REED'S, INC.
Form 8-K
September 12, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 11, 2018 (September 11, 2018)

Reed’s Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-32501	35-2177773
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

201 Merritt 7 Corporate Park, Norwalk Connecticut 06851

(Address of principal executive offices and zip code)

Not applicable

(Former name or former address if changed since last report)

Registrant’s telephone number, including area code: (310) 217-9400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into Material Definitive Agreement

Effective September 11, 2018, in connection with the relocation of its principal place of business to Norwalk, Connecticut, Reed's Inc., a Delaware corporation ("Reed's or the "Company") entered into a sublease agreement with Merritt 7 Venture L.L.C., as landlord, and GE Capital US Holdings, Inc., a Delaware corporation, as sublessor. The subleased premises consist of 8,620 square feet of office space commonly known as 201 Merritt 7 Corporate Park, Norwalk, Connecticut. Reed's expects to take possession of 4,620 square feet of office space during September 2018, at a monthly base rent of $9,240. Reed's will take possession of the remaining 4,000 square feet on or after April 21, 2021, at a monthly base rent of $8,500. Base rent on both premises increases annually at a rate of $0.50 per square foot. The Sublease is structured as a gross lease and expires on December 15, 2024. The Sublease is subject to a master lease agreement and terminates automatically upon termination of the master lease.

The description of the Sublease contained herein does not purport to be complete and is qualified in its entirety by reference to the complete text of the Sublease. A copy of the Sublease will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2018.

SIGNATURE

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

REEDS, INC.,
a Delaware corporation

Dated: September 11, 2018 By: */s/ Iris Snyder*
Iris Snyder,
Chief Financial Officer

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$
1.3

$
65.0

National Harbor

National Harbor, MD

50.0
%

339

9.5

83.7

RioCan Canada

Various

50.0
%

870

132.5

15.7

Savannah [1]

Savannah, GA

50.0
%

—

46.5

25.5

Westgate

Glendale, AZ

58.0
%

381

14.3

54.0

Wisconsin Dells

Wisconsin Dells, WI

50.0
%

265

2.4

24.3

Other

—

1.5

—

$
208.0

$
268.2

Charlotte[(2)]

Charlotte, NC

50.0
%

398

$
(2.2
)

$
90.0

$

(2.2
)

$
90.0

(1) Based on capital contribution and distribution provisions in the joint venture agreement, we expect our economic interest in the venture's cash flow to be greater than the ownership percentage indicated above, which in this case, states our legal interest in this venture. Our economic interest may fluctuate based on a number of factors, including mortgage financing, partnership capital contributions and distributions, and proceeds from gains or losses of asset sales.

(2) The negative carrying value is due to the distributions of proceeds from mortgage loans and quarterly distributions of excess cash flow exceeding the original contributions from the partners.

21

Fees we received for various services provided to our unconsolidated joint ventures were recognized in management, leasing and other services as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Fee:				
Development and leasing	$727	$70	$1,307	$78
Loan guarantee	187	146	383	187
Management and marketing	813	542	1,320	1,059
Total Fees	$1,727	$758	$3,010	$1,324

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 (totaling $4.0 million and $4.4 million as of June 30, 2015 and December 31, 2014, respectively) are amortized over the various useful lives of the related assets.

Columbus, Ohio

During the second quarter of 2015, the joint venture purchased land for approximately $8.9 million and began construction on Tanger Outlets Columbus. We and our partner currently expect to complete construction in time to open the center during the second quarter of 2016. Our partner is providing development services to the joint venture and we, along with our partner, are providing joint leasing services. Once the center opens, we will provide property management, marketing and leasing services to the joint venture.

Savannah, Georgia

In January 2014, we announced a joint venture arrangement to develop Tanger Outlets Savannah. The center, which opened in April 2015, includes approximately 377,000 square feet. As of June 30, 2015, our equity contributions totaled $45.8 million and our partner’s equity contributions totaled $8.3 million. Contributions we made in excess of our partners' equity contributions earned a preferred rate of return equal to 8% from the date the contributions were made until the outlet center’s grand opening in April 2015, and will earn 10% annually thereafter.

The joint venture has an interest only mortgage loan with the ability to borrow up to $97.7 million, of which $4.7 million will be available for future expansion, at an interest rate of LIBOR + 1.65%. The loan initially matures on May 21, 2017, with two, one -year extension options. As of June 30, 2015, the balance on the loan was $70.1 million. We are providing development, management and marketing services to the joint venture; and with our partner, are jointly providing leasing services to the outlet center.

Westgate, Glendale, Arizona

During the first quarter of 2015, the joint venture completed the remaining 28,000 square feet of a 78,000 square foot expansion of the existing property which brought the size of the outlet center to approximately 411,000 square feet. Construction commenced on the expansion during the second quarter of 2014 and was funded with borrowings under the amended Westgate mortgage loan. The joint venture's amended and restated construction loan has the ability to borrow up to $62.0 million. The loan initially matured in June 2015, and during the second quarter of 2015 the joint venture exercised the two year option to extend the maturity date of the loan to June 2017. As of June 30, 2015, the

balance on the loan was $62.0 million.

Tanger Outlets Westgate opened in November 2012 and was developed through, and is currently owned by, a joint venture that was formed in May 2012. We are providing property management, construction supervision, marketing and leasing services to the joint venture.

Wisconsin Dells, Wisconsin

In February 2015, we sold our equity interest in the joint venture that owned an outlet center in Wisconsin Dells, Wisconsin for approximately $15.6 million, representing our share of the sales price totaling $27.7 million less our share of the outstanding debt, which totaled $12.1 million. As a result of this transaction, we recorded a gain of approximately $13.7 million in the first quarter of 2015, which represents the difference between the carrying value of our equity method investment and the net proceeds received.

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

Condensed Combined Balance Sheets - Unconsolidated Joint Ventures	June 30, 2015	December 31, 2014
Assets		
Land	$107,503	$102,601
Buildings, improvements and fixtures	630,777	542,501
Construction in progress, including land	27,628	104,780
	765,908	749,882
Accumulated depreciation	(46,203)	(48,233)
Total rental property, net	719,705	701,649
Cash and cash equivalents	47,793	46,917
Deferred lease costs, net	20,607	21,234
Deferred debt origination costs, net	4,706	5,995
Prepaids and other assets	12,833	12,766
Total assets	$805,644	$788,561
Liabilities and Owners' Equity		
Mortgages payable	$385,275	$358,219
Accounts payable and other liabilities	45,490	70,795
Total liabilities	430,765	429,014
Owners' equity	374,879	359,547
Total liabilities and owners' equity	$805,644	$788,561

Condensed Combined Statements of Operations - Unconsolidated Joint Ventures	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues	$26,189	$16,079	$50,153	$32,834
Expenses				
Property operating	11,167	6,624	20,311	13,270
General and administrative	90	27	308	156
Depreciation and amortization	8,556	4,564	16,378	9,538
Total expenses	19,813	11,215	36,997	22,964
Operating income	6,376	4,864	13,156	9,870
Interest expense	(2,216)	(1,383)	(3,980)	(2,609)
Interest and other income	5	—	13	—
Net income	$4,165	$3,481	$9,189	$7,261
The Company and Operating Partnership's share of:				
Net income	$2,046	$1,788	$4,589	$3,721
Depreciation expense (real estate related)	$5,038	$2,403	$9,114	$5,008

23

6. Debt of the Company

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

The Company guarantees the Operating Partnership's obligations with respect to its unsecured lines of credit which have a total borrowing capacity of $520.0 million. The Company also guarantees the Operating Partnership's unsecured term loan as well as its obligation with respect to the mortgage assumed in connection with the acquisition of the outlet center in Ocean City, Maryland in July 2011.

The Operating Partnership had the following amounts outstanding on the debt guaranteed by the Company (in thousands):

	June 30, 2015	December 31, 2014
Unsecured lines of credit	$176,300	$111,000
Unsecured term loan	$250,000	$250,000
Ocean City mortgage	$17,635	$17,827

7. Debt of the Operating Partnership

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

			As of June 30, 2015		As of December 31, 2014	
	Stated Interest Rate(s)	Maturity Date	Principal	Premium (Discount)	Principal	Premium (Discount)
Senior, unsecured notes:						
Senior notes	6.125 %	June 2020	$300,000	$(1,175)	$300,000	$(1,276)
Senior notes	3.875 %	December 2023	250,000	(3,557)	250,000	(3,732)
Senior notes	3.750 %	December 2024	250,000	(1,358)	250,000	(1,418)
Mortgages payable:						
Atlantic City [1]	5.14%-7.65%	November 2021- December 2026	44,673	3,494	45,997	3,694
Deer Park	LIBOR + 1.50%	August 2018	150,000	(1,003)	150,000	(1,161)
Foxwoods	LIBOR + 1.65%	December 2017	62,092	—	25,235	—
Hershey [1]	5.17%-8.00%	August 2015	—	—	29,271	399
Ocean City [1]	5.24 %	January 2016	17,635	51	17,827	99
Southaven	LIBOR + 1.75%	April 2018	—	—	—	—
Note payable [1]	1.50 %	June 2016	10,000	(162)	10,000	(241)
Unsecured term loan	LIBOR + 1.05%	February 2019	250,000	—	250,000	—
Unsecured term note	LIBOR + 1.30%	August 2017	7,500	—	7,500	—
Unsecured lines of credit		October 2017	176,300	—	111,000	—

	LIBOR + 1.00%				
		$1,518,200	$(3,710)	$1,446,830	$(3,636)

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

Certain of our properties, which had a net book value of approximately $572.7 million at June 30, 2015 and $602.7 million at December 31, 2014, serve as collateral for mortgages payable. We maintain unsecured lines of credit that provide for borrowings of up to $520.0 million. The unsecured lines of credit include a $20.0 million liquidity line and a $500.0 million syndicated line. The syndicated line may be increased to $750.0 million through an accordion feature in certain circumstances.

We provide guarantees to lenders for our joint ventures which include standard non-recourse carve out indemnifications for losses arising from items such as but not limited to fraud, physical waste, payment of taxes, environmental indemnities, misapplication of insurance proceeds or security deposits and failure to maintain required insurance. For construction and term loans, we may include a guaranty of completion as well as a principal guaranty ranging from 5% to 100% of principal. The principal guarantees include terms for release or reduction based upon satisfactory completion of construction and performance targets including occupancy thresholds and minimum debt service coverage tests.

The unsecured lines of credit and senior unsecured notes include covenants that require the maintenance of certain ratios, including debt service coverage and leverage, and limit the payment of dividends such that dividends and distributions will not exceed funds from operations, as defined in the agreements, for the prior fiscal year on an annual basis or 95% of funds from operations on a cumulative basis. As of June 30, 2015, we were in compliance with all of our debt covenants.

Hershey Mortgage

During the second quarter of 2015, we repaid the mortgages associated with our Hershey, Pennsylvania property, which were assumed as part of the acquisition of the property in 2011. The maturity date of the mortgages was August 1, 2015 and had a principal balance at the date of extinguishment of $29.0 million. We also wrote off the remaining unamortized premiums associated with the mortgages totaling approximately $201,000.

Southaven Mortgage

In April 2015, the consolidated joint venture closed on a mortgage loan with the ability to borrow up to $60.0 million at an interest rate of LIBOR +1.75%. The loan initially matures on April 29, 2018, with one two-year extension option.

Debt Maturities

Maturities of the existing long-term debt as of June 30, 2015 are as follows (in thousands):

Calendar Year	Amount
2015	$1,556
2016	30,283
2017	248,900
2018	153,183
2019	253,369
Thereafter	830,909
Subtotal	1,518,200
Net discount	(3,710)
Total	$1,514,490

25

8. Derivative Financial Instruments

The following table summarizes the terms and fair values of our derivative financial instruments, as well as their classifications within the consolidated balance sheets (in thousands):

					Fair Value	
Effective Date	Maturity Date	Notional Amount	Bank Pay Rate	Company Fixed Pay Rate	June 30, 2015	December 31, 2014
Assets (Liabilities):						
November 14, 2013	August 14, 2018	$50,000	1 month LIBOR	1.3075 %	$(273)	$26
November 14, 2013	August 14, 2018	50,000	1 month LIBOR	1.2970 %	(256)	40
November 14, 2013	August 14, 2018	50,000	1 month LIBOR	1.3025 %	(265)	29
Total		$150,000			$(794)	$95

The derivative financial instruments are comprised of interest rate swaps, which are designated and qualify as cash flow hedges, each with a separate counterparty. We do not use derivatives for trading or speculative purposes and currently do not have any derivatives that are not designated as hedges.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivative, if any, is recognized directly in earnings.

The following table represents the effect of the derivative financial instruments on the accompanying consolidated financial statements (in thousands):

	Location of Reclassification from Accumulated OCI Into Income	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Interest Rate Swaps (Effective Portion):					
Amount of gain (loss) recognized in OCI on derivative		$398	$(1,018)	$(889)	$(1,338)
Treasury Rate Lock (Effective Portion):					
Amount of gain reclassified from accumulated OCI into income	Interest Expense	$—	$98	$—	$194

In 2005, we settled two US treasury rate lock agreements associated with a 10 year senior, unsecured bond offering and received approximately $3.2 million. We fully amortized the remaining balance in December 2014 in connection with the early redemption of the associated 10 year senior, unsecured notes.

9. Fair Value Measurements

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

Tier	Description
Level 1	Observable inputs such as quoted prices in active markets
Level 2	Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3	Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions

The following table sets forth our assets and liabilities that are measured at fair value within the fair value hierarchy (in thousands):

	Total	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Fair value as of June 30, 2015:				
Liabilities:				
Interest rate swaps (other liabilities)	$(794)	$—	$(794)	$—
Total liabilities	$(794)	$—	$(794)	$—

	Total	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Fair value as of December 31, 2014:				
Assets:				
Interest rate swaps (prepaids and other assets)	$95	$—	$95	$—
Total assets	$95	$—	$95	$—

The estimated fair value and recorded value of our debt consisting of senior unsecured notes, unsecured term loans, secured mortgages and unsecured lines of credit were as follows (in thousands):

	June 30, 2015	December 31, 2014
Fair value of debt	$1,572,370	$1,493,519
Recorded value of debt	1,514,490	1,443,194

With the exception of the unsecured term loan and unsecured lines of credit, that have variable rates and considered at market value, fair values of the senior notes and mortgage loans are determined using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements. Because the Company's senior unsecured notes are publicly traded with limited trading volume, these instruments are classified as Level 2 in the hierarchy. In contrast, mortgage loans are classified as Level 3 given the unobservable inputs utilized in the valuation. Considerable judgment is necessary to develop estimated fair values of financial instruments. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on the disposition of the financial instruments.

The carrying values of cash and cash equivalents, receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

10. Shareholders' Equity of the Company

During the six months ended June 30, 2014, Non-Company LPs exchanged a total of 43,331 Class A common limited partnership units of the Operating Partnership for an equal number of common shares of the Company. No Class A common limited partnership units of the Operating Partnership were exchanged during the six months ended June 30, 2015. As of June 30, 2015, the Non-Company LPs owned 5,078,406 Class A common limited partnership units. Each Class A common limited partnership unit is exchangeable for one common share of the Company.

27

11. Partners' Equity of the Operating Partnership

All units of partnership interest issued by the Operating Partnership have equal rights with respect to earnings, dividends and net assets. When the Company issues common shares upon the exercise of options, the issuance of restricted share awards or the exchange of Class A common limited partnership units, the Operating Partnership issues a corresponding Class B common limited partnership unit to Tanger LP trust, a wholly owned subsidiary of the Company.

The following table sets forth the changes in outstanding partnership units for the six months ended June 30, 2015 and June 30, 2014.

		Limited Partnership Units		
	General Partnership Units	Class A	Class B	Total
Balance December 31, 2013	1,000,000	5,145,012	93,505,685	98,650,697
Exchange of Class A limited partnership units	—	(43,331)	43,331	—
Issuance of restricted units	—	—	1,302,729	1,302,729
Units issued upon exercise of options	—	—	29,900	29,900
Balance June 30, 2014	1,000,000	5,101,681	94,881,645	99,983,326
Balance December 31, 2014	1,000,000	5,078,406	94,509,781	99,588,187
Issuance of restricted units	—	—	348,844	348,844
Units issued upon exercise of options	—	—	14,000	14,000
Units withheld for employee income taxes	—	—	(30,578)	(30,578)
Balance June 30, 2015	1,000,000	5,078,406	94,842,047	99,920,453

12. Earnings Per Share of the Company

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Numerator				
Net income attributable to Tanger Factory Outlet Centers, Inc.	$24,481	$18,850	$58,993	$33,466
Less allocation of earnings to participating securities	(308)	(481)	(716)	(910)
Net income available to common shareholders of Tanger Factory Outlet Centers, Inc.	$24,173	$18,369	$58,277	$32,556
Denominator				
Basic weighted average common shares	94,741	93,800	94,639	93,690
Effect of notional units	—	—	—	—
Effect of outstanding options and certain restricted common shares	54	74	66	72
Diluted weighted average common shares	94,795	93,874	94,705	93,762
Basic earnings per common share:				
Net income	$0.26	$0.20	$0.62	$0.35
Diluted earnings per common share:				
Net income	$0.26	$0.20	$0.62	$0.35

28

The notional units are considered contingently issuable common shares and are included in earnings per share if the effect is dilutive using the treasury stock method. Notional units granted in 2010 were converted into 933,769 restricted common shares in January 2014. The restricted common shares vested on December 31, 2014 and were considered participating securities through the vesting date.

The computation of diluted earnings per share excludes options to purchase common shares when the exercise price is greater than the average market price of the common shares for the period. For the three and six months ended June 30, 2015, 250,700 and 250,800 options were excluded from the computation, respectively. For the both the three and six months ended June 30, 2014, 276,500 options were excluded from the computation. The assumed exchange of the partnership units held by the Non-Company LPs as of the beginning of the year, which would result in the elimination of earnings allocated to the noncontrolling interest in the Operating Partnership, would have no impact on earnings per share since the allocation of earnings to a common limited partnership unit, as if exchanged, is equivalent to earnings allocated to a common share.

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

13. Earnings Per Unit of the Operating Partnership

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Numerator				
Net income attributable to partners of the Operating Partnership	$25,794	$19,878	$62,161	$35,297
Less allocation of earnings to participating securities	(308)	(481)	(716)	(910)
Net income available to common unitholders of the Operating Partnership	$25,486	$19,397	$61,445	$34,387
Denominator				
Basic weighted average common units	99,819	98,916	99,717	98,818
Effect of notional units	—	—	—	—
Effect of outstanding options and certain restricted common units	54	74	66	72
Diluted weighted average common units	99,873	98,990	99,783	98,890
Basic earnings per common unit:				
Net income	$0.26	$0.20	$0.62	$0.35
Diluted earnings per common unit:				
Net income	$0.26	$0.20	$0.62	$0.35

The notional units are considered contingently issuable common units and are included in earnings per unit if the effect is dilutive using the treasury stock method. Notional units granted in 2010 were converted into 933,769 restricted common units in January 2014. The restricted common units vested on December 31, 2014 and were considered participating securities through the vesting date.

The computation of diluted earnings per unit excludes options to purchase common units when the exercise price is greater than the average market price of the common units for the period. The market price of a common unit is considered to be equivalent to the market price of a Company common share. For the three and six months ended June 30, 2015, 250,700 and 250,800 options were excluded from the computation, respectively. For the both the three and six months ended June 30, 2014, 276,500 options were excluded from the computation.

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

14. Equity Based Compensation of the Company

We have a shareholder approved equity-based compensation plan, the Incentive Award Plan of Tanger Factory Outlet Centers and Tanger Properties Limited Partnership (Amended and Restated as of April 4, 2014) (the "Plan"), which covers our independent directors, officers, employees and consultants. For each common share issued by the Company, the Operating Partnership issues one corresponding unit of partnership interest to the Company's wholly owned subsidiaries. Therefore, when the Company grants an equity based award, the Operating Partnership treats each award as having been granted by the Operating Partnership. In the discussion below, the term "we" refers to the Company and the Operating Partnership together and the term "shares" is meant to also include corresponding units of the Operating Partnership.

During February 2015, the Company issued 357,844 restricted common shares to the Company's independent directors and the Company's senior executive officers. The grant date fair value of the awards ranged from $32.77 to $38.55 per share. The independent directors' restricted common shares vest ratably over a three year period and the senior executive officers' restricted shares vest ratably over a five year period. For the restricted shares issued to our chief executive officer, the restricted share agreement requires him to hold the shares for a minimum of three years following each vesting date. Compensation expense related to the amortization of the deferred compensation is being recognized in accordance with the vesting schedule of the restricted shares.

In February 2015, the Compensation Committee of the Company approved the general terms of the Tanger Factory Outlet Centers, Inc. 2015 Outperformance Plan (the “2015 OPP"). The 2015 OPP is a long-term performance based incentive compensation plan pursuant to which award recipients may earn up to an aggregate of 306,600 restricted common shares based on the Company’s absolute share price appreciation (or total shareholder return) and its share price appreciation relative to its peer group, over a three year measurement period from January 1, 2015 through December 31, 2017.

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Restricted common shares	$2,837	$2,528	$5,496	$4,833
Notional unit performance awards	1,001	1,113	1,841	2,059
Options	115	114	229	228
Total share-based compensation	$3,953	$3,755	$7,566	$7,120

Share-based compensation expense capitalized as a part of rental property and deferred lease costs were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014

Share-based compensation expense capitalized	$215	$182	$403	$341

We withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes, and remitted the cash to the appropriate taxing authorities. The total number of shares withheld was 30,578 for the six months ended June 30, 2015, and was based on the value of the restricted common shares on the vesting date as determined by our closing share price on the day prior to the vesting date. No shares were withheld for the three months ended June 30, 2015 or for the three and six months ended June 30, 2014. Total amounts paid for the employees' tax obligation to taxing authorities was $1.1 million for the six months ended June 30, 2015 and is reflected as a financing activity within the consolidated statements of cash flows.

15. Accumulated Other Comprehensive Income of the Company

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and six months ended June 30, 2015 (in thousands):

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance March 31, 2015	$(24,624)	$(1,131)	$(25,755)	$(1,338)	$(61)	$(1,399)
Unrealized gain on foreign currency translation adjustments	2,908	—	2,908	155	—	155
Change in fair value of cash flow hedges	—	377	377	—	21	21
Balance June 30, 2015	$(21,716)	$(754)	$(22,470)	$(1,183)	$(40)	$(1,223)

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance December 31, 2014	$(14,113)	$90	$(14,023)	$(773)	$5	$(768)
Unrealized loss on foreign currency translation adjustments	(7,603)	—	(7,603)	(410)	—	(410)
Change in fair value of cash flow hedges	—	(844)	(844)	—	(45)	(45)
Balance June 30, 2015	$(21,716)	$(754)	$(22,470)	$(1,183)	$(40)	$(1,223)

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and six months ended June 30, 2014 (in thousands):

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance March 31, 2014	$(7,282)	$1,767	$(5,515)	$(402)	$(60)	$(462)
Amortization of cash flow hedges	—	(93)	(93)	—	(5)	(5)
Unrealized gain on foreign currency translation adjustments	3,308	—	3,308	180	—	180
Change in fair value of cash flow hedges	—	(965)	(965)	—	(53)	(53)
Balance June 30, 2014	$(3,974)	$709	$(3,265)	$(222)	$(118)	$(340)

	Tanger Factory Outlet Centers, Inc. Accumulated Other Comprehensive Income (Loss)			Noncontrolling Interest in Operating Partnership Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency	Cash flow hedges	Total	Foreign Currency	Cash flow hedges	Total
Balance December 31, 2013	$(4,590)	$2,162	$(2,428)	$(254)	$(39)	$(293)
Amortization of cash flow hedges	—	(184)	(184)	—	(10)	(10)
Unrealized gain on foreign currency translation adjustments	616	—	616	32	—	32
Change in fair value of cash flow hedges	—	(1,269)	(1,269)	—	(69)	(69)
Balance June 30, 2014	$(3,974)	$709	$(3,265)	$(222)	$(118)	$(340)

The following represents amounts reclassified out of accumulated other comprehensive income and into earnings (in thousands):

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in Statement of Operations
	Three months ended June 30,		Six months ended June 30,		
	2015	2014	2015	2014	
Amortization of cash flow hedges	$—	$(93)	$—	$(184)	Interest expense

16. Accumulated Other Comprehensive Income of the Operating Partnership

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and six months ended June 30, 2015 (in thousands):

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance March 31, 2015	$(25,962)	$(1,192)	$(27,154)
Unrealized gain on foreign currency translation adjustments	3,063	—	3,063
Change in fair value of cash flow hedges	—	398	398
Balance June 30, 2015	$(22,899)	$(794)	$(23,693)

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2014	$(14,886)	$95	$(14,791)
Unrealized loss on foreign currency translation adjustments	(8,013)	—	(8,013)
Change in fair value of cash flow hedges	—	(889)	(889)
Balance June 30, 2015	$(22,899)	$(794)	$(23,693)

The following table presents changes in the balances of each component of accumulated comprehensive income for the three and six months ended June 30, 2014 (in thousands):

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance March 31, 2014	$(7,684)	$1,707	$(5,977)
Amortization of cash flow hedges	—	(98)	(98)
Unrealized gain on foreign currency translation adjustments	3,488	—	3,488
Change in fair value of cash flow hedges	—	(1,018)	(1,018)
Balance June 30, 2014	$(4,196)	$591	$(3,605)

	Foreign Currency	Cash flow hedges	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2013	$(4,844)	$2,123	$(2,721)
Amortization of cash flow hedges	—	(194)	(194)
Unrealized gain on foreign currency translation adjustments	648	—	648
Change in fair value of cash flow hedges	—	(1,338)	(1,338)
Balance June 30, 2014	$(4,196)	$591	$(3,605)

The following represents amounts reclassified out of accumulated other comprehensive income and into earnings:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in Statement of Operations
	Three months ended June 30,		Six months ended June 30,		
	2015	2014	2015	2014	
Amortization of cash flow hedges	$—	$(98)	$—	$(194)	Interest expense

17. Non-Cash Activities

We purchase capital equipment and incur costs relating to construction of facilities, including tenant finishing allowances. Expenditures included in accounts payable and accrued expenses were as follows (in thousands):

	June 30, 2015	June 30, 2014
Costs relating to construction included in accounts payable and accrued expenses	$41,952	$15,342

Additionally, for the six months ended June 30, 2015 additions to rental property excludes $197,000 in equity contributions made by our noncontrolling interest partner for pre-development costs at our Southaven outlet center which is currently under development. For the six months ended June 30, 2014, additions to rental property excludes $903,000 in equity contributions made by our noncontrolling interest partner related to pre-development costs at our Foxwoods outlet center, which opened in May 2015.

18. New Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The guidance in the new standard is limited to the presentation of debt issuance costs. The standard does not affect the recognition and measurement of debt issuance costs. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. We do not expect the adoption of ASU 2015-03 to have a material impact on our consolidated financial statements.

In February 2015, FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15 Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods

thereafter with early adoption permitted. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (the "Final Standard"). Under the Final Standard, only disposals representing a strategic shift in operations (e.g., a disposal of a major geographic area, a major line of business or a major equity method investment) will be presented as discontinued operations. Under current GAAP, companies that sell a single investment property are generally required to report the sale as a discontinued operation, which requires the companies to reclassify earnings from continuing operations for all periods presented. The Final Standard is effective in the first quarter of 2015 for public entities with calendar year ends. The FASB will permit early adoption of the Final Standard, beginning in the first quarter of 2014, but only for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. We early adopted the standard in the first quarter of 2014. See Note 3 Disposition of Properties and Properties Held for Sale for further information.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We are required to adopt the new pronouncement in the first quarter of fiscal 2018 using one of two retrospective application methods. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

19. Subsequent Events

In July 2015, we repaid the mortgage associated with our Ocean City, Maryland outlet center, which was assumed as part of the acquisition of the property in 2011. The maturity date of the mortgage was January 6, 2016 and had a principal balance at the date of extinguishment of $17.6 million. We also wrote off the remaining unamortized premium associated with the mortgage totaling approximately $51,000.

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, 2015 with the three and six months ended June 30, 2014. The results of operations discussion is combined for Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership because the results are virtually the same for both entities. The following discussion should be read in conjunction with the unaudited consolidated financial statements appearing elsewhere in this report. Historical results and percentage relationships set forth in the unaudited, consolidated statements of operations, including trends which might appear, are not necessarily indicative of future operations. Unless the context indicates otherwise, the term, "Company", refers to Tanger Factory Outlet Centers, Inc. and subsidiaries and the term, "Operating Partnership", refers to Tanger Properties Limited Partnership and subsidiaries. The terms "we", "our" and "us" refer to the Company or the Company and the Operating Partnership together, as the text requires.

Cautionary Statements

Certain statements made below are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend for such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and included this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies, beliefs and expectations, are generally identifiable by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. Such forward-looking statements include, but are not limited to, statements regarding our: future issuances of equity and debt and the expected use of proceeds from such issuances; potential sales or purchases of outlet centers; anticipated results of operations, liquidity and working capital; new outlet center developments and expansions; and real estate joint ventures. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other important factors which are, in some cases, beyond our control and which could materially affect our actual results, performance or achievements. Important factors which may cause actual results to differ materially from current expectations include, but are not limited to, our inability to develop new outlet centers or expand existing outlet centers successfully; risks related to the economic performance and market value of our outlet centers; the relative illiquidity of real property investments; impairment charges affecting our properties; competition for the acquisition and development of outlet centers, and our inability to complete outlet centers we have identified; environmental regulations affecting our business; our dependence on rental income from real property; our dependence on the results of operations of our retailers; the fact that certain of our properties are subject to ownership interests held by third parties, whose interests may conflict with ours; risks related to uninsured losses; the risk that consumer, travel, shopping and spending habits may change; risks associated with our Canadian expansion; risks associated with debt financing; our potential failure to qualify as a REIT; our legal obligation to make distributions to our shareholders; our dependence on distributions from the Operating Partnership to meet our financial obligations, including dividends; the risk of a cyber-attack or an act of cyber-terrorism; and those factors set forth under Item 1A - "Risk Factors" in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2014.

General Overview

At June 30, 2015, we had 37 consolidated outlet centers in 23 states totaling 11.7 million square feet. We also had 9 unconsolidated outlet centers in 7 states or provinces totaling 2.7 million square feet. The table below details our new developments, expansions and dispositions of consolidated and unconsolidated outlet centers that significantly impacted our results of operations and liquidity from January 1, 2014 to June 30, 2015:

		Consolidated Outlet Centers		Unconsolidated Joint Venture Outlet Centers	
Outlet Center	Quarter Acquired/Open/Disposed/Demolished	Square Feet (in thousands)	Number of Outlet Centers	Square Feet (in thousands)	Number of Outlet Centers
As of January 1, 2014		11,537	37	1,719	7
New Developments:					
Charlotte, NC	Third Quarter	—	—	398	1
Ottawa, ON	Fourth Quarter	—	—	288	1
Expansion:					
Charleston, SC	Second Quarter	17	—	—	—
Cookstown, ON	Fourth Quarter	—	—	149	—
Branson, MO	Fourth Quarter	27	—	—	—
Glendale, AZ	Fourth Quarter	—	—	50	—
Park City, UT	Fourth Quarter	21	—	—	—
Sevierville, TN	Fourth Quarter	10	—	—	—
Disposition:					
Lincoln City, OR	Fourth Quarter	(270)	(1)	—	—
Other		4	—	2	—
As of December 31, 2014		11,346	36	2,606	9
New Developments:					
Foxwoods, CT	Second Quarter	312	1	—	—
Savannah, GA	Second Quarter	—	—	377	1
Expansion:					
Glendale, AZ	First Quarter	—	—	28	—
Disposition:					
Wisconsin Dells, WI	First Quarter	—	—	(265)	(1)
Other		(1)	—	1	—
As of June 30, 2015		11,657	37	2,747	9

The following table summarizes certain information for our existing outlet centers in which we have an ownership interest as of June 30, 2015. Except as noted, all properties are fee owned.

Consolidated Outlet Centers Location	Square Feet	% Occupied	
Deer Park, New York	749,074	94	
Riverhead, New York [1]	729,734	97	
Rehoboth Beach, Delaware [1]	565,707	99	
Foley, Alabama	557,014	96	
Atlantic City, New Jersey [1]	489,706	95	
Sevierville, Tennessee [1]	448,335	100	
San Marcos, Texas	441,821	95	
Myrtle Beach Hwy 501, South Carolina	425,247	98	
Jeffersonville, Ohio	411,776	97	
Myrtle Beach Hwy 17, South Carolina [1]	402,791	100	
Charleston, South Carolina	382,117	99	
Pittsburgh, Pennsylvania	372,958	99	
Commerce II, Georgia	371,408	96	
Branson, Missouri	329,861	99	
Locust Grove, Georgia	321,070	99	
Howell, Michigan	319,889	93	
Park City, Utah	319,661	99	
Mebane, North Carolina	318,910	100	
Gonzales, Louisiana	318,666	100	
Foxwoods, Connecticut	311,644	91	
Westbrook, Connecticut	289,898	95	
Williamsburg, Iowa	276,230	97	
Lancaster, Pennsylvania	254,002	99	
Tuscola, Illinois	250,439	88	
Hershey, Pennsylvania	247,500	95	
Tilton, New Hampshire	245,698	96	
Hilton Head II, South Carolina	206,544	95	
Fort Myers, Florida	198,877	91	
Ocean City, Maryland [1]	198,840	99	
Terrell, Texas	177,800	95	
Hilton Head I, South Carolina	177,199	100	
Barstow, California	171,300	100	
West Branch, Michigan	112,570	88	
Blowing Rock, North Carolina	104,052	97	
Nags Head, North Carolina	82,161	100	
Kittery I, Maine	51,737	100	
Kittery II, Maine	24,619	92	
Totals	11,656,855	97	[2]

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

(2) Excludes the occupancy rate at our Foxwoods outlet center which opened during the second quarter of 2015 and had not yet stabilized.

Unconsolidated joint venture properties	Square	%
Location	Feet	Occupied
Glendale, Arizona (58% owned)	410,664	99
Charlotte, North Carolina (50% owned)	397,837	99
Savannah, Georgia (50% owned)	377,301	96
Texas City, Texas (50% owned)	352,705	100
Washington D.C. (50% owned)	338,786	99
Cookstown, Ontario (50% owned)	308,803	93
Ottawa, Ontario (50% owned) (1)	284,218	95
Bromont, Quebec (50% owned)	161,449	74
Saint-Sauveur, Quebec (50% owned)	115,717	97
Total	2,747,480	96

(1) Excludes square feet to be completed and turned over to a magnet tenant at a later date.

Leasing Activity

The following table provides information for our consolidated outlet centers regarding space re-leased or renewed:

	Six months ended June 30, 2015					
	# of Leases	Square Feet (in 000's)	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) (1)
Re-tenant	98	369	$32.10	$24.83	9.47	$29.48
Renewal	225	1,060	$26.46	$0.13	5.53	$26.44

	Six months ended June 30, 2014 (2)					
	# of Leases	Square Feet (in 000's)	Average Annual Straight-line Rent (psf)	Average Tenant Allowance (psf)	Average Initial Term (in years)	Net Average Annual Straight-line Rent (psf) (1)
Re-tenant	109	375	$32.50	$36.86	9.17	$28.48
Renewal	203	978	$23.30	$0.27	4.78	$23.24

(1) Net average straight-line rentals is calculated by dividing the average tenant allowance costs per square foot by the average initial term and subtracting this calculated number from the average straight-line rent per year amount. The average annual straight-line rent disclosed in the table above includes all concessions, abatements and reimbursements of rent to tenants. The average tenant allowance disclosed in the table above includes landlord costs.

(2) Excludes Lincoln City, Oregon outlet center, which was sold in December 2014.

RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2015 to the three months ended June 30, 2014

NET INCOME

Net income increased $5.5 million in the 2015 period to $25.4 million as compared to $19.9 million for the 2014 period. Property operating revenues and property operating expenses have increased in the 2015 period due to the incremental income from four small expansions of our consolidated properties completed since January, 2014 as well as from overall growth in the operating income of our existing properties. These increases were partially offset by an increase in property operating expenses due to the four small expansions of our consolidated properties since January 2014, and lower operating income due to the sale of our Lincoln City outlet center in December 2014. Equity in earnings of unconsolidated joint ventures also increased in the 2015 period due to two new properties and two significant expansions completed within our unconsolidated joint ventures during the second half of 2014, partially offset by lower earnings as a result of the sale of our equity interest in the Wisconsin Dells joint venture. Also contributing to the increase in net income was lower interest expense incurred in the 2015 period compared to the 2014 period as a result of debt refinancings completed in 2014.

BASE RENTALS

Base rentals increased $4.2 million, or 6%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of base rentals (in thousands):

	2015	2014	Change
Base rentals from existing properties	$70,901	$67,457	$3,444
Base rentals from properties disposed	—	1,175	(1,175)
Termination fees	1,698	259	1,439
Amortization of above and below market rent adjustments, net	(270)	(731)	461
	$72,329	$68,160	$4,169

Base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces, as well as incremental base rental income from Foxwoods, which opened in May 2015, and the expansion at our Sevierville, Branson and Park City outlet centers.

Termination fees, which are generally based on the lease term remaining at the time of termination, increased in the 2015 period compared to the 2014 period as a result of certain brand-wide store closures throughout our portfolio. The 2014 period did not have any significant tenant closures.

At June 30, 2015, the combined net value representing the amount of unamortized above market lease assets and below market lease liability values, recorded as a part of the purchase price of acquired properties, was a net above market lease asset which totaled approximately $6.8 million. If a tenant terminates its lease 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 would be written off and could materially impact our net income positively or negatively.

EXPENSE REIMBURSEMENTS

Expense reimbursements increased $457,000, or 2%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of expense reimbursements (in thousands):

	2015	2014	Change
Expense reimbursements from existing properties	$29,909	$28,872	$1,037
Expense reimbursements from properties disposed	—	580	(580)
	$29,909	$29,452	$457

40

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses, generally fluctuate consistently with the reimbursable property operating expenses to which they relate. See "Property Operating Expenses" below for a discussion of the increase in operating expenses from our existing properties.

MANAGEMENT, LEASING AND OTHER SERVICES

Management, leasing and other services increased $969,000, or 128%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of management, leasing and other services (in thousands):

	2015	2014	Change
Development and leasing	$727	$70	$657
Loan guarantee	187	146	41
Management and marketing	813	542	271
	$1,727	$758	$969

The increase in fees recognized was primarily due to services we provided to the Savannah outlet center which opened in April 2015.

PROPERTY OPERATING EXPENSES

Property operating expenses increased $1.3 million, or 4%, in the 2015 period as compared to the 2014 period. The following table sets forth the changes in various components of property operating expenses (in thousands):

	2015	2014	Change
Property operating expenses from existing properties	$34,958	$32,981	$1,977
Property operating expenses from properties disposed	—	648	(648)
	$34,958	$33,629	$1,329

Property operating expenses increased due to higher snow removal costs, increased mall office operating costs, and expenses related to identifying sites for potential new developments.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased $851,000, or 8%, in the 2015 period compared to the 2014 period. This increase was a result of the 2015 period including higher payroll related expenses compared to the 2014 period due to the addition of new employees since July 1, 2014.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased $925,000, or 4%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of depreciation and amortization from the 2015 and 2014 periods (in thousands):

	2015	2014	Change
Depreciation and amortization from existing properties	$24,272	$24,800	$(528)
Depreciation and amortization from properties disposed	—	397	(397)
	$24,272	$25,197	$(925)

Depreciation and amortization expense at existing properties decreased approximately $808,000 as a result of not recognizing depreciation and amortization on the rental properties which were classified as held for sale in December 2014. This decrease was partially offset by incremental depreciation expense from our new Foxwoods outlet center which opened in May 2015.

41

INTEREST EXPENSE

Interest expense decreased $1.5 million or 10%, in the 2015 period compared to the 2014 period, due to the issuance of $250 million senior notes in November 2014 which bear an interest rate of 3.75%. The net proceeds were used to redeem our $250 million, 6.15% senior notes due November 2015. This decrease was partially offset by higher debt levels in the 2015 period.

EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURES

Equity in earnings of unconsolidated joint ventures increased approximately $258,000 or 14% in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of equity in earnings of unconsolidated joint ventures (in thousands):

	2015	2014	Change
Equity in earnings from existing properties	$1,341	$1,461	$(120)
Equity in earnings from new developments	705	—	$705
Equity in earnings from properties disposed	—	327	(327)
	$2,046	$1,788	$258

The decrease in equity in earnings of unconsolidated joint ventures from existing properties was primarily due to an increase in interest expense for the National Harbor outlet center reflecting the increase in the loan from $61.0 million to $83.7 million. This decrease was partially offset by incremental earnings from the expansions of the Westgate and Cookstown outlet centers completed during the fourth quarter of 2014. The increase in equity in earnings of unconsolidated joint ventures from new developments is due to the incremental earnings from the Charlotte outlet center, which opened during the third quarter of 2014, and the Ottawa outlet center which opened during the fourth quarter of 2014, offset by a net loss at the Savannah outlet center, which opened in April 2015, due to grand opening expenses incurred in the initial month of operations and depreciation and amortization expenses in excess of income before depreciation.

Comparison of the six months ended June 30, 2015 to the six months ended June 30, 2014

NET INCOME

Net income increased $26.4 million in the 2015 period to $61.7 million as compared to $35.3 million for the 2014 period. Approximately half of this increase was due to the sale of our equity interest in the Wisconsin Dells joint venture in February 2015, which resulted in a gain of approximately $13.7 million. In addition, property operating revenues and property operating expenses have increased in the 2015 period due to the incremental income from four small expansions of our consolidated properties completed since January 2014 as well as from overall growth in the operating income of our existing properties. These increases were partially offset by an increase in property operating expenses due to the four small expansions of our consolidated properties since January 2014, and lower operating income due to the sale of our Lincoln City outlet center in December 2014. Equity in earnings of unconsolidated joint ventures also increased in the 2015 period due to two new properties and two significant expansions completed within our unconsolidated joint ventures during the second half of 2014, partially offset by lower earnings as a result of the sale of our equity interest in the Wisconsin Dells joint venture. Also contributing to the increase in net income was lower interest expense incurred in the 2015 period compared to the 2014 period as a result of debt refinancings completed in 2014.

BASE RENTALS

Base rentals increased $4.8 million, or 4%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of base rentals (in thousands):

	2015	2014	Change
Base rentals from existing properties	$138,194	$133,384	$4,810
Base rentals from properties disposed	—	2,364	(2,364)

Termination fees	2,836	674	2,162
Amortization of above and below market rent adjustments, net	(1,072)	(1,286)	214
	$139,958	$135,136	$4,822

Base rental income generated from existing properties in our portfolio increased due to increases in rental rates on lease renewals and incremental rents from re-tenanting vacant spaces, as well as incremental base rental income from Foxwoods, which opened in May, and the expansion at our Sevierville, Branson and Park City outlet centers.

Termination fees, which are generally based on the lease term remaining at the time of termination, increased in the 2015 period compared to the 2014 period as a result of certain brand-wide store closures throughout our portfolio. The 2014 period did not have any significant tenant closures.

At June 30, 2015, the combined net value representing the amount of unamortized above market lease assets and below market lease liability values, recorded as a part of the purchase price of acquired properties, was a net above market lease asset which totaled approximately $6.8 million. If a tenant terminates its lease 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 would be written off and could materially impact our net income positively or negatively.

EXPENSE REIMBURSEMENTS

Expense reimbursements increased $2.3 million, or 4%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of expense reimbursements (in thousands):

	2015	2014	Change
Expense reimbursements from existing properties	$63,273	$59,902	$3,371
Expense reimbursements from properties disposed	—	1,092	(1,092)
	$63,273	$60,994	$2,279

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses, generally fluctuate consistently with the reimbursable property operating expenses to which they relate. See "Property Operating Expenses" below for a discussion of the increase in operating expenses from our existing properties.

MANAGEMENT, LEASING AND OTHER SERVICES

Management, leasing and other services increased $1.7 million, or 127%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of management, leasing and other services (in thousands):

	2015	2014	Increase/ (Decrease)
Development and leasing	$1,307	$78	$1,229
Loan guarantee	383	187	196
Management and marketing	1,320	1,059	261
	$3,010	$1,324	$1,686

The increase in fees recognized was primarily due to services we provided to the Savannah outlet center which opened in April 2015.

PROPERTY OPERATING EXPENSES

Property operating expenses increased $3.0 million, or 4%, in the 2015 period as compared to the 2014 period.The following table sets forth the changes in various components of property operating expenses (in thousands):

	2015	2014	Change
Property operating expenses from existing properties	$72,690	$68,408	$4,282
Property operating expenses from properties disposed	—	1,248	(1,248)
	$72,690	$69,656	$3,034

Property operating expenses increased due to higher advertising expense, snow removal costs, increased mall office operating costs and increased expenses related to identifying sites for potential new developments.

GENERAL AND ADMINISTRATIVE

General and administrative expenses increased $1.4 million, or 7%, in the 2015 period compared to the 2014 period. This increase was a result of the 2015 period including higher payroll related expenses compared to the 2014 period due to the addition of new employees since July 1, 2014 and higher share-based compensation expense.

ABANDONED PRE-DEVELOPMENT COSTS

During the 2014 period, we decided to abandon two pre-development projects and as a result, we recorded a $1.6 million charge in the first quarter of 2014, representing the cumulative related costs.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased $3.0 million, or 6%, in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of depreciation and amortization (in thousands):

	2015	2014	Change
Depreciation and amortization expenses from existing properties	$48,261	$50,444	$(2,183)
Depreciation and amortization from properties disposed	—	816	(816)
	$48,261	$51,260	$(2,999)

Approximately $1.6 million of the decrease in depreciation and amortization costs at existing properties is attributable to not recognizing depreciation and amortization on the rental properties which were classified as held for sale in December 2014. The remaining decrease is primarily due to the fact that certain construction and development related assets, as well as lease related intangibles recorded as part of the acquisition price of acquired properties, which are amortized over shorter lives, became fully depreciated during the reporting periods.

INTEREST EXPENSE

Interest expense decreased $3.3 million, or 11%, in the 2015 period compared to the 2014 period, due to the issuance of $250 million senior notes in November 2014 which bear an interest rate of 3.75%. The net proceeds were used to redeem our $250 million, 6.15% senior notes due November 2015.

GAIN ON SALE OF ASSETS AND INTEREST IN UNCONSOLIDATED ENTITIES

In February 2015, we sold our equity interest in the joint venture that owned an outlet center in Wisconsin Dells, Wisconsin for approximately $15.6 million, representing our share of the sales price totaling $27.7 million less our share of the outstanding debt, which totaled $12.1 million. As a result of this transaction, we recorded a gain of approximately $13.7 million in the first quarter of 2015, which represents the difference between the carrying value of our equity method investment and the net proceeds received.

EQUITY IN EARNINGS OF UNCONSOLIDATED JOINT VENTURES

Equity in earnings of unconsolidated joint ventures increased approximately $868,000 or 23% in the 2015 period compared to the 2014 period. The following table sets forth the changes in various components of equity in earnings of unconsolidated joint ventures (in thousands):

	2015	2014	Change
Equity in earnings from existing properties	$2,665	$3,071	$(406)
Equity in earnings from new developments	1,766	—	$1,766
Equity in earnings from properties disposed	158	650	(492)
	$4,589	$3,721	$868

The decrease in equity in earnings of unconsolidated joint ventures from existing properties was primarily due to an increase in interest expense for the National Harbor outlet center reflecting the increase in the loan from $61.0 million to $83.7 million. This decrease was partially offset by incremental earnings from the expansions of the Westgate and Cookstown outlet centers completed during the fourth quarter of 2014.

The increase in equity in earnings of unconsolidated joint ventures from new developments is due to the incremental earnings from the Charlotte outlet center, which opened during the third quarter of 2014, and the Ottawa outlet center which opened during the fourth quarter of 2014. These earnings were partially offset by a net loss at the Savannah outlet center, which opened in April 2015, due to grand opening expenses incurred in the initial month of operations and depreciation and amortization expenses in excess of income before depreciation.

LIQUIDITY AND CAPITAL RESOURCES OF THE COMPANY

In this "Liquidity and Capital Resources of the Company" section, the term, "the Company," refers only to Tanger Factory Outlet Centers, Inc. on an unconsolidated basis, excluding the Operating Partnership.

The Company's business is operated primarily through the Operating Partnership. The Company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company, which are fully reimbursed by the Operating Partnership. The Company does not hold any indebtedness, and its only material asset is its ownership of partnership interests of the Operating Partnership. The Company's principal funding requirement is the payment of dividends on its common shares. The Company's principal source of funding for its dividend payments is distributions it receives from the Operating Partnership.

Through its ownership of the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility for the Operating Partnership's day-to-day management and control. The Company causes the Operating Partnership to distribute all, or such portion as the Company may in its discretion determine, of its available cash in the manner provided in the Operating Partnership's partnership agreement. The Company receives proceeds from equity issuances from time to time, but is required by the Operating Partnership's partnership agreement to contribute the proceeds from its equity issuances to the Operating Partnership in exchange for partnership units of the Operating Partnership.

The Company is a well-known seasoned issuer with a shelf registration that expires in June 2018 that allows the Company to register unspecified various classes of equity securities and the Operating Partnership to register unspecified, various classes of debt securities. As circumstances warrant, the Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. The Operating Partnership may use the proceeds to repay debt, including borrowings under its lines of credit, develop new or existing properties, to make acquisitions of properties or portfolios of properties, to invest in existing or newly created joint ventures or

for general corporate purposes.

The liquidity of the Company is dependent on the Operating Partnership's ability to make sufficient distributions to the Company. The Company also guarantees some of the Operating Partnership's debt. If the Operating Partnership fails to fulfill its debt requirements, which trigger the Company's guarantee obligations, then the Company may be required to fulfill its cash payment commitments under such guarantees. However, the Company's only material asset is its investment in the Operating Partnership.

The Company believes the Operating Partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured lines of credit, are adequate for it to make its distribution payments to the Company and, in turn, for the Company to make its dividend payments to its shareholders. However, there can be no assurance that the Operating Partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the Company. The unavailability of capital could adversely affect the Operating Partnership's ability to pay its distributions to the Company which will, in turn, adversely affect the Company's ability to pay cash dividends to its shareholders.

For the Company to maintain its qualification as a REIT, it must pay dividends to its shareholders aggregating annually at least 90% of its taxable income. While historically the Company has satisfied this distribution requirement by making cash distributions to its shareholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the Company's own shares.

As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its on-going operations to the same extent that other companies whose parent companies are not real estate investment trusts can. The Company may need to continue to raise capital in the equity markets to fund the Operating Partnership's working capital needs, as well as potential new developments, expansions and renovations of existing properties, acquisitions, or investments in existing or newly created joint ventures.

As the sole owner of the general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes. The Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by the Company. However, all debt is held directly or indirectly at the Operating Partnership level, and the Company has guaranteed some of the Operating Partnership's unsecured debt as discussed below. Because the Company consolidates the Operating Partnership, the section entitled "Liquidity and Capital Resources of the Operating Partnership" should be read in conjunction with this section to understand the liquidity and capital resources of the Company on a consolidated basis and how the Company is operated as a whole.

On July 9, 2015, the Company's Board of Directors declared a $.285 cash dividend per common share payable on August 14, 2015 to each shareholder of record on July 30, 2015, and caused a $.285 cash distribution per Operating Partnership unit to the Operating Partnership's unitholders.

LIQUIDITY AND CAPITAL RESOURCES OF THE OPERATING PARTNERSHIP

General Overview

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we", "our" and "us" refer to the Operating Partnership or the Operating Partnership and the Company together, as the text requires.

Property rental income represents our primary source to pay property operating expenses, debt service, capital expenditures and distributions, excluding non-recurring capital expenditures and acquisitions. To the extent that our cash flow from operating activities is insufficient to cover such non-recurring capital expenditures and acquisitions, we finance such activities from borrowings under our unsecured lines of credit or from the proceeds from the Operating Partnership's debt offerings and the Company's equity offerings.

We believe we achieve a strong and flexible financial position by attempting to: (1) maintain a conservative leverage position relative to our portfolio when pursuing new development, expansion and acquisition opportunities, (2) extend

and sequence debt maturities, (3) manage our interest rate risk through a proper mix of fixed and variable rate debt, (4) maintain access to liquidity by using our unsecured lines of credit in a conservative manner and (5) preserve internally generated sources of capital by strategically divesting of underperforming assets and maintaining a conservative distribution payout ratio. We manage our capital structure to reflect a long term investment approach and utilize multiple sources of capital to meet our requirements.

The following table sets forth our changes in cash flows (in thousands):

	Six months ended June 30,		
	2015	2014	Change
Net cash provided by operating activities	$101,726	$84,320	$17,406
Net cash used in investing activities	(117,485)	(113,162)	(4,323)
Net cash provided by financing activities	17,190	26,947	(9,757)
Effect of foreign currency rate changes on cash and equivalents	(331)	105	(436)
Net increase (decrease) in cash and cash equivalents	$1,100	$(1,790)	$2,890

Operating Activities

In 2015, our cash provided from operating activities was positively impacted by a number of factors, including an increase in operating income throughout the consolidated portfolio from increases in base rental rates, an increase in operating income from four small expansions of our consolidated properties completed during 2014, an increase in distributions received from unconsolidated joint ventures as we added two new joint venture properties and completed two significant expansions since January 2014, and lower interest expense as a result of debt refinancings completed in 2014.

Investing Activities

Cash used related to our additions to rental property was higher in the 2015 period compared to the 2014 period due primarily to ongoing construction of our Grand Rapids, Michigan; Foxwoods, Connecticut; and Southaven, Mississippi outlet centers. These additions were partially offset by the proceeds received from the sale of our equity interest in the joint venture that owned an outlet center in Wisconsin Dells, Wisconsin and additional distributions received from unconsolidated joint ventures from the new centers and expansions completed in 2014. In addition, we made fewer contributions in the 2015 period to our unconsolidated joint ventures as a result of less development activity in the 2015 period compared to the 2014 period. The 2015 period includes contributions for the unconsolidated joint venture development in Savannah, Georgia. The 2014 period included contributions for new unconsolidated joint venture center developments in Charlotte, North Carolina; Ottawa, Ontario; and the expansion of the outlet center in Cookstown, Ontario, all of which opened during the second half of 2014.

Financing Activities

The decrease in cash provided by financing activities was primarily due to higher debt repayments, which included the repayment of the mortgage at our Hershey, Pennsylvania outlet center, and an increase in the quarterly dividends paid to our common shareholders. These increases were partially offset by the higher debt requirements needed to fund the investments at both the consolidated and unconsolidated joint venture levels discussed in the investing activities section above.

Capital Expenditures

The following table details our capital expenditures (in thousands):

	Six months ended June 30,		
	2015	2014	Change
Capital expenditures analysis:			
New center developments	$117,898	$26,382	$91,516
Major center renovations	879	7,833	(6,954)
Second generation tenant allowances	5,084	6,254	(1,170)
Other capital expenditures	6,290	8,810	(2,520)
	130,151	49,279	80,872
Conversion from accrual to cash basis	(18,920)	(5,576)	(13,344)
Additions to rental property-cash basis	$111,231	$43,703	$67,528

- New center development expenditures, which include first generation tenant allowances, relate to construction expenditures for our centers in Grand Rapids, Michigan; Southaven, Mississippi; and at the Foxwoods Resort and Casino in Connecticut in the 2015 period. The 2014 period included new center development expenditures for our center at the Foxwoods Resort and Casino in Connecticut and expansions at our Branson, Missouri and Park City, Utah centers.
- Major center renovations in both the 2015 and 2014 periods included construction activities at our Riverhead, New York center and our Rehoboth Beach, Delaware center.

Current Developments

We intend to continue to grow our portfolio by developing, expanding or acquiring additional outlet centers. In the section below, we describe the new developments that are either currently planned, underway or recently completed. However, you should note that any developments or expansions that we, or a joint venture that we have an ownership interest in, have planned or anticipated may not be started or completed as scheduled, or may not result in accretive net income or funds from operations ("FFO"). See the section "Supplemental Earnings Measures" - "Funds From Operations" below for further discussion of FFO.

In addition, we regularly evaluate acquisition or disposition proposals and engage from time to time in negotiations for acquisitions or dispositions of properties. We may also enter into letters of intent for the purchase or sale of properties. Any prospective acquisition or disposition that is being evaluated or which is subject to a letter of intent may not be consummated, or if consummated, may not result in an increase in liquidity, net income or funds from operations.

New Development of Consolidated Outlet Centers

The following table summarizes our development projects as of June 30, 2015:

Project	Approximate square feet (in 000's)	Projected Total Net Cost per Square Foot (in dollars)	Projected Total Net Cost (in millions)	Costs Incurred to Date (in millions)	Projected Opening
Grand Rapids	350	$230	$80.5	$48.0	07/31/15
Southaven	320	213	68.2	27.3	Nov 2015
Total	670	$222	$148.7	$75.3	

Grand Rapids, Michigan

On July 31, 2015, we opened a 350,000 square foot wholly-owned outlet center near Grand Rapids, Michigan. We commenced construction on the development of the center in July 2014. The outlet center is located 11 miles south of downtown Grand Rapids at the southwest quadrant of US-131 and 84th Street in Byron Township, Michigan, with visibility from both roads. Costs incurred as of June 30, 2015 which totaled approximately $48.0 million have been funded with borrowings under our lines of credit and cash flow from operations.

Southaven, Mississippi (Memphis)

In January 2015, we purchased land for approximately $14.8 million and commenced construction on the development of an approximately 320,000 square foot outlet center in Southaven, Mississippi. Tanger Outlets Southaven will be located less than five miles south of Memphis, Tennessee. We currently expect the outlet center to be completed in time for a holiday 2015 opening. As of June 30, 2015, our partner’s equity contributions totaled approximately $456,000 and our equity contributions totaled approximately $26.6 million. From the date our equity contributions are made, we earn a preferred rate of return of 10% for senior contributions and 14% for junior contributions. As of June 30, 2015, the balance of our senior contributions was $17.7 million and our junior contributions was $8.5 million. Our contributions have been funded with borrowings under our lines of credit and cash flow from operations. The outlet center is being developed through a joint venture in which we own a controlling interest and is consolidated for financial reporting purposes.

In April 2015, the consolidated joint venture closed on a mortgage loan with the ability to borrow up to $60.0 million at an interest rate of LIBOR +1.75%. The loan initially matures on April 29, 2018, with one two-year extension option.

Recently Completed Outlet Center

Foxwoods, Connecticut

In May 2015, we opened a 312,000 square feet outlet center at the Foxwoods Resort Casino in Mashantucket, Connecticut. We own a controlling interest in the joint venture which is consolidated for financial reporting purposes. Construction began on the outlet center in September 2013. As of June 30, 2015, our partner’s equity contributions totaled approximately $1.0 million and our equity contributions totaled approximately $46.7 million. Contributions we make in excess of $40.0 million earn a preferred rate of return of 15% from the date of contribution. In addition, each partner earns a rate of return of 10% on its initial capital contributions from the date of contribution. Our contributions have been funded with borrowings under our lines of credit and cash flow from operations.

In addition, the joint venture has a mortgage loan with the ability to borrow up to $70.3 million at an interest rate of LIBOR + 1.65%. The loan initially matures in December 2017, with two one-year extension options. The balance of this loan as of June 30, 2015 was $62.1 million.

Based on capital contribution and distribution provisions in the joint venture agreement, we expect our economic interest in the venture's cash flow to be greater than our legal ownership percentage of 67%. Our economic interest may fluctuate based on a number of factors, including mortgage financing, partnership capital contributions and distributions, and proceeds from gains or losses of asset sales.

New Development in Unconsolidated Real Estate Joint Ventures

We have formed joint venture arrangements to develop outlet centers that are currently in various stages of development in several markets. Also, see "Off-Balance Sheet Arrangements" for a discussion of unconsolidated joint venture development activities. The following table summarizes our development projects as of June 30, 2015:

Project	Ownership %	Approximate square feet (in 000's)	Projected Total Net Cost per Square Foot (in dollars)	Projected Total Net Cost (in millions)	Costs Incurred to Date (in millions)	Projected Opening
Columbus	50 %	355	$267	$94.9	$13.9	2Q16
Total		355	$267	$94.9	$13.9	

Columbus, Ohio

During the second quarter of 2015, the joint venture purchased land for approximately $8.9 million and began construction on Tanger Outlets Columbus. We and our partner currently expect to complete construction in time to open the center during the second quarter of 2016. Our partner is providing development services to the joint venture and we, along with our partner, are providing joint leasing services. Once the center opens, we will provide property management, marketing and leasing services to the joint venture.

Other Potential Future Developments and Dispositions of Rental Property

As of the date of this filing, we are in the initial study period for potential new developments. We may also use joint venture arrangements to develop other potential sites. There can be no assurance, however, that these potential future projects will ultimately be developed.

In the case of projects to be wholly-owned by us, we expect to fund these projects from amounts available under our unsecured lines of credit, but may also fund them with capital from additional public debt and equity offerings. For projects to be developed through joint venture arrangements, we may use collateralized construction loans to fund a portion of the project, with our share of the equity requirements funded from sources described above.

From time to time, we may sell one or more outlet centers that do not meet our long-term investment criteria. At June 30, 2015, we had a contractual agreement to sell four properties totaling approximately 712,000 square feet classified as rental property held for sale on the consolidated balance sheets. Subsequent to June 30, 2015, we concluded that the sale of these four outlet centers was no longer probable as a result of the buyer's inability to secure acceptable financing. In the third quarter of 2015, we will reclassify the four outlet centers from held for sale to held and used and record an adjustment of approximately $1.6 million representing the depreciation and amortization expense that would have been recognized had the properties been continuously classified as held and used.

In February 2015, we sold our equity interest in the joint venture that owned an outlet center in Wisconsin Dells, Wisconsin for approximately $15.6 million, representing our share of the sales price totaling $27.7 million less our share of the outstanding debt, which totaled $12.1 million. As a result of this transaction, we recorded a gain of approximately $13.7 million in the first quarter of 2015, which represents the difference between the carrying value of our equity method investment and the net proceeds received.

Proceeds generated by the sale of assets or joint venture interests, if completed, will be used to fund our ongoing development projects, pay down outstanding debt and/or for other general corporate purposes.

50

Financing Arrangements

As of June 30, 2015, unsecured borrowings represented 82% of our outstanding debt and 76% of the gross book value of our real estate portfolio was unencumbered. We maintain unsecured lines of credit that provide for borrowings of up to $520.0 million and bear interest at a rate of LIBOR + 1.00%. The unsecured lines of credit include a $20.0 million liquidity line and a $500.0 million syndicated line. The syndicated line may be increased to $750.0 million through an accordion feature in certain circumstances. The unsecured lines of credit have an expiration date of October 24, 2017 with an option for a one year extension. The Company guarantees the Operating Partnership's obligations under these lines. As of June 30, 2015, we had $343.7 million available under our unsecured lines of credit.

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 the best interests of our shareholders and unitholders. The Company is a well-known seasoned issuer with a joint shelf registration with the Operating Partnership, expiring in June 2018, that allows us to register unspecified amounts of different classes of securities on Form S-3. To generate capital to reinvest into other attractive investment opportunities, we may also consider the use of additional operational and developmental joint ventures, the sale or lease of outparcels on our existing properties and the sale of certain properties that do not meet our long-term investment criteria. Based on cash provided by operations, existing lines of credit, ongoing relationships with certain financial institutions and our ability to sell debt or issue equity subject to market conditions, we believe that we have access to the necessary financing to fund the planned capital expenditures through the end of 2016.

We anticipate that adequate cash will be available to fund our operating and administrative expenses, regular debt service obligations, and the payment of dividends in accordance with REIT requirements in both the short and long-term. Although we receive most of our rental payments on a monthly basis, distributions to shareholders and unitholders are made quarterly and interest payments on the senior, unsecured notes are made semi-annually. Amounts accumulated for such payments will be used in the interim to reduce the outstanding borrowings under our existing unsecured lines of credit or invested in short-term money market or other suitable instruments.

We believe our current balance sheet position is financially sound; however, due to the uncertainty and unpredictability of the capital and credit markets, we can give no assurance that affordable access to capital will exist between now and 2017 when our next significant debt maturities occur.

The Operating Partnership's debt agreements require the maintenance of certain ratios, including debt service coverage and leverage, and limit the payment of dividends such that dividends and distributions will not exceed funds from operations, as defined in the agreements, for the prior fiscal year on an annual basis or 95% on a cumulative basis. We have historically been and currently are in compliance with all of our debt covenants. We expect to remain in compliance with all of our existing debt covenants; however, should circumstances arise that would cause us to be in default, the various lenders would have the ability to accelerate the maturity on our outstanding debt.

We believe our most restrictive covenants are contained in our senior, unsecured notes. Key financial covenants and their covenant levels include the following:

Senior unsecured notes financial covenants	Required	Actual	
Total consolidated debt to adjusted total assets	<60%	50	%
Total secured debt to adjusted total assets	<40%	9	%
Total unencumbered assets to unsecured debt	>150%	172	%

51

OFF-BALANCE SHEET ARRANGEMENTS

The following table details certain information as of June 30, 2015 about various unconsolidated real estate joint ventures in which we have an ownership interest:

Joint Venture	Outlet Center Location	Ownership %	Square Feet (in 000's)	Carrying Value of Investment (in millions)
Columbus	Columbus, OH	50.0 %	—	$7.3
National Harbor	National Harbor, MD	50.0 %	339	9.4
RioCan Canada	Various	50.0 %	870	137.7
Savannah [1]	Savannah, GA	50.0 %	377	46.0
Westgate	Glendale, AZ	58.0 %	411	12.5
				$212.9
Charlotte[2]	Charlotte, NC	50.0 %	398	$(0.6)
Galveston/Houston [2]	Texas City, TX	50.0 %	353	(0.4)
				$(1.0)

(1) Based on capital contribution and distribution provisions in the joint venture agreement, we expect our economic interest in the venture's cash flow to be greater than the ownership percentage indicated above, which in this case, states our legal interest in this venture. Our economic interest may fluctuate based on a number of factors, including mortgage financing, partnership capital contributions and distributions, and proceeds from gains or losses of asset sales.

(2) The negative carrying value is due to the distributions of proceeds from mortgage loans, and quarterly distributions of excess cash flow exceeding the original contributions from the partners.

Our joint ventures are generally subject to buy-sell provisions which are customary for joint venture agreements in the real estate industry. Either partner may initiate these provisions (subject to any applicable lock up period), which could result in either the sale of our interest or the use of available cash or additional borrowings to acquire the other party's interest. Under these provisions, one partner sets a price for the property, then the other partner has the option to either (1) purchase their partner's interest based on that price or (2) sell its interest to the other partner based on that price. Since the partner other than the partner who triggers the provision has the option to be the buyer or seller, we don't consider this arrangement to be a mandatory redeemable obligation.

We provide guarantees to lenders for our joint ventures which include standard non-recourse carve out indemnifications for losses arising from items such as but not limited to fraud, physical waste, payment of taxes, environmental indemnities, misapplication of insurance proceeds or security deposits and failure to maintain required insurance. For construction and term loans, we may include a guaranty of completion as well as a principal guaranty ranging from 5% to 100% of principal. The principal guarantees include terms for release based upon satisfactory completion of construction and performance targets including occupancy thresholds and minimum debt service coverage tests. Our joint ventures may contain make whole provisions in the event that demands are made on any existing guarantees.

Columbus, Ohio

During the second quarter of 2015, the joint venture purchased land for approximately $8.9 million and began construction on Tanger Outlets Columbus. We and our partner currently expect to complete construction in time to open the center during the second quarter of 2016. Our partner is providing development services to the joint venture and we, along with our partner, are providing joint leasing services. Once the center opens, we will provide property management, marketing and leasing services to the joint venture.

52

Savannah, Georgia

In January 2014, we announced a joint venture arrangement to develop Tanger Outlets Savannah. The center, which opened in April 2015, includes approximately 377,000 square feet. As of June 30, 2015, our equity contributions totaled $45.8 million and our partner’s equity contributions totaled $8.3 million. Contributions we made in excess of our partners' equity contributions earned a preferred rate of return equal to 8% from the date the contributions were made until the outlet center’s grand opening in April 2015, and will earn 10% annually thereafter.

The joint venture has an interest only mortgage loan with the ability to borrow up to $97.7 million, of which $4.7 million will be available for future expansion, at an interest rate of LIBOR + 1.65%. The loan initially matures on May 21, 2017, with two, one-year extension options. As of June 30, 2015, the balance on the loan was $70.1 million. We are providing development, management and marketing services to the joint venture; and with our partner, are jointly providing leasing services to the outlet center.

Westgate, Glendale, Arizona

During the first quarter of 2015, the joint venture completed the remaining 28,000 square feet of a 78,000 square foot expansion of the existing property which brought the size of the outlet center to approximately 411,000 square feet. Construction commenced on the expansion during the second quarter of 2014 and was funded with borrowings under the amended Westgate mortgage loan. The joint venture's amended and restated construction loan has the ability to borrow up to $62.0 million. The loan initially matured in June 2015, and during the second quarter of 2015 the joint venture exercised the two year option to extend the maturity date of the loan to June 2017. As of June 30, 2015, the balance on the loan was $62.0 million.

Tanger Outlets Westgate opened in November 2012 and was developed through, and is currently owned by, a joint venture that was formed in May 2012. We are providing property management, construction supervision, marketing and leasing services to the joint venture.

Wisconsin Dells, Wisconsin

In February 2015, we sold our equity interest in the joint venture that owned an outlet center in Wisconsin Dells, Wisconsin for approximately $15.6 million, representing our share of the sales price totaling $27.7 million less our share of the outstanding debt, which totaled $12.1 million. As a result of this transaction, we recorded a gain of approximately $13.7 million in the first quarter of 2015, which represents the difference between the carrying value of our equity method investment and the net proceeds received.

Debt of unconsolidated joint ventures

The following table details information regarding the outstanding debt of the unconsolidated joint ventures and principal guarantees of such debt provided by us as of June 30, 2015 (in millions):

Joint Venture	Total Joint Venture Debt (in millions)	Maturity Date	Interest Rate	Percent Guaranteed by the Company	Maximum Guaranteed Amount by the Company (in millions)
Charlotte	$90.0	November 2018	LIBOR + 1.45%	5.0 %	$4.5
Galveston/Houston	65.0	July 2017	LIBOR + 1.50%	5.0 %	3.3
National Harbor[(1)]	83.7	November 2019	LIBOR + 1.65%	10.0 %	8.4

RioCan Canada	14.4	June 2015 and May 2020	5.10% - 5.75%	16.7	%	2.4
Savannah [2]	70.1	May 2017	LIBOR + 1.65%	21.4	%	15.0
Westgate	62.0	June 2017	LIBOR + 1.75%	—	%	—
	$385.2					$33.6

(1) 100% completion guaranty; 10% principal guaranty.
(2) 100% completion guaranty; $15.0 million principal guaranty

Fees from unconsolidated joint ventures

Fees we received for various services provided to our unconsolidated joint ventures were recognized in other income as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Fee:				
Development and leasing	$727	$70	$1,307	$78
Loan Guarantee	187	146	383	187
Management and marketing	813	542	1,320	1,059
Total Fees	$1,727	$758	$3,010	$1,324

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to our 2014 Annual Report on Form 10-K of the Company and the Operating Partnership for a discussion of our critical accounting policies which include principles of consolidation, acquisition of real estate, cost capitalization, impairment of long-lived assets and revenue recognition. There have been no material changes to these policies in 2015.

SUPPLEMENTAL EARNINGS MEASURES

Funds From Operations

Funds From Operations ("FFO") represents income before extraordinary items and gains (losses) on sale or disposal of depreciable operating properties, plus depreciation and amortization of real estate assets, impairment losses on depreciable real estate of consolidated real estate and after adjustments for unconsolidated partnerships and joint ventures, including depreciation and amortization, and impairment losses on investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures.

FFO is intended to exclude historical cost depreciation of real estate as required by United States Generally Accepted Accounting Principles ("GAAP") which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization of real estate assets, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income.

We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is widely used by us and others in our industry to evaluate and price potential acquisition candidates. The National Association of Real Estate Investment Trusts, Inc., of which we are a member, has encouraged its member companies to report their FFO as a supplemental, industry-wide standard measure of REIT operating performance. In addition, a percentage of bonus compensation to certain members of management is based on our FFO performance.

54

FFO has significant limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- FFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- FFO does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and FFO does not reflect any cash requirements for such replacements;
- FFO, which includes discontinued operations, may not be indicative of our ongoing operations; and
- Other companies in our industry may calculate FFO differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, FFO should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or our dividend paying capacity. We compensate for these limitations by relying primarily on our GAAP results and using FFO only supplementally.

Below is a reconciliation of net income to FFO (in thousands, except per share and per unit amounts):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
FUNDS FROM OPERATIONS				
Net income	$25,359	$19,895	$61,745	$35,335
Adjusted for:				
Depreciation and amortization of real estate assets - consolidated	23,919	24,782	47,556	50,484
Depreciation and amortization of real estate assets - unconsolidated joint ventures	5,038	2,403	9,114	5,008
Gain on sale of assets and interests in unconsolidated entities	—	—	(13,726)	—
Funds from operations (FFO)	54,316	47,080	104,689	90,827
FFO attributable to noncontrolling interests in other consolidated partnerships	412	(37)	370	(77)
Allocation of FFO to participating securities [1]	(583)	(949)	(1,143)	(1,813)
Funds from operations available to common shareholders and noncontrolling interests in Operating Partnership	$54,145	$46,094	$103,916	$88,937
Tanger Factory Outlet Centers, Inc.:				
Weighted average common shares outstanding [2] [3]	99,873	98,989	99,783	98,890
Dilutive funds from operations per share	$0.54	$0.47	$1.04	$0.90
Tanger Properties Limited Partnership:				
Weighted average Operating Partnership units outstanding [2]	99,873	98,989	99,783	98,890
Dilutive funds from operations per unit	$0.54	$0.47	$1.04	$0.90

(1) Notional units granted in 2010 were converted into 933,769 restricted common shares in January 2014 which vested on December 31, 2014. The restricted common shares were considered participating securities through the vesting date.

(2) Includes the dilutive effect of options, restricted common shares not considered participating securities, and notional units.

(3)

Assumes the Class A common limited partnership units of the Operating Partnership held by the noncontrolling interests are exchanged for common shares of the Company. Each Class A common limited partnership unit is exchangeable for one of the Company's common shares, subject to certain limitations to preserve the Company's REIT status.

Adjusted Funds From Operations

We present Adjusted Funds From Operations ("AFFO") as a supplemental measure of our performance. We define AFFO as FFO further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. These further adjustments are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating AFFO, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of AFFO should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We present AFFO because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use AFFO, or some form of AFFO, when certain material, unplanned transactions occur, as a factor in evaluating management's performance when determining incentive compensation and to evaluate the effectiveness of our business strategies.

AFFO has limitations as an analytical tool. Some of these limitations are:

- AFFO does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- AFFO does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and AFFO does not reflect any cash requirements for such replacements;
- AFFO does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- Other companies in our industry may calculate AFFO differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, AFFO should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using AFFO only supplementally.

Below is a reconciliation of FFO to AFFO (in thousands, except per share and per unit amounts):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
ADJUSTED FUNDS FROM OPERATIONS				
Funds from operations	$54,316	$47,080	$104,689	$90,827
Adjusted for non-core items:				
Abandoned pre-development costs	—	—	—	1,596
Acquisition costs	—	—	—	7
Adjusted funds from operations (AFFO)	54,316	47,080	104,689	92,430
AFFO attributable to noncontrolling interests in other consolidated partnerships	412	(37)	370	(77)
Allocation of AFFO to participating securities [1]	(583)	(949)	(1,143)	(1,846)
Adjusted funds from operations available to common shareholders and noncontrolling interests in Operating Partnership	$54,145	$46,094	$103,916	$90,507
Tanger Factory Outlet Centers, Inc.:				
Weighted average common shares outstanding [2] [3]	99,873	98,989	99,783	98,890
Dilutive adjusted funds from operations per share	$0.54	$0.47	$1.04	$0.92
Tanger Properties Limited Partnership:				
Weighted average Operating Partnership units outstanding [2]	99,873	98,989	99,783	98,890
Dilutive adjusted funds from operations per unit	$0.54	$0.47	$1.04	$0.92

(1) Notional units granted in 2010 were converted into 933,769 restricted common shares in January 2014 which vested on December 31, 2014. The restricted common shares were considered participating securities through the vesting date.

(2) Includes the dilutive effect of options, restricted common shares not considered participating securities, and notional units.

(3) Assumes the Class A common limited partnership units of the Operating Partnership held by the noncontrolling interest are exchanged for common shares of the Company.

Same Center Net Operating Income - Cash Basis

We present Same Center Net Operating Income - Cash Basis ("Same Center NOI - Cash Basis") as a supplemental measure of our performance. We define Same Center NOI - Cash Basis as total operating revenues less property operating expenses for the properties that were operational for the entire portion of both comparable reporting periods and which were not acquired, renovated or subject to a material non-recurring event, such as a natural disaster, during the comparable reporting periods. Same Center NOI - Cash Basis also excludes termination fees and non-cash adjustments including straight-line rent, net above and below market rent amortization and gains or losses on the sale of outparcels recognized during the periods presented.

Same Center NOI - Cash Basis is used by industry analysts, investors and management to measure operating performance of our properties because it provides a performance measure directly related to the revenues and expenses involved in owning and operating real estate assets and provides a perspective not immediately apparent from net income or FFO. Because Same Center NOI - Cash Basis excludes properties developed, redeveloped, acquired and sold; as well as non-cash adjustments, gains or losses on the sale of outparcels and termination rents; it highlights operating trends such as occupancy levels, rental rates and operating costs on properties that were operational for both comparable periods. Other REITs may use different methodologies for calculating Same Center Net Operating Income, and accordingly, our Same Center NOI - Cash Basis may not be comparable to other REITs.

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

Below is a reconciliation of income before equity in earnings of unconsolidated joint ventures to Same Center NOI - Cash Basis (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Same Center Net Operating Income - Cash Basis				
Income before equity in earnings of unconsolidated joint ventures	$23,313	$18,107	$57,156	$31,614
Interest expense	13,088	14,582	26,177	29,502
Gain on sale of assets and interests in unconsolidated entities	—	—	(13,726)	—
Other nonoperating income (expense)	493	(64)	187	(123)
Operating income	36,894	32,625	69,794	60,993
Adjusted to exclude:				
Depreciation and amortization	24,272	25,197	48,261	51,260
Other non-property income and losses	(845)	(618)	(1,299)	(665)
Acquisition costs	—	—	—	7
Abandoned pre-development costs	—	—	—	1,596
General and administrative expenses	11,612	10,761	22,917	21,483
Non-cash adjustments and termination rents [1]	(2,839)	(1,056)	(4,307)	(2,811)
Non-same center NOI [2]	(372)	(1,192)	(196)	(2,343)
Same Center Net Operating Income - Cash Basis	$68,722	$65,717	$135,170	$129,520

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

(2)

Foxwoods, CT outlet center which opened in May of 2015 and Lincoln City, Oregon outlet center, which was sold in December 2014, were excluded from Same Center NOI - Cash Basis.

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 generally increase as prices rise. Most of the leases require the tenant to pay their share of property operating expenses, including common area maintenance, real estate taxes, insurance and advertising and promotion, thereby reducing exposure to increases in costs and operating expenses resulting from inflation.

While we believe outlet stores will continue to be a profitable and fundamental distribution channel for many brand name manufacturers, some retail formats are more successful than others. As typical in the retail industry, certain tenants have closed, or will close, certain stores by terminating their lease prior to its natural expiration or as a result of filing for protection under bankruptcy laws.

Due to the relatively short-term nature of our tenants' leases, a significant portion of the leases in our portfolio come up for renewal each year. As of January 1, 2015, we had approximately 1.5 million square feet, or 13% of our consolidated portfolio at that time, coming up for renewal during 2015. During the first six months of 2015, we renewed approximately 1,059,000 square feet of this space at a 23% increase in the average base rental rate compared to the expiring rate. We also re-tenanted approximately 369,000 square feet at a 33% increase in the average base rental rate. In addition, we continue to attract and retain additional tenants. However, there can be no assurance that we can achieve similar increases in base rental rates. In addition, if we were unable to successfully renew or release a significant amount of this space on favorable economic terms, the loss in rent could have a material adverse effect on our results of operations.

Our outlet centers typically include well-known, national, brand name companies. By maintaining a broad base of well-known tenants and a geographically diverse portfolio of properties located across the United States, we believe we reduce our operating and leasing risks. No one tenant (including affiliates) accounts for more than 8% of our square feet or 5% of our combined base and percentage rental revenues. Accordingly, we do not expect any material adverse impact on our results of operations and financial condition as a result of leases to be renewed or stores to be released. Occupancy at our consolidated centers was 97% and 98% as of June 30, 2015 and 2014, respectively.

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 existing floating rate debt to a fixed rate basis. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We are also exposed to foreign currency risk on investments in outlet centers that are located in Canada. Our currency exposure is concentrated in the Canadian Dollar. We typically reinvest net cash flow from our Canadian joint ventures to fund future Canadian development activity. We believe this strategy mitigates some of the risk of our initial investment and our exposure to changes in foreign currencies. We generally do not hedge currency translation exposures.

In August 2013, as part of the acquisition of a controlling interest in Deer Park, we assumed a $150.0 million interest only mortgage loan, including a fair value discount of $1.6 million. The loan has a 5 year term and carries an interest rate of LIBOR + 1.50%. In October 2013, we entered into interest rate swap agreements to reduce our floating rate debt exposure by locking the interest rate on the $150.0 million mortgage. The interest rate swap agreements fix the base LIBOR rate at an average of 1.30%, creating a contractual interest rate for the loan of 2.80% through August 2018. The fair value of the interest rate swap agreements represents the estimated receipts or payments that would be

made to terminate the agreement. As of June 30, 2015, the fair value of these contracts is a liability of $794,000. The fair value is based on dealer quotes, considering current interest rates, remaining term to maturity and our credit standing.

As of June 30, 2015, approximately 33% of our outstanding debt had variable rates, excluding variable rate debt with interest rate protection agreements in place, and therefore were subject to market fluctuations. An increase in the LIBOR rate of 100 basis points would result in an increase of approximately $5.0 million in interest expense on an annual basis. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate effect upon our operating results of interest rate fluctuations will depend on the interest rate exposures that arise during the period, our hedging strategies at that time and future changes in the level of interest rates.

The estimated fair value and recorded value of our debt consisting of senior unsecured notes, unsecured term loans, secured mortgages and unsecured lines of credit were as follows (in thousands):

	June 30, 2015	December 31, 2014
Fair value of debt	$1,572,370	$1,493,519
Recorded value of debt	$1,514,490	$1,443,194

A 100 basis point increase from prevailing interest rates at June 30, 2015 and December 31, 2014 would result in a decrease in fair value of total debt of approximately $53.7 million and $58.3 million, respectively. With the exception of the unsecured term loan and unsecured lines of credit, that have variable rates and considered at market value, fair values of the senior notes and mortgage loans are determined using discounted cash flow analysis with an interest rate or credit spread similar to that of current market borrowing arrangements. Because the Company's senior unsecured notes are publicly traded with limited trading volume, these instruments are classified as Level 2 in the hierarchy. In contrast, mortgage loans are classified as Level 3 given the unobservable inputs utilized in the valuation. Considerable judgment is necessary to develop estimated fair values of financial instruments. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on the disposition of the financial instruments.

Item 4. Controls and Procedures

Tanger Factory Outlet Centers, Inc. Controls and Procedures

The Company's management carried out an evaluation, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) as of June 30, 2015. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer, have concluded the Company's disclosure controls and procedures were effective as of June 30, 2015. There were no changes to the Company's internal controls over financial reporting during the quarter ended June 30, 2015, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Tanger Properties Limited Partnership Controls and Procedures

The management of the Operating Partnership's general partner carried out an evaluation, with the participation of the Chief Executive Officer and the Vice-President and Treasurer (Principal Financial Officer) of the Operating Partnership's general partner, of the effectiveness of the Operating Partnership's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2015. Based on this evaluation, the Chief Executive Officer of the Operating Partnership's general partner, and the Vice-President and Treasurer of the Operating Partnership's general partner, have concluded the Operating Partnership's disclosure controls and procedures were effective as of June 30, 2015. There were no changes to the Operating Partnership's internal controls over financial reporting during the quarter ended June 30, 2015, that materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Operating Partnership are, from time to time, engaged in a variety of legal proceedings arising in the normal course of business. Although the results of these legal proceedings cannot be predicted with certainty, management believes that the final outcome of such proceedings will not have a material adverse effect on our results of operations or financial condition.

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, 2014.

Item 4.Mine Safety Disclosures

Not applicable

Item 6. Exhibits

Exhibit Number	Exhibit Descriptions
12.1*	Company's Ratio of Earnings to Fixed Charges.
12.2*	Operating Partnership's Ratio of Earnings to Fixed Charges.
31.1*	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Factory Outlet Centers, Inc.
31.2*	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Factory Outlet Centers, Inc.
31.3*	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Properties Limited Partnership.
31.4*	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 for Tanger Properties Limited Partnership.
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 for Tanger Factory Outlet Centers, Inc.
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32.4**	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002 for Tanger Properties Limited Partnership.
101	The following financial statements from Tanger Factory Outlet Centers, Inc. and Tanger Properties Limited Partnership's dual Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Other Comprehensive Income (unaudited), (iv) Consolidated Statements of Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to Consolidated Financial Statements (unaudited).

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

DATE: August 5, 2015

TANGER FACTORY OUTLET CENTERS, INC.

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

TANGER PROPERTIES LIMITED PARTNERSHIP

By: TANGER GP TRUST, its sole general partner

By: /s/ Frank C. Marchisello, Jr.
Frank C. Marchisello, Jr.
Vice President and Treasurer (principle financial officer)

Exhibit Index

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** Furnished herewith.