>Location</b>	<b>GLA (sq. ft.)</b>	<b>% Occupied</b>
<b>Wholly Owned Properties</b>		
Riverhead, NY (1)	729,315	98.5
Rehoboth Beach, DE (1)	568,873	98.9
Foley, AL	557,093	95.7
San Marcos, TX	442,510	99.3
Myrtle Beach Hwy 501, SC	427,417	94.0
Sevierville, TN (1)	419,038	100.0
Hilton Head, SC	393,094	84.4
Commerce II, GA	338,656	98.6
Howell, MI	324,631	100.0
Park City, UT	300,602	100.0
Locust Grove, GA	293,868	93.9
Westbrook, CT	291,051	91.9
Branson, MO	277,883	99.8
Williamsburg, IA	277,230	97.5
Lincoln City, OR	270,280	98.4
Tuscola, IL	256,514	70.4
Lancaster, PA	255,152	100.0
Gonzales, LA	243,499	100.0
Tilton, NH	227,998	98.7
Fort Meyers, FL	198,924	93.9
Commerce I, GA	185,750	92.6
Terrell, TX	177,490	98.8
West Branch, MI	112,120	98.2
Barstow, CA	109,600	95.5
Blowing Rock, NC	104,280	100.0
Nags Head, NC	82,178	100.0
Boaz, AL	79,575	91.5
Kittery I, ME	59,694	100.0
Kittery II, ME	24,619	100.0
Totals	8,028,934	96.2
<b>Unconsolidated Joint Ventures</b>		
Myrtle Beach Hwy 17, SC (1)	401,992	100.0
<b>Managed Properties</b>		
North Branch, MN	134,480	N/A
Pigeon Forge, TN	94,694	N/A
Burlington, NC	64,288	N/A

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



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The table set forth below summarizes certain information as of June 30, 2006 with respect to our wholly owned existing centers related to GLA and debt which serve as collateral for existing mortgage loans.

Location	GLA (sq. ft.)	Mortgage Debt	Interest Rate	Maturity Date
		(000's) as of June 30, 2006		
<b>Woodman of the World</b>				
Blowing Rock, NC	104,280	\$ 9,114	8.860%	9/01/2010
Nags Head, NC	82,178	6,184	8.860%	9/01/2010
Subtotal	186,458	15,298		
<b>GMAC</b>				
Rehoboth Beach, DE	568,873			
Foley, AL	557,093			
Myrtle Beach Hwy 501, SC	427,417			
Hilton Head, SC	393,094			
Park City, UT	300,602			
Westbrook, CT	291,051			
Lincoln City, OR	270,280			
Tuscola, IL	256,514			
Tilton, NH	227,998			
	3,292,922	178,256	6.590%	7/10/2008
Net debt premium		4,623		
Subtotal		182,879		
<b>Totals</b>	<b>3,479,380</b>	<b>\$198,177</b>		

## RESULTS OF OPERATIONS

### Comparison of the three months ended June 30, 2006 to the three months ended June 30, 2005

Base rentals increased \$1.0 million, or 3%, in the 2006 period compared to the 2005 period. Our overall occupancy rates were comparable from period to period at 96.2% and 96.5%, respectively. Our base rental income increased \$1.2 million due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant space. During the 2006 period, we executed 113 leases totaling 466,000 square feet at an average increase of 16.9%. This compares to our execution of 106 leases totaling 452,000 square feet at an average increase of 5.7% during the 2005 period. Base rentals also increased due to the expansions of our Locust Grove, Georgia and Foley, Alabama centers which both occurred late in the fourth quarter of 2005. Decreases occurred in the amortization of above or below market leases totaling \$265,000 primarily as a result of accelerated above or below market rents recorded due to the early termination of tenants in the 2005 period.

The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. For the 2006 period, we recorded \$348,000 of additional rental income for the net amortization of market lease values compared with \$613,000 of additional rental income for the 2005 period. 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. As of June 30, 2006, there was \$2.7 million of unrecognized below market lease values, net.

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels (the "breakpoint"), increased \$144,000 or 11%. Reported same-space sales per square foot for the rolling twelve months ended June 30, 2006 were \$330 per square foot. This represents a 4% increase compared to the same period in 2005. Same-space 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, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses generally fluctuates consistently with the reimbursable property operating expenses to which it relates. Expense reimbursements, expressed as a percentage of property operating expenses, were 86% and 87% in the 2006 and 2005 periods, respectively. The decrease in the expense reimbursements expressed as a percentage of property operating expense is due to an increase in miscellaneous non-reimbursable expenses during the 2006 period.

Other income increased \$322,000, or 27%, in the 2006 period compared to the 2005 period. The overall increase in other income is due to the recognition of leasing, marketing and development fee income from our Tanger Wisconsin Dells ("Wisconsin Dells") joint venture and from our third-party property management contracts along with increases in miscellaneous vending income.

Property operating expenses increased by \$1.9 million, or 13%, in the 2006 period as compared to the 2005 period. The increase is due primarily to higher advertising and marketing expenses as the Easter holiday occurred in the second quarter in 2006 versus the first quarter in 2005 as well as increases in common area maintenance and non-reimbursable expenses.



General and administrative expenses increased \$366,000, or 10%, in the 2006 period as compared to the 2005 period. The increase is primarily due to an increase in compensation expense related to restricted shares issued during the first quarter of 2006 as well as an increase in estimated bonus compensation for senior executives in the 2006 period. As a percentage of total revenues, general and administrative expenses were 8% in both the 2006 and 2005 periods.

Depreciation and amortization increased \$2.4 million, or 21%, in the 2006 period compared to the 2005 period. In November 2005, we purchased our consolidated joint venture partner's interest in COROC. The acquisition was accounted for under SFAS 141 "Business Combinations" ("FAS 141"). The depreciation and amortization of the additional assets recorded as a result of the acquisition were the primary reason for the increase in overall depreciation and amortization.

Interest expense increased \$1.7 million, or 21%, during the 2006 period as compared to the 2005 period due to a higher overall debt level resulting from the final acquisition of COROC in November 2005. We issued \$250 million of unsecured bonds to finance a portion of the transaction which raised our debt levels significantly. However, the rate on the bonds, 6.15%, effectively lowered our average interest rate on debt as compared to the 2005 period average interest rate.

In November 2005, we purchased our consolidated joint venture partner's interest in COROC. Therefore, there is a decrease of \$6.7 million in earnings allocated to minority interest in consolidated joint venture in the 2006 period compared to the 2005 period. The allocation of earnings to our joint venture partner was based on a preferred return on investment as opposed to their ownership percentage and accordingly had a significant impact on our earnings.

Discontinued operations includes the results of operations and gains on sales of real estate for our Pigeon Forge, Tennessee and North Branch, Minnesota centers. The following table summarizes the results of operations and gains on sale of real estate for the 2006 and 2005 periods:

<b>Summary of discontinued operations</b>		2006		2005
Operating income from discontinued operations	\$	---	\$	398
Gain on sale of real estate		---		---
Income from discontinued operations		---		398
Minority interest in discontinued operations		---		(72)
Discontinued operations, net of minority interest	\$	---	\$	326

#### **Comparison of the six months ended June 30, 2006 to the six months ended June 30, 2005**

Base rentals increased \$2.8 million, or 4%, in the 2006 period compared to the 2005 period. Our overall occupancy rates were comparable from period to period at 96.2% and 96.5%, respectively. Our base rental income increased \$2.2 million due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant space. During the 2006 period, we executed 393 leases totaling 1.6 million square feet at an average increase of 11.6%. This compares to our execution of 317 leases totaling 1.4 million square feet at an average increase of 7.0% during the 2005 period. Base rentals also increased due to the expansions of our Locust Grove, Georgia and Foley, Alabama centers which both occurred late in the fourth quarter of 2005. Increases also occurred in the amortization of above or below market leases totaling \$147,000 primarily as a result of the additional above or below market rents recorded as a part of our acquisition of the final two-thirds interest in COROC Holdings, LLC in November 2005.

The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. For the 2006 period, we recorded \$806,000 of additional rental income for the net amortization of market lease values compared with \$659,000 of additional rental income for the 2005 period. 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. As of June 30, 2006, there was \$2.7 million of unrecognized below market lease values, net.

Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels (the "breakpoint"), increased \$422,000 or 20%. Reported same-space sales per square foot for the rolling twelve months ended June 30, 2006 were \$330 per square foot. This represents a 4% increase compared to the same period in 2005. Same-space 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, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses generally fluctuates consistently with the reimbursable property operating expenses to which it relates. Expense reimbursements, expressed as a percentage of property operating expenses, were 86% and 88% in the 2006 and 2005 periods, respectively. The decrease in the expense reimbursements expressed as a percentage of property operating expense is due to an increase in miscellaneous non-reimbursable expenses during the 2006 period.

Other income increased \$747,000, or 35%, in the 2006 period compared to the 2005 period. The overall increase in other income is due to the recognition of leasing, marketing and development fee income from our Wisconsin Dells joint venture and from our third-party property management contracts and increases in miscellaneous vending income.

Property operating expenses increased by \$917,000, or 3%, in the 2006 period as compared to the 2005 period. The increase is due primarily to higher common area maintenance expenses in the 2006 period versus the 2005 period and an increase in miscellaneous non-reimbursable expenses.

General and administrative expenses increased \$1.4 million, or 21%, in the 2006 period as compared to the 2005 period. The increase is primarily due to an increase in compensation expense related to restricted shares issued at the end of March 2005 and restricted shares issued during the 2006 period as well as an increase in estimated bonus compensation for senior executives in the 2006 period. As a percentage of total revenues, general and administrative expenses increased from 7% in the 2005 period to 8% in the 2006 period.

Depreciation and amortization increased \$5.5 million, or 23%, in the 2006 period compared to the 2005 period. In November 2005, we purchased our consolidated joint venture partner's interest in COROC. The acquisition was accounted for under SFAS 141 "Business Combinations" ("FAS 141"). The depreciation and amortization of the additional assets recorded as a result of the acquisition were the primary reason for the increase in overall depreciation and amortization.

Interest expense increased \$3.5 million, or 22%, during the 2006 period as compared to the 2005 period due to a higher overall debt level resulting from the final acquisition of COROC November 2005. We issued \$250 million of unsecured bonds to finance a portion of the transaction which raised our debt levels significantly. However, the rate on the bonds, 6.15%, effectively lowered our average interest rate on debt as compared to the 2005 period average interest rate.

In November 2005, we purchased our consolidated joint venture partner's interest in COROC. Therefore, there is a decrease of \$13.4 million in earnings allocated to minority interest in consolidated joint venture in the 2006 period compared to the 2005 period. The allocation of earnings to our joint venture partner was based on a preferred return on investment as opposed to their ownership percentage and accordingly had a significant impact on our earnings.

Discontinued operations includes the results of operations and gains on sales of real estate for our Pigeon Forge, Tennessee and North Branch, Minnesota centers. The following table summarizes the results of operations and gains on sale of real estate for the 2006 and 2005 periods:

<b>Summary of discontinued operations</b>	<b>2006</b>	<b>2005</b>
Operating income from discontinued operations	\$ 208	\$ 706

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Gain on sale of real estate	13,833	---
Income from discontinued operations	14,041	706
Minority interest in discontinued operations	(2,328)	(128)
Discontinued operations, net of minority interest	\$ 11,713	\$ 578

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During the first quarter of 2005 we sold our center in Seymour, Indiana. However, under the provisions of FAS 144, the sale did not qualify for treatment as discontinued operations. We recorded a loss on sale of real estate of \$3.8 million, net of minority interest of \$847,000, for the sale of the outlet center at our property in February 2005. Net proceeds received for the center were \$2.0 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

Net cash provided by operating activities was \$36.7 million and \$41.3 million for the six months ended June 30, 2006 and 2005, respectively. The decrease in cash provided by operating activities is due primarily to higher interest expense and debt levels in the 2006 period versus the 2005 period. Net cash used in investing activities was \$20.0 million and \$13.6 million during the first six months of 2006 and 2005, respectively. The increase was due primarily to cash used in the 2006 period for the on-going construction of our new center in Charleston, South Carolina and higher investment levels in unconsolidated joint ventures in 2006 versus 2005. These increases in cash used were offset by the higher proceeds from sales of real estate in 2006 versus 2005. Net cash used in financing activities was \$17.8 million and \$28.3 million during the first six months of 2006 and 2005, respectively. In the fourth quarter of 2005, we acquired the interest of our joint venture partner in COROC. Therefore, we did not have to make any cash distributions to them in the 2006 period whereas we made \$10.9 million in distributions to them in the 2005 period. We also received net proceeds of \$19.4 million from the sale of 800,000 preferred shares during the 2006 period, which were used to repay amounts outstanding on our unsecured lines of credit. Additionally, in the 2006 period, the total issuances and repayments of debt were a cash outflow of \$11.9 million versus a cash inflow of \$2.5 million in the 2005 period.

### ***Current Developments and Dispositions***

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. 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 net income or funds from operations.

### ***WHOLLY OWNED CURRENT DEVELOPMENTS***

We are currently under construction of a center located near Charleston, South Carolina. We expect the center to be approximately 352,500 square feet upon total build out with a scheduled grand opening date in August 2006.

We have an option to purchase land and have begun the early development and leasing of a site located approximately 30 miles south of Pittsburgh, Pennsylvania. We currently expect the center to be approximately 420,000 square feet upon total build out with the initial phase scheduled to open in the first quarter of 2008.

### ***WHOLLY OWNED DISPOSITIONS***

During the first quarter of 2006, we completed the sale of two outlet centers located in Pigeon Forge, Tennessee and North Branch, Minnesota. Net proceeds received from the sales of the centers were approximately \$20.2 million. We recorded gains on sales of real estate of \$13.8 million during the first quarter of 2006.

### ***UNCONSOLIDATED JOINT VENTURES***

#### ***Tanger Wisconsin Dells, LLC***

In March 2005, we established the Wisconsin Dells joint venture to construct and operate a Tanger Outlet center in Wisconsin Dells, Wisconsin. During the first quarter of 2006, capital contributions of approximately \$510,000 were made by each member. Construction is nearing completion and we expect the center to be approximately 264,900 square feet upon total build out of the initial phase with a scheduled grand opening in August 2006.

In February 2006, in conjunction with the construction of the center, Wisconsin Dells closed on a construction loan in the amount of \$30.25 million with Wells Fargo Bank, NA due in February 2009. The construction loan is repayable on an interest only basis with interest floating based on the 30, 60 or 90 day LIBOR index plus 1.30%. The construction loan incurred by this unconsolidated joint venture is collateralized by its property as well as joint and several guarantees by us and designated guarantors of our venture partner. The construction loan balance as of June 30, 2006 was approximately \$16.5 million. Commitments to complete construction of the new development and other capital expenditure requirements amounted to approximately \$2.1 million at June 30, 2006. Commitments for construction represent only those costs contractually required to be paid by Wisconsin Dells.

*Deer Park Enterprise, LLC*

In October 2003, Deer Park Enterprises (“Deer Park”), a joint venture in which we have a one-third ownership interest, entered into a sale-leaseback transaction for the location on which it ultimately will develop a shopping center that will contain both outlet and big box retail tenants in Deer Park, New York. To date, we have made equity contributions totaling \$4.5 million to Deer Park, including \$1.5 million in 2006. Both of the other venture partners have made equity contributions equal to ours.

In conjunction with the real estate purchase, Deer Park closed on a loan in the amount of \$19 million due in October 2005 and a purchase money mortgage note with the seller in the amount of \$7 million. In October 2005, Bank of America extended the maturity of the loan until October 2006. The loan with Bank of America incurs interest at a floating interest rate equal to LIBOR plus 2.00% and is collateralized by the property as well as joint and several guarantees by all three venture partners. The purchase money mortgage note bears no interest. However, interest has been imputed for financial statement purposes at a rate which approximates fair value.

The sale-leaseback transaction consisted of the sale of the property to Deer Park for \$29 million, including a 900,000 square foot industrial building, which was being leased back to the seller under an operating lease agreement. At the end of the lease in May 2005, the tenant vacated the building. However, the tenant had not satisfied all of the conditions necessary to terminate the lease nor to receive payment under the purchase money mortgage. Deer Park is currently in litigation to recover from the tenant its monthly lease payments and will continue to do so until recovered. Annual rents due from the tenant are \$3.4 million.

Through March 2006, the Deer Park joint venture was accounted for under the provisions of FASB Statement No. 67 “Accounting for Costs and Initial Rental Operations of Real Estate Projects”, where the rent received from the tenant prior to May 2005 and that accrued from June 2005 through March 2006, net of applicable expenses, were treated as incidental revenues and were recorded as a reduction in the basis of the assets. Given the uncertainty regarding the final outcome of the litigation described above, Deer Park discontinued the accrual of rental revenues associated with the sale-leaseback transaction as of April 1, 2006. As a result, we recorded our portion of the project loss, which amounted to \$2,000 for the second quarter of 2006 as a reduction in our investment in Deer Park and as a reduction to equity in earnings of unconsolidated joint ventures. Deer Park continues to incur architectural, engineering and other construction costs associated with this development. We currently anticipate final permits and approvals will be obtained by the end of 2006, at which time Deer Park intends to demolish the building and begin construction. We currently expect completion of the initial phase of the project to be during the first quarter of 2008.

## Financing Arrangements

In February 2006, we completed the sale of an additional 800,000 7.5% Class C Cumulative Preferred Shares with net proceeds of approximately \$19.4 million. The proceeds were used to repay amounts outstanding on our unsecured lines of credit. We pay annual dividends equal to \$1.875 per share and after the offering our total amount of Preferred Shares outstanding was 3,000,000.

At June 30, 2006, approximately 70% of our outstanding long-term debt represented unsecured borrowings and approximately 52% of the gross book value of our real estate portfolio was unencumbered. The average interest rate, including loan cost amortization, on average debt outstanding for the three months ended June 30, 2006 and 2005 was 6.91% and 7.35%, respectively.

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. During the third quarter of 2005, we replenished our shelf registration to allow us to issue up to \$600 million in either all debt or all equity or any combination thereof. Taking account of the preferred share offering during the first quarter of 2006, capacity under our shelf registration was approximately \$275 million as of June 30, 2006. During the third quarter of 2006, we intend to file an updated shelf registration as a well known seasoned issuer where we will be able 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, selling certain properties that do not meet our long-term investment criteria as well as outparcels on existing properties.

On September 1, 2006, we intend to repay in full our mortgage debt outstanding with Woodman of the World Life Insurance Society totaling approximately \$15.3 million, with an interest rate of 8.86% and an original maturity of September 2010. We intend to make the repayment with amounts available under our existing unsecured lines of credit. As a result of the early repayment, we expect to recognize a charge for the early extinguishment of the mortgages of approximately \$708,000. The charge, which will be included in interest expense, will consist of a prepayment premium of approximately \$613,000 and the write-off of deferred loan fees totaling approximately \$95,000.

We maintain unsecured, revolving lines of credit that provided for unsecured borrowings of up to \$150 million at June 30, 2006. All of our lines of credit have maturity dates between June 2008 and June 2009. During the second quarter of 2006, we received commitments from Branch Banking and Trust Co. ("BB&T") and SunTrust Bank for additional unsecured lines of credit of \$25 million each. In July 2006, we closed on the BB&T line of credit and expect to close on the SunTrust Bank line of credit within the next few months, bringing our total unsecured line of credit capacity to \$200 million. Based on cash provided by operations, existing credit facilities, ongoing negotiations with certain financial institutions and our ability to sell debt or equity subject to market conditions, we believe that we have access to the necessary financing to fund the planned capital expenditures during 2006 and 2007.

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 Real Estate Investment Trust ("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 the existing lines of credit or invested in short-term money market or other suitable instruments.

On July 13, 2006, our Board of Directors declared a \$.34 cash dividend per common share payable on August 15, 2006 to each shareholder of record on July 31, 2006, and caused a \$.68 per Operating Partnership unit cash distribution to be paid to the Operating Partnership's minority interest. The Board of Directors also declared a \$.46875



cash dividend per Class C Preferred Share payable on August 15, 2006 to holders of record on July 31, 2006.

### Off-Balance Sheet Arrangements

We are a party to a joint and several guarantee with respect to the \$30.25 million construction loan obtained by Wisconsin Dells during the first quarter of 2006. We are also a party to a joint and several guarantee with respect to the loan obtained by Deer Park which currently has a balance of \$19.0 million. See “Joint Ventures” section above for further discussion of off-balance sheet arrangements and their related guarantees. Our pro-rata portion of the TWMB Associates, LLC (“TWMB”) mortgage secured by the center is \$17.9 million. There is no guarantee provided for the TWMB mortgage by us.

### Critical Accounting Policies and Estimates

Refer to our 2005 Annual Report on Form 10-K 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 2006.

### Related Party Transactions

As noted above in “Unconsolidated Joint Ventures”, we are 50% owners of the TWMB and Wisconsin Dells joint ventures. TWMB and Wisconsin Dells pay us management, leasing, marketing and development fees, which we believe approximate current market rates, for such services. During the three and six months ended June 30, 2006 and 2005, we recognized the following fees:

	Three Months Ended		Six Months Ended	
	June 30, 2006	2005	2006	June 30, 2005
Fee:				
Management	\$ 78	\$ 78	\$ 156	\$ 156
Leasing	25	---	29	5
Marketing	9	---	9	---
Development	65	---	162	---
Total Fees	\$ 177	\$ 78	\$ 356	\$ 161

Tanger Family Limited Partnership, (“TFLP”) is a related party which holds a limited partnership interest in and is the minority owner of the Operating Partnership. Stanley K. Tanger, the Company’s Chairman of the Board and Chief Executive Officer, is the sole general partner of TFLP. The only material related party transaction with TFLP is the payment of quarterly distributions of earnings which were \$4.0 million and \$3.9 million for the six months ended June 30, 2006 and 2005, respectively.

### New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that we recognize the impact of a tax position in our financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of January 1, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.



## Funds From Operations

Funds from Operations, which we refer to as 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, which we refer to as 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, any 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 does not reflect the impact of earnings or charges resulting from matters which 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.

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Below is a reconciliation of FFO to net income for the three and six months ended June 30, 2006 and 2005 as well as other data for those respective periods (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
<b>FUNDS FROM OPERATIONS</b>				
Net income	\$ 6,289	\$ 3,480	\$ 21,136	\$ 551
Adjusted for:				
Minority interest in operating partnership	969	700	1,350	846
Minority interest adjustment - consolidated joint venture	---	(277)	---	(108)
Minority interest, depreciation and amortization attributable to discontinued operations	---	249	2,444	482
Depreciation and amortization uniquely significant to real estate - consolidated	13,526	11,181	29,411	23,880
Depreciation and amortization uniquely significant to real estate - unconsolidated joint ventures	379	370	758	739
(Gain) loss on sale of real estate	---	---	(13,833)	3,843
<b>Funds from operations (FFO) (1)</b>	<b>21,163</b>	<b>15,703</b>	<b>41,266</b>	<b>30,233</b>
Preferred share dividends	(1,406)	---	(2,621)	---
<b>Funds from operations available to common shareholders</b>	<b>\$ 19,757</b>	<b>\$ 15,703</b>	<b>\$ 38,645</b>	<b>\$ 30,233</b>
<b>Weighted average shares outstanding (2)</b>	<b>36,982</b>	<b>33,643</b>	<b>36,956</b>	<b>33,613</b>

- (1) The three months ended June 30, 2006 and 2005 includes gains on sales of outparcels of land of \$115 and \$127, respectively. The six months ended June 30 2006 and 2005 includes gains on sales of outparcels of land of \$225 and \$127, respectively.
- (2) Assumes the partnership units of the Operating Partnership held by the minority interest and share and unit options are converted to common shares of the Company.

### Economic Conditions and Outlook

The majority of our leases contain provisions designed to mitigate the impact of inflation. Such provisions include clauses for the escalation of base rent and clauses enabling us to receive percentage rentals based on tenants' gross sales (above predetermined levels, which we believe often are lower than traditional retail industry standards) that 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 factory outlet stores continue to be a profitable and fundamental distribution channel for 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.

During 2006, we have approximately 1,760,000 square feet, or 22% of our portfolio, coming up for renewal. If we were unable to successfully renew or re-lease 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.

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As of June 30, 2006, we have renewed approximately 1,259,000 square feet, or 71% of the square feet scheduled to expire in 2006. The existing tenants have renewed at an average base rental rate approximately 9% higher than the expiring rate. We also re-tenanted approximately 371,000 square feet of vacant space during the first six months of 2006 at a 22% increase in the average base rental rate from that which was previously charged. Our factory outlet centers typically include well-known, national, brand name companies. By maintaining a broad base of creditworthy 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) accounted for more than 5.9% of our combined base and percentage rental revenues for the three months ended June 30, 2006. 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 re-leased.

Our centers were 96.2% and 96.5% occupied as of June 30, 2006 and 2005, respectively. Consistent with our long-term strategy of re-merchandising centers, we will continue to hold space off the market until an appropriate tenant is identified. While we believe this strategy will add value to our centers in the long-term, it may reduce our average occupancy rates in the near term.

### **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 and to hedge anticipated future financings. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

In September 2005, we entered into two forward starting interest rate lock protection agreements to hedge risks related to anticipated future financings in 2005 and 2008. The 2005 agreement locked the US Treasury index rate at 4.279% on a notional amount of \$125 million for 10 years from such date in December 2005. This lock was unwound in the fourth quarter of 2005 in conjunction with the issuance of the \$250 million senior unsecured notes due in 2015 and, as a result, we received a cash payment of \$3.2 million. The gain was recorded in other comprehensive income and is being amortized into earnings using the effective interest method over a 10 year period that coincides with the interest payments associated with the senior unsecured notes due in 2015. The 2008 agreement locked the US Treasury index rate at 4.526% on a notional amount of \$100 million for 10 years from such date in July 2008. In November 2005, we entered into an additional agreement which locked the US Treasury index rate at 4.715% on a notional amount of \$100 million for 10 years from such date in July 2008. We anticipate unsecured debt transactions of at least the notional amount to occur in the designated periods.

The fair value of the interest rate protection agreements represents the estimated receipts or payments that would be made to terminate the agreement. At June 30, 2006, we would have received approximately \$6.8 million if we terminated the agreements. If the US Treasury rate index decreased 1% and we were to terminate the agreements, we would have to pay \$8.2 million to do so. The fair value is based on dealer quotes, considering current interest rates and remaining term to maturity. We do not intend to terminate the agreements prior to their maturity because we plan on entering into the debt transactions as indicated.

During March 2005, TWMB, entered into an interest rate swap agreement with a notional amount of \$35 million for five years to hedge floating rate debt on the permanent financing that was obtained in April 2005. Under this agreement, TWMB receives a floating interest rate based on the 30 day LIBOR index and pays a fixed interest rate of 4.59%. This swap effectively changes the rate of interest on \$35 million of variable rate mortgage debt to a fixed rate

debt of 5.99% for the contract period.

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The fair value of the interest rate swap agreement represents the estimated receipts or payments that would be made to terminate the agreement. At June 30, 2006, TWMB would have received approximately \$1,054,000 if the agreement was terminated. If the LIBOR index decreased 1% and we were to terminate the agreement, we would have to pay \$132,000 to do so. The fair value is based on dealer quotes, considering current interest rates and remaining term to maturity. TWMB does not intend to terminate the interest rate swap agreement prior to its maturity. The fair value of this derivative is currently recorded as an asset in TWMB's balance sheet; however, if held to maturity, the value of the swap will be zero at that time.

The fair market value of long-term fixed interest rate debt is subject to market risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of our total long-term debt at June 30, 2006 was \$641.2 million and its recorded value was \$650.6 million. A 1% increase from prevailing interest rates at June 30, 2006 would result in a decrease in fair value of total long-term debt by approximately \$22.8 million. Fair values were determined from quoted market prices, where available, using current interest rates considering credit ratings and the remaining terms to maturity.

The following table summarizes the notional values and fair values of our derivative financial instruments as of June 30, 2006.

<b>Financial Instrument Type</b>	<b>Notional Value</b>	<b>Rate</b>	<b>Maturity</b>	<b>Fair Value</b>
<b>TANGER PROPERTIES LIMITED PARTNERSHIP</b>				
US Treasury Lock	\$100,000,000	4.526%	July 2008	\$3,949,000
US Treasury Lock	\$100,000,000	4.715%	July 2008	\$2,879,000
<b>TWMB, ASSOCIATES, LLC</b>				
LIBOR Interest Rate Swap	\$35,000,000	4.59%	March 2010	\$1,054,000

#### **Item 4. 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, 2006. There were no changes to the Company's internal controls over financial reporting during the second quarter ended June 30, 2006, that materially affected, or are reasonably likely to materially affect, the Company's internal controls 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 Report on Form 10-K for the year ended December 31, 2005.

**Item 4. Submission of Matters to a Vote of Security Holders**

On May 12, 2006, we held our Annual Meeting of Shareholders. The matter on which common shareholders voted was the election of six directors to serve until the next Annual Meeting of Shareholders. The results of the voting are as shown below:

Nominees	Votes For	Votes Withheld
Stanley K. Tanger	24,366,244	5,334,693
Steven B. Tanger	24,358,634	5,342,303
Jack Africk	28,218,002	1,482,935
William G. Benton	28,906,312	794,625
Thomas E. Robinson	21,813,595	7,887,342
Allan L. Schuman	27,690,827	2,010,110

**Item 5. Other Information**

On May 9, 2006, we entered into an amended and restated employment agreement with Lisa J. Morrison, Senior Vice President of Leasing, effective January 1, 2006. The amendment clarifies certain terms and definitions in computing Ms. Morrison’s bonus computation. No other terms were amended. See Exhibit 10.9.

**Item 6. Exhibits**

- 10.9 Amended and Restated Employment Agreement for Lisa J. Morrison dated May 9, 2006.  
(Incorporated by reference to the exhibits of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.)
- 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.
- 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.
- 32.1 Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
- 32.2 Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350,



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.

TANGER FACTORY OUTLET CENTERS, INC.

By: /s/ Frank C. Marchisello, Jr.

Frank C. Marchisello, Jr.

Executive Vice President, Chief Financial Officer

DATE: August 4, 2006

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Exhibit Index

Exhibit No. Description

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