

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999

OR

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

For the transition period from _____ to _____

COMMISSION FILE NO. 1-11986

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

NORTH CAROLINA	56-1815473
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)

3200 NORTHLINE AVENUE, SUITE 360, GREENSBORO, NORTH CAROLINA 27408
(Address of principal executive offices)
(Zip code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

7,849,306 shares of Common Stock,
\$.01 par value, outstanding as of April 26, 1999

TANGER FACTORY OUTLET CENTERS, INC.

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

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(Unaudited)	
REVENUES		
<S>	<C>	<C>
Base rentals	\$17,071	\$15,655
Percentage rentals	408	494
Expense reimbursements	6,358	6,360
Other income	326	297
Total revenues	24,163	22,806
EXPENSES		
Property operating	6,889	6,652
General and administrative	1,674	1,699
Interest	5,969	4,792
Depreciation and amortization	6,179	5,134
Total expenses	20,711	18,277
INCOME BEFORE GAIN ON SALE OF REAL ESTATE, MINORITY INTEREST AND EXTRAORDINARY ITEM	3,452	4,529
Gain on sale of real estate	---	994
INCOME BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEM	3,452	5,523
Minority interest	(826)	(1,408)
INCOME BEFORE EXTRAORDINARY ITEM	2,626	4,115
Extraordinary item - Loss on early extinguishment of debt, net of minority interest of \$96 and \$128	(249)	(332)
NET INCOME	2,377	3,783
Less preferred share dividends	(479)	(468)
Net income available to common shareholders	\$1,898	\$3,315
BASIC EARNINGS PER COMMON SHARE:		
Income before extraordinary item	\$.27	\$.46
Extraordinary item	(.03)	(.04)
Net income	\$.24	\$.42
DILUTED EARNINGS PER COMMON SHARE:		
Income before extraordinary item	\$.27	\$.45
Extraordinary item	(.03)	(.04)
Net income	\$.24	\$.41
DIVIDENDS PAID PER COMMON SHARE	\$.60	\$.55

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	MARCH 31, 1999	DECEMBER 31, 1998
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Rental property		
Land	\$53,869	\$53,869
Buildings, improvements and fixtures	470,534	458,546
Developments under construction	13,347	16,832
	537,750	529,247
Accumulated depreciation	(90,468)	(84,685)
	447,282	444,562
Rental property, net		
Cash and cash equivalents	200	6,330
Deferred charges, net	8,588	8,218
Other assets	10,864	12,685
	\$466,934	\$471,795
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Long-term debt		
Senior, unsecured notes	\$150,000	\$150,000
Mortgages payable	91,746	72,790
Lines of credit	63,455	79,695
	305,201	302,485
Construction trade payables	6,468	9,224
Accounts payable and accrued expenses	10,498	10,723
	322,167	322,432
Commitments		
Minority interest	34,153	35,324
SHAREHOLDERS' EQUITY		
Preferred shares, \$.01 par value, 1,000,000 shares authorized, 88,270 shares issued and outstanding at March 31, 1999 and December 31, 1998	1	1
Common shares, \$.01 par value, 50,000,000 shares authorized, 7,864,306 and 7,897,606 shares issued and outstanding at March 31, 1999 and December 31, 1998	79	79
Paid in capital	136,944	137,530
Distributions in excess of net income	(26,410)	(23,571)
	110,614	114,039
TOTAL SHAREHOLDERS' EQUITY	110,614	114,039
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$466,934	\$471,795

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

<TABLE>

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	THREE MONTHS ENDED MARCH 31, 1999	1998
	(Unaudited)	
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	\$2,377	\$3,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,179	5,134
Amortization of deferred financing costs	274	258

Minority interest	730	1,280
Loss on early extinguishment of debt	345	460
Gain on sale of real of estate	---	(994)
Straight-line base rent adjustment	(150)	(84)
Compensation under Unit Option Plan	---	84
Increase (decrease) due to changes in:		
Other assets	1,899	606
Accounts payable and accrued expenses	(225)	(2,005)
<hr/>		
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,429	8,522
<hr/>		
INVESTING ACTIVITIES		
Acquisition of rental properties	---	(17,000)
Additions to rental properties	(11,237)	(9,714)
Additions to deferred lease costs	(549)	(483)
Net proceeds from sale of real estate	---	2,411
<hr/>		
NET CASH USED IN INVESTING ACTIVITIES	(11,786)	(24,786)
<hr/>		
FINANCING ACTIVITIES		
Repurchase of common shares	(667)	---
Cash dividends paid	(5,216)	(4,769)
Distributions to minority interest	(1,820)	(1,668)
Proceeds from mortgages payable	66,500	---
Repayments on mortgages payable	(47,544)	(304)
Proceeds from revolving lines of credit	26,110	35,765
Repayments on revolving lines of credit	(42,350)	(11,100)
Additions to deferred financing costs	(786)	(134)
Proceeds from exercise of unit options	---	48
<hr/>		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(5,773)	17,838
<hr/>		
Net increase (decrease) in cash and cash equivalents	(6,130)	1,574
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,330	3,607
<hr/>		
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$200	\$5,181
<hr/>		

</TABLE>

Supplemental schedule of non-cash investing activities:

The Company purchases capital equipment and incurs costs relating to construction of new facilities, including tenant finishing allowances. Expenditures included in construction trade payables as of March 31, 1999 and 1998 amounted to \$6,468 and \$8,375, respectively.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

TANGER FACTORY OUTLET CENTERS, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS March 31, 1999 (Unaudited)

1. INTERIM FINANCIAL STATEMENTS

The unaudited Consolidated Financial Statements of Tanger Factory Outlet Centers, Inc., a North Carolina corporation (the "Company"), have been prepared pursuant to generally accepted accounting principles and should be read in conjunction with the Consolidated Financial Statements and Notes thereto of the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission's ("SEC") rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading.

The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature.

2. DEVELOPMENT OF RENTAL PROPERTIES

During the first quarter of 1999, the Company substantially completed a 94,982 square foot expansion of its center in Sevierville, Tennessee which began opening in fourth quarter 1998, opening an additional 48,279 square feet. Additionally, approximately 143,000 square feet of expansions in five of the Company's centers are currently under construction and are scheduled to open in the second half of 1999.

Commitments to complete construction of the expansions to the existing

properties and other capital expenditure requirements amounted to approximately \$5.3 million at March 31, 1999. Commitments for construction represent only those costs contractually required to be paid by the Company.

Interest costs capitalized during the three months ended March 31, 1999 and 1998 amounted to \$346,000 and \$336,000, respectively.

3. LONG-TERM DEBT

On March 18, 1999, the Company obtained a \$66.5 million non-recourse 10 year loan with John Hancock Mutual Life Insurance at a fixed interest rate of 7.875%. The new loan refinances a prior loan, also with John Hancock, which had a balance of approximately \$47.3 million, an interest rate of 8.92% and a scheduled maturity of January 1, 2002. The additional proceeds were used to reduce amounts outstanding under the revolving lines of credit. The unamortized deferred financing costs associated with the prior loan were expensed during the quarter and are reflected as an extraordinary item, net of minority interest, in the accompanying statements of operations.

At March 31, 1999, the Company had revolving lines of credit with an unsecured borrowing capacity of \$100 million, of which \$36.5 million was available for additional borrowings.

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4. STOCK REPURCHASES

During the quarter, the Board of Directors increased the amount authorized to repurchase the Company's common shares from \$5 million to \$6 million. During the quarter ended March 31, 1999, the Company repurchased and retired an additional 33,300 shares for approximately \$667,000, leaving a balance of \$5.2 million authorized for future repurchases.

5. EARNINGS PER SHARE

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

<TABLE>

		THREE MONTHS ENDED MARCH 31,	
		1999	1998

NUMERATOR:			
<S>	Income before extraordinary item	<C> \$2,626	<C> \$4,115
	Less preferred share dividends	(479)	(468)

Income available to common shareholders - numerator for basic and diluted earnings per share		\$2,147	\$3,647

DENOMINATOR:			
Basic weighted average common shares		7,884	7,858
Effect of outstanding share and unit options		---	180

Diluted weighted average common shares		7,884	8,038

Basic earnings per share before extraordinary item		\$.27	\$.46

Diluted earnings per share before extraordinary item		\$.27	\$.45

</TABLE>

Options to purchase common shares which were excluded from the computation of diluted earnings per share for the three months ended March 31, 1999 and 1998 because the exercise price was greater than the average market price of the common shares totaled 1,314,342 and 26,000, respectively. The assumed conversion of preferred shares to common shares

as of the beginning of the year would have been anti-dilutive. The assumed conversion of the partnership units held by the limited partner as of the beginning of the year, which would result in the elimination of earnings allocated to the minority interest, would have no impact on earnings per share since the allocation of earnings to a partnership unit is equivalent to earnings allocated to a common share.

6. SUBSEQUENT EVENTS

On May 3, 1999, a tornado severely damaged the Company's outlet center in Stroud, Oklahoma. There were no reported injuries at the center, but the extensive damage has made the center non-operational. At March 31, 1999, the Stroud center's total assets were less than 2% of the Company's total assets and its revenues in 1998 were less than 3% of the Company's total revenues in 1998. Based on the Company's existing insurance coverage for both replacement cost and business interruption losses applicable to this property, the Company believes that the impact of this event will not have a material effect on the Company's financial condition, results of operations or cash flows.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements appearing elsewhere in this report. Historical results and percentage relationships set forth in the consolidated statements of operations, including trends which might appear, are not necessarily indicative of future operations.

The discussion of the Company's results of operations reported in the consolidated statements of operations compares the three months ended March 31, 1999 with the three months ended March 31, 1998. Certain comparisons between the periods are made on a percentage basis as well as on a weighted average gross leasable area ("GLA") basis, a technique which adjusts for certain increases or decreases in the number of centers and corresponding square feet related to the development, acquisition, expansion or disposition of rental properties. The computation of weighted average GLA, however, does not adjust for fluctuations in occupancy which may occur subsequent to the original opening date.

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. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995 and included this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "believe", "expect", "intend", "anticipate", "estimate", "project", or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect our actual results, performance or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, the following:

- - general economic and local real estate conditions could change (for example, our tenant's business may change if the economy changes, which might effect (1) the amount of rent they pay us or their ability to pay rent to us, (2) their demand for new space, or (3) our ability to renew or re-lease a significant amount of available space on favorable terms;
- - the laws and regulations that apply to us could change (for instance, a change in the tax laws that apply to REITs could result in unfavorable tax treatment for us);
- - capital availability (for instance, financing opportunities may not be available to us, or may not be available to us on favorable terms);
- - our operating costs may increase or our costs to construct or acquire new properties or expand our existing properties may increase or exceed our original expectations.

GENERAL OVERVIEW

At March 31, 1999, the Company owned 31 centers in 23 states totaling 5.1 million square feet compared to 30 centers in 22 states totaling 4.7 million square feet at March 31, 1998. Since March 31, 1998, the Company has acquired one center, expanded two centers and sold one center, increasing GLA by approximately 362,000 square feet.

During the first quarter of 1999, the Company substantially completed a 94,982 square foot expansion of its center in Sevierville, Tennessee which began opening in fourth quarter 1998, opening an additional 48,279 square feet.

Additionally, approximately 143,000 square feet of expansions in five of the Company's centers are currently under construction and are

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scheduled to open in the second half of 1999.

On May 3, 1999, a tornado severely damaged the Company's outlet center in Stroud, Oklahoma. There were no reported injuries at the center, but the extensive damage has made the center non-operational. At March 31, 1999, the Stroud center's total assets were less than 2% of the Company's total assets and its revenues in 1998 were less than 3% of the Company's total revenues in 1998. Based on the Company's existing insurance coverage for both replacement cost and business interruption losses applicable to this property, the Company believes that the impact of this event will not have a material effect on the Company's financial condition, results of operations or cash flows.

A summary of the operating results for the three months ended March 31, 1999 and 1998 is presented in the following table, expressed in amounts calculated on a weighted average GLA basis.

<TABLE>

	1999	1998
<hr/>		
<S>	<C>	<C>
GLA open at end of period (000's)	5,062	4,700
Weighted average GLA (000's) (1)	5,039	4,499
Outlet centers in operation	31	30
New centers acquired	--	1
Centers sold	--	1
Centers expanded	1	--
States operated in at end of period	23	22
Occupancy percentage at end of period	94%	97%
<hr/>		
PER SQUARE FOOT		
Revenues		
Base rentals	\$3.39	\$3.48
Percentage rentals	.08	.11
Expense reimbursements	1.26	1.41
Other income	.06	.07
<hr/>		
Total revenues	4.79	5.07
<hr/>		
Expenses		
Property operating	1.37	1.48
General and administrative	.33	.38
Interest	1.18	1.07
Depreciation and amortization	1.23	1.14
<hr/>		
Total expenses	4.11	4.07
<hr/>		
Income before gain on sale of real estate, minority interest and extraordinary item	\$.68	\$1.00
<hr/>		

(1) GLA WEIGHTED BY MONTHS OF OPERATIONS. GLA IS NOT ADJUSTED FOR FLUCTUATIONS IN OCCUPANCY WHICH MAY OCCUR SUBSEQUENT TO THE ORIGINAL OPENING DATE.

</TABLE>

RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 1999 TO THE THREE MONTHS ENDED MARCH 31, 1998

Base rentals increased \$1.4 million, or 9%, in the 1999 period when compared to the same period in 1998 primarily as a result of a 12% increase in weighted average GLA. The increase in weighted average GLA is due to the acquisitions in March 1998 (173,000 square feet) and July 1998 (186,000 square feet) and expansions at three of the Company's centers totaling approximately 125,642 square feet. Base rent per weighted average GLA decreased \$.09 per foot due to the portfolio of properties having a lower overall average occupancy rate in the first three months of 1999 compared to the same period in 1998.

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Percentage rentals, which represent revenues based on a percentage of tenants' sales volume above predetermined levels (the "breakpoint"), decreased \$86,000,

and on a weighted average GLA basis, decreased \$.03 per square foot in the first three months of 1999 compared to the first three months of 1998. The decrease reflects lower sales for the tenants whose lease years ended in the first quarter of 1999. For the three months ended March 31, 1999, reported same-store sales, defined as the weighted average sales per square foot reported by tenants for stores open since January 1, 1998, were even with that of the previous year.

Expense reimbursements, which represent the contractual recovery from tenants of certain common area maintenance, insurance, property tax, promotional, advertising and management expenses generally fluctuates consistently with the reimbursable property operating expenses to which it relates. Expense reimbursements, expressed as a percentage of property operating expenses, decreased from 96% in the 1998 three month period to 92% in the 1999 three month period primarily as a result of a lower average occupancy rate in the 1999 period compared to the 1998 period.

Property operating expenses increased by \$237,000, or 4%, in the 1999 period as compared to the 1998 period due to a higher average GLA in 1999 versus 1998. However, on a weighted average GLA basis, property operating expenses decreased \$.11 per square foot from \$1.48 to \$1.37. Slightly higher real estate taxes per square foot were offset by considerable decreases in advertising and promotion and common area maintenance expenses per square foot.

General and administrative expenses decreased \$25,000, or 1%, in the 1999 quarter as compared to the 1998 quarter. As a percentage of revenues, general and administrative expenses were approximately 7% of revenues in both the 1999 and 1998 periods and, on a weighted average GLA basis, decreased \$.05 per square foot from \$.38 in 1998 to \$.33 in 1999 reflecting the absorption of the acquisitions and expansions in 1998 without corresponding increases in general and administrative expenses.

Interest expense increased \$1.2 million during the 1999 period as compared to the 1998 period due to financing the 1998 acquisitions and expansions. Depreciation and amortization per weighted average GLA increased from \$1.14 per square foot in the 1998 period to \$1.23 per square foot in the 1999 period due to a higher mix of tenant finishing allowances included in buildings and improvements which are depreciated over shorter lives (i.e., over lives generally ranging from 3 to 10 years as opposed to other construction costs which are depreciated over lives ranging from 15 to 33 years.)

The gain on sale of real estate for the three months ended March 31, 1998 represents the sale of an 8,000 square foot, single tenant property in Manchester, VT for \$1.85 million and the sale of two outparcels at other centers for sales prices aggregating \$690,000.

The extraordinary losses recognized in each three month period represent the write-off of unamortized deferred financing costs related to debt that was extinguished during each period prior to its scheduled maturity.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$11.4 million and \$8.5 million for the three months ended March 31, 1999 and 1998, respectively. The increase in cash provided by operating activities is due primarily to an increase in receivables and a lesser decrease in accounts payable during 1999 when compared to the same period in 1998. Net cash used in investing activities was \$11.8 and \$24.8 million during the first three months of 1999 and 1998, respectively. Cash used was higher in 1998 primarily due to the acquisition of a factory outlet center in Dalton, Georgia in 1998. Likewise, net cash from financing activities amounted to \$(5.8) and \$17.8 million during the first three months of 1999 and 1998, respectively, decreasing consistently with the capital needs of the current acquisition and expansion activity. Also attributing to the decrease in cash from financing activities in the

first three months of 1999 compared to the same period in 1998 was an increase in dividends paid of \$599,000 and the repurchase and retirement of some of the Company's common shares totaling \$667,000 in 1999.

During the first quarter of 1999, the Company substantially completed a 94,982 square foot expansion of its center in Sevierville, Tennessee which began opening in fourth quarter 1998, opening an additional 48,279 square feet. Additionally, approximately 143,000 square feet of expansions in five of the Company's centers is currently under construction and is scheduled to open in the second half of 1999. Commitments to complete construction of the expansions to the existing properties and other capital expenditure requirements amounted to approximately \$5.3 million at March 31, 1999. Commitments for construction represent only those costs contractually required to be paid by the Company.

The Company also is in the process of developing plans for additional expansions and new centers for completion in 2000 and beyond. Currently, the Company is in the preleasing stages for a future center in Bourne, Massachusetts and for

further expansions of five existing Centers. However, these anticipated or planned developments or expansions may not be started or completed as scheduled, or may not result in accretive funds from operations. In addition, the Company regularly evaluates acquisition or disposition proposals, engages from time to time in negotiations for acquisitions or dispositions and may from time to time 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 also may not be consummated, or if consummated, may not result in accretive funds from operations.

The Company maintains revolving lines of credit which provide for unsecured borrowings up to \$100 million, of which \$36.5 million was available for additional borrowings at March 31, 1999. As a general matter, the Company anticipates utilizing its lines of credit as an interim source of funds to acquire, develop and expand factory outlet centers and to repay the credit lines with longer-term debt or equity when management determines that market conditions are favorable. Under joint shelf registration, the Company and the Operating Partnership could issue up to \$100 million in additional equity securities and \$100 million in additional debt securities. With the decline in the real estate debt and equity markets, the Company may not, in the short term, be able to access these markets on favorable terms. Management believes the decline is temporary and may utilize these funds as the markets improve to continue its external growth. In the interim, the Company may consider the use of operational and developmental joint ventures and other related strategies to generate additional capital. Based on cash provided by operations, existing credit facilities, ongoing negotiations with certain financial institutions and funds available under the shelf registration, management believes that the Company has access to the necessary financing to fund the planned capital expenditures during 1999.

On March 18, 1999, the Company refinanced its 8.92% notes which had a carrying amount of \$47.3 million. The refinancing reduced the interest rate to 7.875%, increased the loan amount to \$66.5 million and extended the maturity date to April 2009. The additional proceeds were used to reduce amounts outstanding under the revolving lines of credit. As a result of this refinancing, management expects to realize a savings in interest cost of approximately \$300,000 over the next twelve months. In addition, the Company extended the maturity of one of its revolving lines of credit from June 2000 to June 2001.

At March 31, 1999, approximately 70% of the outstanding long-term debt represented unsecured borrowings and approximately 79% of the Company's real estate portfolio was unencumbered. The weighted average interest rate on debt outstanding on March 31, 1999 was 7.9%.

The Company anticipates that adequate cash will be available to fund its 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 the Company receives most of its rental payments on a monthly basis, distributions to shareholders are made quarterly and interest payments on the senior, unsecured notes are made semi-annually. Amounts accumulated for such payments will be used in the interim to reduce the outstanding borrowings under the existing lines of credit or invested in short-term money market or other suitable

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instruments. Certain of the Company's debt agreements limit the payment of dividends such that dividends will not exceed funds from operations ("FFO"), as defined in the agreements, for the prior fiscal year on an annual basis or 95% of FFO on a cumulative basis from the date of the agreement.

On April 8, 1999, the Board of Directors of the Company declared a \$.605 cash dividend per common share payable on May 14, 1999 to each shareholder of record on April 30, 1999, and caused a \$.605 per Operating Partnership unit cash distribution to be paid to the minority interests. The Board of Directors of the Company also declared a cash dividend of \$.5451 per preferred depositary share payable on May 14, 1999 to each shareholder of record on April 30, 1999. Both dividends represent a 1% increase from the quarterly distributions previously paid to holders of shares and Operating Partnership units.

MARKET RISK

The Company is 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. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

The Company enters into interest rate swap agreements to manage its exposure to interest rate changes. The swaps involve the exchange of fixed and variable interest rate payments based on a contractual principal amount and time period. Payments or receipts on the agreements are recorded as adjustments to interest expense. At March 31, 1999, the Company had an interest rate swap agreement effective through October 2001 with a notional amount of \$20 million. Under this

agreement, the Company receives a floating interest rate based on the 30 day LIBOR index and pays a fixed interest rate of 5.47%. These swaps effectively change the Company's payment of interest on \$20 million of variable rate debt to fixed rate debt for the contract period.

The fair value of the interest rate swap agreement represents the estimated receipts or payments that would be made to terminate the agreements. At March 31, 1999, the Company would have paid \$42,000 to terminate the agreements. A 1% decrease in the 30 day LIBOR index would increase the amount paid by approximately \$501,000. The fair value is based on dealer quotes, considering current interest rates.

The fair market value of long-term fixed interest rate debt is subject to market risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's total long-term debt at March 31, 1999 was \$282.5 million. A 1% increase from prevailing interest rates at March 31, 1999 would result in a decrease in fair value of total long-term debt by approximately \$6.1 million. Fair values were determined from quoted market prices, where available, using current interest rates considering credit ratings and the remaining terms to maturity.

NEW ACCOUNTING PRONOUNCEMENTS

On June 15, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES ("SFAS 133"). SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Company anticipates that, due to its limited use of derivative instruments, the adoption of SFAS 133 will not have a significant effect on the Company's results of operations or its financial position.

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FUNDS FROM OPERATIONS

Management believes that for a clear understanding of the consolidated historical operating results of the Company, FFO should be considered along with net income as presented in the unaudited consolidated financial statements included elsewhere in this report. FFO is presented because it is a widely accepted financial indicator used by certain investors and analysts to analyze and compare one equity real estate investment trust ("REIT") with another on the basis of operating performance. FFO is generally defined as net income (loss), computed in accordance with generally accepted accounting principles, before extraordinary items and gains (losses) on sale of real estate, plus depreciation and amortization uniquely significant to real estate. The Company cautions that the calculation of FFO may vary from entity to entity and as such the presentation of FFO by the Company may not be comparable to other similarly titled measures of other reporting companies. FFO does not represent net income or cash flow from operations as defined by generally accepted accounting principles and should not be considered an alternative to net income as an indication of operating performance or to cash from operations as a measure of liquidity. FFO is not necessarily indicative of cash flows available to fund dividends to shareholders and other cash needs.

Below is a calculation of funds from operations for the three months ended March 31, 1999 and 1998 as well as actual cash flow and other data for those respective periods (in thousands):

<TABLE>

	1999	1998

FUNDS FROM OPERATIONS:		
<S>	<C>	<C>
Income before gain on sale of real estate, minority interest and extraordinary item	\$3,452	\$4,529
Adjusted for depreciation and amortization uniquely significant to real estate	6,121	5,086

Funds from operations before minority interest	\$9,573	\$9,615

CASH FLOWS PROVIDED BY (USED IN):		
Operating activities	\$11,429	\$8,522
Investing activities	(11,786)	(24,786)

Financing activities	(5,773)	17,838
WEIGHTED AVERAGE SHARES OUTSTANDING (1)	11,713	11,885

</TABLE>

(1) ASSUMES THE PARTNERSHIP UNITS OF THE OPERATING PARTNERSHIP HELD BY THE MINORITY INTEREST, PREFERRED SHARES OF THE COMPANY AND SHARE AND UNIT OPTIONS ARE ALL CONVERTED TO COMMON SHARES OF THE COMPANY.

ECONOMIC CONDITIONS AND OUTLOOK

The majority of the Company's leases contain provisions designed to mitigate the impact of inflation. Such provisions include clauses for the escalation of base rent and clauses enabling the Company to receive percentage rentals based on tenants' gross sales (above predetermined levels, which the Company believes often are lower than traditional retail industry standards) which generally increase as prices rise. Most of the leases require the tenant to pay their share of property operating expenses, including common area maintenance, real estate taxes, insurance and advertising and promotion, thereby reducing exposure to increases in costs and operating expenses resulting from inflation.

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

As part of its strategy of aggressively managing its assets, the Company is strengthening the tenant base in several of its centers by adding strong new anchor tenants, such as Nike, GAP and Nautica. To accomplish this goal, stores may remain vacant for a longer period of time in order to recapture enough space to meet the size

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requirement of these upscale, high volume tenants. Consequently, the Company anticipates that its average occupancy level will remain strong, but may be more in line with the industry average.

Approximately 311,000 square feet of space is up for renewal during the remainder of 1999 and approximately 690,000 square feet will come up for renewal in 2000. If the Company 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 its results of operations. However, existing tenants' sales have remained stable and renewals by existing tenants have remained strong. Approximately 409,000 square feet scheduled to expire in 1999 has already been renewed. In addition, the Company continues to attract and retain additional tenants. The Company's factory outlet centers typically include well known, national, brand name companies. By maintaining a broad base of creditworthy tenants and a geographically diverse portfolio of properties located across the United States, the Company reduces its operating and leasing risks. No one tenant (including affiliates) accounts for more than 8% of the Company's combined base and percentage rental revenues. Accordingly, management currently does not expect any material adverse impact on the Company's results of operation and financial condition as a result of leases to be renewed or stores to be released.

YEAR 2000 COMPLIANCE

The year 2000 ("Y2K") issue refers generally to computer applications using only the last two digits to refer to a year rather than all four digits. As a result, these applications could fail or create erroneous results if they recognize "00" as the year 1900 rather than the year 2000. The Company has taken Y2K initiatives in three general areas which represent the areas that could have an impact on the company - Information technology systems, non-information technology systems and third-party issues. The following is a summary of these initiatives:

INFORMATION TECHNOLOGY SYSTEMS. The Company has focused its efforts on the high-risk areas of the corporate office computer hardware, operating systems and software applications. The Company's assessment and testing of existing equipment and software revealed that certain older desktop personal computers, the network operating system and the DOS-based accounting system were not Y2K compliant. The non-compliant personal computers have since been replaced. The Company is currently in the process of installing and testing current upgrades for the DOS-based accounting and the network operating systems which will make these systems compliant with Y2K and expects to complete this process by June 30, 1999.

NON-INFORMATION TECHNOLOGY SYSTEMS. Non-information technology consists mainly of facilities management systems such as telephone, utility and security systems for the corporate office and the outlet centers. The Company has reviewed the corporate facility management systems and made inquiry of the building

owner/manager and concluded that the corporate office building systems including telephone, utilities, fire and security systems are Y2K compliant. The Company is in the process of identifying date sensitive systems and equipment including HVAC units, telephones, security systems and alarms, fire warning systems and general office systems at its 31 outlet centers. Assessment and testing of these systems is expected to be completed by June 30, 1999. Critical non-compliant systems will be replaced by mid-1999. Based on preliminary assessment, the cost of replacement is not expected to be significant.

THIRD PARTIES. The Company has third-party relationships with approximately 260 tenants and over 8,000 suppliers and contractors. Many of these third parties are publicly-traded corporations and subject to disclosure requirements. The Company has begun assessment of major third parties' Y2K readiness including tenants, key suppliers of outsourced services including stock transfer, debt servicing, banking collection and disbursement, payroll and benefits, while simultaneously responding to their inquiries regarding the Company's readiness. The majority of the Company's vendors are small suppliers that the Company believes can manually execute their business and are readily replaceable. Management also believes there is no material risk of being unable to procure necessary supplies and services from third parties who have not already indicated that they are currently Y2K compliant. The Company is diligently working to substantially complete its third party assessment. The

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Company has received responses to approximately 66% of the surveys sent to tenants, banks and key suppliers of which 99% have indicated they are presently, or will be by December 31, 1999, Y2K compliant. The Company also intends to monitor Y2K disclosures in SEC filings of publicly-owned third parties commencing with the current quarter filings.

COSTS. The accounting software and network operating system upgrades are being executed under existing maintenance and support agreements with software vendors, and thus the Company does not expect to incur additional costs to bring those systems in compliance. Approximately \$220,000 has been spent to upgrade or replace equipment or systems specifically to bring them in compliance with Y2K. The total cost of Y2K compliance activities, expected to be less than \$400,000, has not been, and is not expected to be material to the operating results or financial position of the Company.

The identification and remediation of systems at the outlet centers is being accomplished by in-house business systems personnel and outlet center general managers whose costs are recorded as normal operating expenses. The assessment of third-party readiness is also being conducted by in-house personnel whose costs are recorded as normal operating expenses. The Company is not yet in a position to estimate the cost of third-party compliance issues, but has no reason to believe, based upon its evaluations to date, that such costs will exceed \$100,000.

RISKS. The principal risks to the Company relating to the completion of its accounting software conversion is failure to correctly bill tenants by December 31, 1999 and to pay invoices when due. Management believes it has adequate resources, or could obtain the needed resources, to manually bill tenants and pay bills until the systems became operational.

The principal risks to the Company relating to non-information systems at the outlet centers are failure to identify time-sensitive systems and inability to find a suitable replacement system. The Company believes that adequate replacement components or new systems are available at reasonable prices and are in good supply. The Company also believes that adequate time and resources are available to remediate these areas as needed.

The principal risks to the Company in its relationships with third parties are the failure of third-party systems used to conduct business such as tenants being unable to stock stores with merchandise, use cash registers and pay invoices; banks being unable to process receipts and disbursements; vendors being unable to supply needed materials and services to the centers; and processing of outsourced employee payroll. Based on Y2K compliance work done to date, the Company has no reason to believe that key tenants, banks and suppliers will not be Y2K compliant in all material respects or can not be replaced within an acceptable time frame. The Company will attempt to obtain compliance certification from suppliers of key services as soon as such certifications are available.

CONTINGENCY PLANS. The Company intends to deal with contingency planning during the first half of 1999 after the results of the above assessments are known. The Company description of its Y2K compliance issues are based upon information obtained by management through evaluations of internal business systems and from tenant and vendor compliance efforts. No assurance can be given that the Company will be able to address the Y2K issues for all its systems in a timely manner or that it will not encounter unexpected difficulties or significant expenses relating to adequately addressing the Y2K issue. If the Company or the major tenants or vendors with whom the Company does business fail to address their

major Y2K issues, the Company's operating results or financial position could be materially adversely affected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Promissory Notes by and between Tanger Properties Limited Partnership and John Hancock Mutual Life Insurance Company aggregating \$66,500,000.

(b) Reports on Form 8-K

None

SIGNATURES

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

TANGER FACTORY OUTLET CENTERS, INC.

By: /s/ FRANK C. MARCHISELLO, JR.
Frank C. Marchisello, Jr.
Vice President, Chief Financial Officer

DATE: May 12, 1999

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TEXAS PROMISSORY NOTE

\$20,000,000.00

-----, 1999

1. DEBT AND PAYMENT. For Value Received, the undersigned, Tanger Properties Limited Partnership (the "Borrower"), a North Carolina limited partnership whose sole general partner is Tanger Factory Outlet Centers, Inc., a North Carolina corporation hereby promises to pay to the order of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (the "Lender"), a Massachusetts corporation, at its Home Office at John Hancock Place, Boston, Massachusetts 02117, or at such other place, or to such other party or parties, as the holder of this Note may from time to time designate in writing, the principal sum of Twenty Million Dollars (\$20,000,000.00) (the "Loan") with interest to be computed from the date of disbursement of the proceeds of the Loan at the rate of seven and seven-eighths percent (7.875%) per annum, payable on the first day of each and every month beginning May 1, 1999, upon all principal remaining from time to time unpaid; principal and interest to be paid in installments as follows: One Hundred Fifty-two Thousand Seven Hundred Ten and 79/100ths Dollars (\$152,710.79) on May 1, 1999 and a like amount on the first day of each and every month thereafter through April 1, 2009 (the "Maturity Date"), inclusive; provided, however, that the amount of the final payment aforesaid shall be for the amount of principal and interest then remaining unpaid. If the Loan proceeds are not disbursed on the first day of a month, then interest only at the rate specified above from and including the date of disbursement of the Loan proceeds to the first day of the month following such disbursement shall be due and payable in advance on the date of such disbursement.

The Loan is secured by the Texas Deed of Trust and Security Agreement (the "Texas Deed of Trust"), creating liens and security interests on property in Hays County, Texas, and the Texas Assignment of Leases (the "Texas Assignment"), both of even date herewith. Also given in connection with the Loan is the Texas Indemnification Agreement (the "Texas Indemnification"), also of even date herewith. This Note, the Texas Deed of Trust, the Texas Assignment and the Texas Indemnification are hereinafter referred to collectively as the "Loan Documents". The proceeds of this Note are to be used for business, commercial, investment or other similar purposes, and no portion thereof will be used for personal, family or household use.

Unless Lender elects otherwise, all sums received by Lender in payment under this Note shall be applied first to late charges, costs of collection or enforcement, expenditures by Lender pursuant to the Loan Documents and similar amounts, if any, due under this Note or under the other Loan Documents or the Related Loan Documents (as hereinafter defined), then to interest due and payable under this Note, and the remainder to principal due and payable under this Note.

2. RELATED LOANS. The Loan evidenced and secured by the Loan Documents is made simultaneously with four other loans by Lender to Borrower, all evidenced by four (4) notes of even date herewith in the following amounts (the "Related Notes") and secured by first mortgages (or deeds of trust) on factory outlet centers at the following locations, which loans are hereinafter referred to collectively as

the "Related Loans", the Related Notes and the other instruments evidencing and securing the Related Loans (other than the Loan Documents) being referred to collectively as the "Related Loan Documents":

Location of Center -----	Amount of Loan -----
West Branch, Ogemaw County, Michigan	\$ 7,475,000.00
Kittery, York County, Maine	6,700,000.00
Dalton, Whitfield County, Georgia	11,775,000.00
Williamsburg, Iowa County, Iowa	20,550,000.00

3. PERMITTED PREPAYMENT. Except as provided below, Borrower may not prepay the principal balance of this Note in whole or in part.

Borrower may, on any scheduled payment date on or after April 1, 2003, and subject to giving Lender not less than thirty (30) days nor more than ninety (90) days prior written notice, prepay the entire unpaid principal amount of this Note together with any and all accrued interest and other sums due hereunder and under any of the other Loan Documents, subject to a prepayment premium described below and subject to and in accordance with the following terms and conditions:

A. It shall be a pre-condition of any such prepayment: (i) that all of the Related Loans shall be prepaid in full in accordance with the terms of their respective Related Loan Documents simultaneously with the prepayment in full on the Loan, or (ii) if no uncured default exists under the Loan or under any of the Related Loans, that Lender shall, in its sole reasonable discretion, allow the Loan, either alone or together with one or more of the Related Loans, to be prepaid in full, provided (a) that the Related Loans which are not then being prepaid (hereinafter the "Remaining Related Loans") shall have a ratio of outstanding principal balance to value of the properties securing the Remaining Related Loans that, in the aggregate, is less than or equal to sixty percent (60%) (such loan to value ratio to be determined as hereinafter provided), and (b) that the aggregate net operating income ("Net Operating Income") from the properties securing the Remaining Related Loans shall equal or exceed 1.30 times the total debt service payable under the Remaining Related Loans and under any loans ("junior loans") secured by liens junior to those of the Remaining Related Loans (without any implication that junior loans are permitted under the Loan Documents or the Related Loan Documents) (such ratio is hereinafter referred to as "required debt service coverage" and shall be determined by Lender, in its sole discretion, as hereinafter provided).

B. For purposes of the preceding paragraph, property values shall be determined, at Borrower's election, by one of the following methods: (i) by an appraisal performed by an appraiser mutually acceptable to Borrower and Lender with experience in the appraisal of retail shopping center properties and who is a Member of the Appraisal Institute, at Borrower's expense, (ii) by a totally arm's-length bona fide third party offer to

purchase the property in question, subject to approval by Lender, or (iii) by capitalizing Net Operating Income at a nine and one-half percent (9.5%) capitalization rate. The Net Operating Income of such property is to be calculated by the following formula:

- (a) Annualized base rent determined from base rent actually received in the most recent three (3) month period under then existing leases;
- (b) Less customary non-reimbursed operating expenses at market rates then currently applicable to factory outlet centers;
- (c) Less a reserve equal to ten cents (\$.10) times the number of gross leasable square feet of floor area of the buildings on the subject property.

For purposes of determining whether the required debt service coverage test is satisfied by the Net Operating Income from the properties securing the Remaining Related Loans, the Net Operating Income of all remaining properties, determined in accordance with the foregoing formula, shall be divided by the annual debt service payable under the Remaining Related Loans (and any junior loans) secured by those properties.

C. If the conditions set forth in this Section 3 are satisfied, the prepayment premium with respect to the Loan shall be equal to the greater of: (i) the positive amount, if any, equal to (a) the sum of the present values of all scheduled payments due under this Note from the date on which prepayment is to be made (the "Prepayment Date") to and including the maturity date of this Note, less (b) the principal balance of this Note immediately prior to ---- such prepayment; or (ii) an amount equal to one percent (1%) of the principal balance of this Note immediately prior to such prepayment. All present values shall be calculated as of the Prepayment Date, using a discount rate, compounded monthly, equal to the yield rate, converted to its monthly equivalent, of the United States Treasury Security having the closest maturity date to the maturity date of this Note, as established in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the Prepayment Date.

Provided no default existing under any of the Loan Documents or Related Loan Documents, the prepayment premium shall not be applicable to a prepayment resulting from Lender's election to require insurance loss proceeds or condemnation awards to be applied to a payment of principal.

No partial prepayment shall be allowed.

The principal balance of this Note may be prepaid in full without premium during the last one hundred twenty (120) days of the term of this Note.

4. INTEREST AFTER DEFAULT; ACCELERATION. While any default exists in the making of any of said payments or in the performance or observance of any of the covenants or agreements of this Note, or of any of the other Loan Documents, or of any of the Related Loan Documents, including, without limitation, failure to make payment in full of all amounts due under this Note or any of the other Loan Documents or under any Related Loan Documents, by the Maturity Date, the undersigned further promises to pay, on each monthly payment date, additional interest on the principal balance of this Note then outstanding at the rate representing the difference between the aforesaid rate and twelve and seven-eighths percent (12.875%) per annum, provided that any additional interest which has accrued shall be paid at the time of and as a condition precedent to the curing of any default. Upon any default under this Note, the other Loan Documents, or the Related Loan Documents which shall continue uncured after the expiration of any applicable notice or cure period, the holder of this Note may apply payments received on any amounts due hereunder or under the terms of the Loan Documents or the Related Loan Documents as said holder may determine and, if the holder of this Note so elects, notice of election being expressly waived, the principal remaining unpaid with accrued interest and all other amounts due hereunder shall at once become due and payable.

5. PAYMENT AFTER DEFAULT AND ACCELERATION. Borrower acknowledges that the Loan evidenced hereby was made on the basis and assumption that Lender would receive the payments of principal and interest set forth herein for the full term of the Loan. Therefore, whenever the maturity of the Loan has been accelerated by reason of a default under this Note, any of the other Loan Documents or the Related Loan Documents which has continued uncured beyond the expiration of any applicable notice or cure period, which default occurs prior to the time period, if any, in which prepayment is allowed, including an acceleration by reason of sale, conveyance, further encumbrance or other default (which acceleration shall be at Lender's sole option), there shall be due, in addition to the outstanding principal balance, accrued interest and other sums due under this Note and the Loan Documents (subject, however, to all provisions of the Loan Documents limiting interest payable under the Loan to the maximum amount permitted by applicable law), a premium equal to the greater of:

A. The sum obtained by:

(i) Multiplying the then outstanding principal balance due by the difference obtained by subtracting the yield rate on publicly traded United States Treasury Securities (as published in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the date of said payment) having the closest matching maturity date to the Maturity Date from the interest rate on this Note adjusted to its semi-annual equivalent rate (8.005%), times the number of scheduled monthly payments remaining in the term of this Note, divided by twelve; and

(ii) Adding an amount equal to five percent (5%) of the then

outstanding principal balance; or

B. An amount equal to ten percent (10%) of the then outstanding principal balance.

In the event such default or acceleration occurs on or after the date on which prepayment is permitted under Section 3 of this Note and the preconditions to such prepayment set forth in Section 3(A) are satisfied, then in lieu of the above-described premium, payment of a premium calculated in the manner set forth in Section 3(C), shall be required. In the event the yield rate on publicly traded United States Treasury Securities is not obtainable, then the nearest equivalent issue or index shall be selected, at Lender's reasonable determination, and used in calculating the premium hereunder.

A tender of the amount necessary to satisfy the entire indebtedness evidenced hereby, paid at any time following such default or acceleration, including at a foreclosure sale, shall be deemed a voluntary prepayment, and, at Lender's option, such payment shall include a premium as described above.

6. WAIVERS. The undersigned waives presentment, protest and demand, notice of protest, demand and dishonor and non-payment of this Note, notice of intention to accelerate the maturity of this Note, and notice of acceleration, and agrees to pay all costs of collection when incurred, including attorneys' and paralegals' fees, and to perform and comply with each of the covenants, conditions, provisions and agreements of the undersigned contained in every Loan

Document. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability under this Note, either in whole or in part, of any of the undersigned not a party to such agreement. Notwithstanding any provision herein or in any Loan Document, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Texas.

7. LIMITATION ON LIABILITY. In any action brought to enforce the obligation of the parties executing the Loan Documents to pay the indebtedness or perform the other obligations evidenced or secured by the Loan Documents, the judgment or decree shall be enforceable against such parties only to the extent of their interests in the properties, rights, estates and interests covered by the Texas Deed of Trust, the other Loan Documents and the Related Loan Documents (all such properties, rights, estates and interests are hereinafter referred to as the "Security"), and any such judgment shall not be subject to execution on, nor be a lien on, assets of such parties other than their interests in the Security. Notwithstanding the foregoing, Borrower shall be personally liable to Lender for: (i) fraud, intentional misrepresentation and waste; (ii) any rents, issues or profits collected more than one (1) month in advance of their due dates; (iii) any misapplication of security deposits, insurance proceeds, or condemnation awards or other sums of like nature to condemnation awards; (iv) liability under any environmental covenants, conditions and indemnity contained in the Loan Documents or Related Loan Documents and in any separate environmental indemnity agreement;

(v) failure to pay real estate taxes or assessments, or failure to pay valid mechanic's liens; (vi) reasonable attorneys' fees, court costs and other expenses incurred by Lender if Lender prevails in any legal matter; and (vii) after a default which has continued uncured beyond the expiration of any applicable notice or cure period, misapplication of any rents and other payments, including, without limitation, both base and percentage rents, contributions of tenants and lease termination fees, received from tenants under space leases of the Security.

8. SECURITY, CROSS-DEFAULT, CROSS-COLLATERALIZATION, GOVERNING LAW. This Note is given for a loan of Twenty Million Dollars (\$20,000,000.00) and is secured by (i) the Texas Deed of Trust; (ii) the Texas Assignment; (iii) the other Loan Documents other than this Note; and (iv) the Related Loan Documents other than the Related Notes. The Loan and the Related Loans are all secured by, and are entitled to the benefits of, the Texas Deed of Trust, the Texas Assignment, the other Loan Documents and the Related Loan Documents. It is the express intention of Borrower and Lender that the Loan and each of the Related Loans be, and they hereby are, cross-defaulted and cross-collateralized. Accordingly, a default under this Note or the other Loan Documents will constitute an event of default under the Related Loan Documents, and a default under any of the Related Loan Documents will constitute an event of default under this Note and the other Loan Documents. This Note shall be governed by and construed in accordance with the laws of the State of Texas.

WITNESS the execution and delivery hereof under seal on the day and year first above written.

TANGER PROPERTIES LIMITED
PARTNERSHIP

By: Tanger Factory Outlet Centers,
 Inc., Its Sole General Partner

Attest:-----
 Secretary/Assistant Secretary
 Attest and Witness

By:-----
Name: Stanley K. Tanger

Title: Chairman of the Board and
Chief Executive Officer

(Corporate Seal)

1. Debt and Payment. For Value Received, the undersigned, Tanger Properties Limited Partnership, a North Carolina limited partnership (the "Borrower") hereby promises to pay to the order of John Hancock Mutual Life Insurance Company (the "Lender"), a Massachusetts corporation, at its Home Office at John Hancock Place, Boston, Massachusetts 02117, or at such other place, or to such other party or parties, as the holder of this Note may from time to time designate in writing, the principal sum of Twenty Million Five Hundred Fifty Thousand Dollars (\$20,550,000.00) (the "Loan") with interest to be computed from the date of disbursement of the proceeds of the Loan at the rate of seven and seven-eighths percent (7.875%) per annum, payable on the first day of each and every month beginning May 1, 1999, upon all principal remaining from time to time unpaid; principal and interest to be paid in installments as follows: One Hundred Fifty-six Thousand Nine Hundred Ten and 34/100ths Dollars (\$156,910.34) on May 1, 1999 and a like amount on the first day of each and every month thereafter through April 1, 2009 (the "Maturity Date"), inclusive; provided, however, that the amount of the final payment aforesaid shall be for the amount of principal and interest then remaining unpaid. If the Loan proceeds are not disbursed on the first day of a month, then interest only at the rate specified above from and including the date of disbursement of the Loan proceeds to the first day of the month following such disbursement shall be due and payable in advance on the date of such disbursement.

The Loan is secured by the Iowa Mortgage Security Agreement and Fixture Financing Statement (the "Iowa Mortgage") and the Iowa Assignment of Leases and Rents (the "Iowa Assignment"), both of even date herewith. Also given in connection with the Loan is the Iowa Indemnification Agreement (the "Iowa Indemnification"), also of even date herewith. This Note, the Iowa Mortgage, the Iowa Assignment and the Iowa Indemnification are hereinafter referred to collectively as the "Loan Documents".

Unless Lender elects otherwise, all sums received by Lender in payment under this Note shall be applied first to late charges, costs of collection or enforcement, expenditures by Lender pursuant to the Loan Documents and similar amounts, if any, due under this Note or under the other Loan Documents or the Related Loan Documents (as hereinafter defined), then to interest due and payable under this Note, and the remainder to principal due and payable under this Note.

2. Related Loans. The Loan evidenced and secured by the Loan Documents is made simultaneously with four other loans by Lender to Borrower, all evidenced by four (4) notes of even date herewith in the following amounts (the "Related Notes") and secured by first mortgages (or deeds of trust) on factory outlet centers at the following locations, which loans are hereinafter referred to collectively as the "Related Loans", the Related Notes and the other instruments evidencing and securing the Related Loans (other than the Loan Documents) being referred to collectively as the "Related Loan Documents":

Location of Center -----	Amount of Loan -----
San Marcos, Hays County, Texas	\$20,000,000.00
West Branch, Ogemaw County, Michigan	7,475,000.00
Kittery, York County, Maine	6,700,000.00
Dalton, Whitfield County, Georgia	11,775,000.00

3. Permitted Prepayment. Except as provided below, Borrower may not prepay the principal balance of this Note in whole or in part.

Borrower may, on any scheduled payment date on or after April 1, 2003, and subject to giving Lender not less than thirty (30) days nor more than ninety (90) days prior written notice, prepay the entire unpaid principal amount of this Note together with any and all accrued interest and other sums due hereunder and under any of the other Loan Documents, subject to a prepayment premium described below and subject to and in accordance with the following terms and conditions:

- A. It shall be a pre-condition of any such prepayment: (i) that all of the Related Loans shall be prepaid in full in accordance with the terms of their respective Related Loan Documents simultaneously with the prepayment in full on the Loan, or (ii) if no uncured default exists under the Loan or under any of the Related Loans, that Lender shall, in its sole reasonable discretion, allow the Loan, either alone or together with one or more of the Related Loans, to be prepaid in full, provided (a) that the Related Loans which are not then being prepaid (hereinafter the "Remaining Related Loans") shall have a ratio of outstanding principal balance to value of the properties securing the Remaining Related Loans that, in the aggregate, is less than or equal to sixty percent (60%) (such loan to value ratio to be determined as hereinafter provided), and (b) that the aggregate net operating income ("Net Operating Income") from the properties securing the Remaining Related Loans shall equal or exceed 1.30 times the total debt service payable under the

Remaining Related Loans and under any loans ("junior loans") secured by liens junior to those of the Remaining Related Loans (without any implication that junior loans are permitted under the Loan Documents or the Related Loan Documents) (such ratio is hereinafter referred to as "required debt service coverage" and shall be determined by Lender, in its sole discretion, as hereinafter provided).

- B. For purposes of the preceding paragraph, property values shall be determined, at Borrower's election, by one of the following methods: (i) by an appraisal performed by an appraiser mutually acceptable to Borrower and Lender with experience in the appraisal of retail shopping center properties and who is a Member of the Appraisal Institute, at Borrower's expense, (ii) by a totally arm's-length bona fide third party offer to purchase the property in question, subject to approval by Lender, or (iii) by capitalizing Net Operating Income at a nine and one-half percent

(9.5%) capitalization rate. The Net Operating Income of such property is to be calculated by the following formula:

- (a) Annualized base rent determined from base rent actually received in the most recent three (3) month period under then existing leases;
- (b) Less customary non-reimbursed operating expenses at market rates then currently applicable to factory outlet centers;
- (c) Less a reserve equal to ten cents (\$.10) times the number of gross leasable square feet of floor area of the buildings on the subject property.

For purposes of determining whether the required debt service coverage test is satisfied by the Net Operating Income from the properties securing the Remaining Related Loans, the Net Operating Income of all remaining properties, determined in accordance with the foregoing formula, shall be divided by the annual debt service payable under the Remaining Related Loans (and any junior loans) secured by those properties.

- C. If the conditions set forth in this Section 3 are satisfied, the prepayment premium with respect to the Loan shall be equal to the greater of: (i) the positive amount, if any, equal to (a) the sum of the present values of all scheduled payments due under this Note from the date on which prepayment is to be made (the "Prepayment Date") to and including the maturity date of this Note, less (b) the principal balance of this Note immediately prior to such prepayment; or (ii) an amount equal to one percent (1%) of the principal balance of this Note immediately prior to such prepayment. All present values shall be calculated as of the Prepayment Date, using a discount rate, compounded monthly, equal to the yield rate, converted to its monthly equivalent, of the United States Treasury Security having the closest maturity date to the maturity date of this Note, as established in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the Prepayment Date.

Provided no default existing under any of the Loan Documents or Related Loan Documents, the prepayment premium shall not be applicable to a prepayment resulting from Lender's election to require insurance loss proceeds or condemnation awards to be applied to a payment of principal.

No partial prepayment shall be allowed.

The principal balance of this Note may be prepaid in full without premium during the last one hundred twenty (120) days of the term of this Note.

4. Interest After Default; Acceleration. While any default exists in the making of any of said payments or in the performance or observance of any of the

covenants or agreements of this Note, or of any of the other Loan Documents, or of any of the Related Loan Documents, including, without limitation, failure to make payment in full of all amounts due under this Note or any of the other Loan Documents or under any Related Loan Documents, by the Maturity Date, the undersigned further promises to pay, on each monthly payment date, additional interest on the principal balance of this Note then outstanding at the rate representing the difference between the aforesaid rate and twelve and

seven-eighths percent (12.875%) per annum, provided that any additional interest which has accrued shall be paid at the time of and as a condition precedent to the curing of any default. Upon any default under this Note, the other Loan Documents, or the Related Loan Documents which shall continue uncured after the expiration of any applicable notice or cure period, the holder of this Note may apply payments received on any amounts due hereunder or under the terms of the Loan Documents or the Related Loan Documents as said holder may determine and, if the holder of this Note so elects, notice of election being expressly waived, the principal remaining unpaid with accrued interest and all other amounts due hereunder shall at once become due and payable.

5. Payment After Default And Acceleration. Borrower acknowledges that the Loan evidenced hereby was made on the basis and assumption that Lender would receive the payments of principal and interest set forth herein for the full term of the Loan. Therefore, whenever the maturity of the Loan has been accelerated by reason of a default under this Note, any of the other Loan Documents or the Related Loan Documents which has continued uncured beyond the expiration of any applicable notice or cure period, which default occurs prior to the time period, if any, in which prepayment is allowed, including an acceleration by reason of sale, conveyance, further encumbrance or other default (which acceleration shall be at Lender's sole option), there shall be due, in addition to the outstanding principal balance, accrued interest and other sums due under this Note and the Loan Documents, a premium equal to the greater of:

A. The sum obtained by:

- (i) Multiplying the then outstanding principal balance due by the difference obtained by subtracting the yield rate on publicly traded United States Treasury Securities (as published in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the date of said payment) having the closest matching maturity date to the Maturity Date from the interest rate on this Note adjusted to its semi-annual equivalent rate (8.005%), times the number of scheduled monthly payments remaining in the term of this Note, divided by twelve; and
- (ii) Adding an amount equal to five percent (5%) of the then outstanding principal balance; or

B. An amount equal to ten percent (10%) of the then outstanding principal balance.

In the event such default or acceleration occurs on or after the date on which prepayment is permitted under Section 3 of this Note and the preconditions to such prepayment set forth in Section 3(A) are satisfied, then in lieu of the above-described premium, payment of a premium calculated in the manner set forth in Section 3(C), shall be required. In the event the yield rate on publicly traded United States Treasury Securities is not obtainable, then the nearest equivalent issue or index shall be selected, at Lender's reasonable determination, and used in calculating the premium hereunder.

A tender of the amount necessary to satisfy the entire indebtedness evidenced hereby, paid at any time following such default or acceleration, including at a foreclosure sale, shall be deemed a voluntary prepayment, and, at Lender's option, such payment shall include a premium as described above.

6. Waivers. The undersigned waives presentment, protest and demand, notice of protest, demand and dishonor and non-payment of this Note, notice of intention to accelerate the maturity of this Note, and notice of acceleration, and agrees to pay all costs of collection when incurred, including attorneys' and paralegals' fees, and to perform and comply with each of the covenants, conditions, provisions and agreements of the undersigned contained in every Loan Document. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability under this Note, either in whole or in part, of any of the undersigned not a party to such agreement. Notwithstanding any provision herein or in any Loan Document, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Iowa.

7. Limitation on Liability. In any action brought to enforce the obligation of the parties executing the Loan Documents to pay the indebtedness or perform the other obligations evidenced or secured by the Loan Documents, the judgment or decree shall be enforceable against such parties only to the extent of their interests in the properties, rights, estates and interests covered by the Iowa Mortgage, the other Loan Documents and the Related Loan Documents (all such properties, rights, estates and interests are hereinafter referred to as the "Security"), and any such judgment shall not be subject to execution on, nor be a lien on, assets of such parties other than their interests in the Security.

Notwithstanding the foregoing, Borrower shall be personally liable to Lender for: (i) fraud, intentional misrepresentation and waste; (ii) any rents, issues or profits collected more than one (1) month in advance of their due dates; (iii) any misapplication of security deposits, insurance proceeds, or condemnation awards or other sums of like nature to condemnation awards; (iv) liability under any environmental covenants, conditions and indemnity contained in the Loan Documents or Related Loan Documents and in any separate environmental indemnity agreement; (v) failure to pay real estate taxes or assessments, or failure to pay valid mechanic's liens; (vi) reasonable attorneys' fees, court costs and other expenses incurred by Lender if Lender prevails in any legal matter; and (vii) after a default which has continued uncured beyond the expiration of any applicable notice or cure period, misapplication of

any rents and other payments, including, without limitation, both base and percentage rents, contributions of tenants and lease termination fees, received from tenants under space leases of the Security.

8. Security, Cross-Default, Cross-Collateralization, Governing Law. This Note is given for a loan of Twenty Million Five Hundred Fifty Thousand Dollars (\$20,550,000.00) and is secured by (i) the Iowa Mortgage; (ii) the Iowa Assignment; (iii) the other Loan Documents other than this Note; and (iv) the Related Loan Documents other than the Related Notes. The Loan and the Related Loans are all secured by, and are entitled to the benefits of, the Iowa Mortgage, the Iowa Assignment, the other Loan Documents and the Related Loan Documents. It is the express intention of Borrower and Lender that the Loan and each of the Related Loans be, and they hereby are, cross-defaulted and cross-collateralized. Accordingly, a default under this Note or the other Loan Documents will constitute an event of default under the Related Loan Documents, and a default under any of the Related Loan Documents will constitute an event of default under this Note and the other Loan Documents. This Note shall be governed by and construed in accordance with the laws of the State of Iowa.

WITNESS the execution and delivery hereof under seal on the day and year first above written.

TANGER PROPERTIES LIMITED
PARTNERSHIP

By: Tanger Factory Outlet Centers,
Inc., Its Sole General Partner

Attest:-----
Secretary/Assistant Secretary
Attest and Witness

By:-----
Name: Stanley K. Tanger

Title: Chairman of the Board
and Chief Executive Officer

(Corporate Seal)

MAINE PROMISSORY NOTE

\$6,700,000.00

-----, 1999

1. Debt and Payment. For Value Received, the undersigned, Tanger Properties Limited Partnership, a North Carolina limited partnership (the "Borrower") hereby promises to pay to the order of John Hancock Mutual Life Insurance Company (the "Lender"), a Massachusetts corporation, at its Home Office at John Hancock Place, Boston, Massachusetts 02117, or at such other place, or to such other party or parties, as the holder of this Note may from time to time designate in writing, the principal sum of Six Million Seven Hundred Thousand Dollars (\$6,700,000.00) (the "Loan") with interest to be computed from the date of disbursement of the proceeds of the Loan at the rate of seven and seven-eighths percent (7.875%) per annum, payable on the first day of each and every month beginning May 1, 1999, upon all principal remaining from time to time unpaid; principal and interest to be paid in installments as

follows: Fifty-One Thousand One Hundred Fifty-eight and 12/100ths Dollars (\$51,158.12) on May 1, 1999 and a like amount on the first day of each and every month thereafter through April 1, 2009 (the "Maturity Date"), inclusive; provided, however, that the amount of the final payment aforesaid shall be for the amount of principal and interest then remaining unpaid. If the Loan proceeds are not disbursed on the first day of a month, then interest only at the rate specified above from and including the date of disbursement of the Loan proceeds to the first day of the month following such disbursement shall be due and payable in advance on the date of such disbursement.

The Loan is secured by the Maine Mortgage Deed and Security Agreement (the "Maine Mortgage") and the Maine Assignment of Leases and Rents (the "Maine Assignment"), both of even date herewith. Also given in connection with the Loan is the Maine Indemnification Agreement (the "Maine Indemnification"), also of even date herewith. This Note, the Maine Mortgage, the Maine Assignment and the Maine Indemnification are hereinafter referred to collectively as the "Loan Documents".

Unless Lender elects otherwise, all sums received by Lender in payment under this Note shall be applied first to late charges, costs of collection or enforcement, expenditures by Lender pursuant to the Loan Documents and similar amounts, if any, due under this Note or under the other Loan Documents or the Related Loan Documents (as hereinafter defined), then to interest due and payable under this Note, and the remainder to principal due and payable under this Note.

2. Related Loans. The Loan evidenced and secured by the Loan Documents is made simultaneously with four other loans by Lender to Borrower, all evidenced by four (4) notes of even date herewith in the following amounts (the "Related Notes") and secured by first mortgages (or deeds of trust) on factory outlet centers at the following locations, which loans are hereinafter referred to collectively as the "Related Loans", the Related Notes and the other instruments evidencing and securing the Related Loans (other than the Loan Documents) being referred to collectively as the "Related Loan Documents":

Location of Center	Amount of Loan
San Marcos, Hays County, Texas	\$20,000,000.00
West Branch, Ogemaw County, Michigan	7,475,000.00
Dalton, Whitfield County, Georgia	11,775,000.00
Williamsburg, Iowa County, Iowa	20,550,000.00

3. Permitted Prepayment. Except as provided below, Borrower may not prepay the principal balance of this Note in whole or in part.

Borrower may, on any scheduled payment date on or after April 1, 2003, and subject to giving Lender not less than thirty (30) days nor more than ninety (90) days prior written notice, prepay the entire unpaid principal amount of this Note together with any and all accrued interest and other sums due hereunder and under any of the other Loan Documents, subject to a prepayment premium described below and subject to and in accordance with the following terms and conditions:

- A. It shall be a pre-condition of any such prepayment: (i) that all of the Related Loans shall be prepaid in full in accordance with the terms of their respective Related Loan Documents simultaneously with the prepayment in full on the Loan, or (ii) if no uncured default exists under the Loan or under any of the Related Loans, that Lender shall, in its sole reasonable discretion, allow the Loan, either alone or together with one or more of the Related Loans, to be prepaid in full, provided (a) that the Related Loans which are not then being prepaid (hereinafter the "Remaining Related Loans") shall have a ratio of outstanding principal balance to value of the properties securing the Remaining Related Loans that, in the aggregate, is less than or equal to sixty percent (60%) (such loan to value ratio to be determined as hereinafter provided), and (b) that the aggregate net operating income ("Net Operating Income") from the properties securing the Remaining Related Loans shall equal or exceed 1.30 times the total debt service payable under the Remaining Related Loans and under any loans ("junior loans") secured by liens junior to those of the Remaining Related Loans (without any implication that junior loans are permitted under the Loan Documents or the Related Loan Documents) (such ratio is hereinafter referred to as "required debt service coverage" and shall be determined by Lender, in its sole discretion, as hereinafter provided).
- B. For purposes of the preceding paragraph, property values shall be determined, at Borrower's election, by one of the following methods: (i) by an appraisal performed by an appraiser mutually acceptable to Borrower and Lender with experience in the appraisal of retail shopping center properties and who is a

Member of the Appraisal Institute, at Borrower's expense, (ii) by a totally arm's-length bona fide third party offer to purchase the property in question, subject to approval by Lender, or (iii) by capitalizing Net Operating Income at a nine and one-half percent (9.5%) capitalization rate. The Net Operating Income of such property is to be calculated by the following formula:

- (a) Annualized base rent determined from base rent actually received in the most recent three (3) month period under then existing leases;
- (b) Less customary non-reimbursed operating expenses at market rates then currently applicable to factory outlet centers;
- (c) Less a reserve equal to ten cents (\$.10) times the number of gross leasable square feet of floor area of the buildings on the subject property.

For purposes of determining whether the required debt service coverage test is satisfied by the Net Operating Income from the properties securing the Remaining Related Loans, the Net Operating Income of all remaining properties, determined in accordance with the foregoing formula, shall be divided by the annual debt service payable under the Remaining Related Loans (and any junior loans) secured by those properties.

- C. If the conditions set forth in this Section 3 are satisfied, the prepayment premium with respect to the Loan shall be equal to the greater of: (i) the positive amount, if any, equal to (a) the sum of the present values of all scheduled payments due under this Note from the date on which prepayment is to be made (the "Prepayment Date") to and including the maturity date of this Note, less (b) the principal balance of this Note immediately prior to such prepayment; or (ii) an amount equal to one percent (1%) of the principal balance of this Note immediately prior to such prepayment. All present values shall be calculated as of the Prepayment Date, using a discount rate, compounded monthly, equal to the yield rate, converted to its monthly equivalent, of the United States Treasury Security having the closest maturity date to the maturity date of this Note, as established in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the Prepayment Date.

Provided no default existing under any of the Loan Documents or Related Loan Documents, the prepayment premium shall not be applicable to a prepayment resulting from Lender's election to require insurance loss proceeds or condemnation awards to be applied to a payment of principal.

No partial prepayment shall be allowed.

The principal balance of this Note may be prepaid in full without premium during the last one hundred twenty (120) days of the term of this Note.

4. Interest After Default; Acceleration. While any default exists in the making of any of said payments or in the performance or observance of any of the covenants or agreements of this Note, or of any of the other Loan Documents, or of any

of the Related Loan Documents, including, without limitation, failure to make payment in full of all amounts due under this Note or any of the other Loan Documents or under any Related Loan Documents, by the Maturity Date, the undersigned further promises to pay, on each monthly payment date, additional interest on the principal balance of this Note then outstanding at the rate representing the difference between the aforesaid rate and twelve and seven-eighths percent (12.875%) per annum, provided that any additional interest which has accrued shall be paid at the time of and as a condition precedent to the curing of any default. Upon any default under this Note, the other Loan Documents, or the Related Loan Documents which shall continue uncured after the expiration of any applicable notice or cure period, the holder of this Note may apply payments received on any amounts due hereunder or under the terms of the Loan Documents or the Related Loan Documents as said holder may determine and, if the holder of this Note so elects, notice of election being expressly waived,

the principal remaining unpaid with accrued interest and all other amounts due hereunder shall at once become due and payable.

5. Payment After Default And Acceleration. Borrower acknowledges that the Loan evidenced hereby was made on the basis and assumption that Lender would receive the payments of principal and interest set forth herein for the full term of the Loan. Therefore, whenever the maturity of the Loan has been accelerated by reason of a default under this Note, any of the other Loan Documents or the Related Loan Documents which has continued uncured beyond the expiration of any applicable notice or cure period, which default occurs prior to the time period, if any, in which prepayment is allowed, including an acceleration by reason of sale, conveyance, further encumbrance or other default (which acceleration shall be at Lender's sole option), there shall be due, in addition to the outstanding principal balance, accrued interest and other sums due under this Note and the Loan Documents, a premium equal to the greater of:

A. The sum obtained by:

- (i) Multiplying the then outstanding principal balance due by the difference obtained by subtracting the yield rate on publicly traded United States Treasury Securities (as published in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the date of said payment) having the closest matching maturity date to the Maturity Date from the interest rate on this Note adjusted to its semi-annual equivalent rate (8.005%), times the number of scheduled monthly payments remaining in the term of this Note, divided by twelve; and
- (ii) Adding an amount equal to five percent (5%) of the then outstanding principal balance; or

B. An amount equal to ten percent (10%) of the then outstanding principal balance.

In the event such default or acceleration occurs on or after the date on which prepayment is permitted under Section 3 of this Note and the preconditions to such prepayment set forth in Section 3(A) are satisfied, then in lieu of the above-described premium, payment of a premium calculated in the manner set forth in Section 3(C), shall be required. In the event the yield rate on publicly traded United States Treasury Securities is not obtainable, then the nearest equivalent issue or index shall be selected, at Lender's reasonable determination, and used in calculating the premium hereunder.

A tender of the amount necessary to satisfy the entire indebtedness evidenced hereby, paid at any time following such default or acceleration, including at a foreclosure sale, shall be deemed a voluntary prepayment, and, at Lender's option, such payment shall include a premium as described above.

6. Waivers. The undersigned waives presentment, protest and demand, notice of protest, demand and dishonor and non-payment of this Note, notice of intention to accelerate the maturity of this Note, and notice of acceleration, and agrees to pay all costs of collection when incurred, including attorneys' and paralegals' fees, and to perform and comply with each of the covenants, conditions, provisions and agreements of the undersigned contained in every Loan Document. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability under this Note, either in whole or in part, of any of the undersigned not a party to such agreement. Notwithstanding any provision herein or in any Loan Document, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Maine.

7. Limitation on Liability. In any action brought to enforce the obligation of the parties executing the Loan Documents to pay the indebtedness or perform the other obligations evidenced or secured by the Loan Documents, the judgment or decree shall be enforceable against such parties only to the extent of their interests in the properties, rights, estates and interests covered by the Maine Mortgage, the other Loan Documents and the Related Loan Documents (all such properties, rights, estates and interests are hereinafter referred to as the "Security"), and any such judgment shall not be subject to execution on, nor be a lien on, assets of such parties other than their interests in the Security. Notwithstanding the foregoing, Borrower shall be personally liable to Lender for: (i) fraud, intentional misrepresentation and waste; (ii) any rents, issues or profits collected more than one (1) month in advance of their due dates; (iii) any misapplication of security deposits, insurance proceeds, or condemnation awards or other sums of like nature to condemnation awards; (iv) liability under any environmental covenants, conditions and indemnity contained in the Loan Documents or Related Loan Documents and in any separate environmental indemnity agreement; (v) failure to pay real estate taxes or assessments, or failure to pay valid mechanic's liens; (vi) reasonable

attorneys' fees, court costs and other expenses incurred by Lender if Lender prevails in any legal matter; and (vii) after a default which has continued uncured beyond the expiration of any applicable notice or cure period, misapplication of any rents and other payments, including, without limitation, both base

and percentage rents, contributions of tenants and lease termination fees, received from tenants under space leases of the Security.

8. Security, Cross-Default, Cross-Collateralization, Governing Law. This Note is given for a loan of Six Million Seven Hundred Thousand Dollars (\$6,700,000.00) and is secured by (i) the Maine Mortgage; (ii) the Maine Assignment; (iii) the other Loan Documents other than this Note; and (iv) the Related Loan Documents other than the Related Notes. The Loan and the Related Loans are all secured by, and are entitled to the benefits of, the Maine Mortgage, the Maine Assignment, the other Loan Documents and the Related Loan Documents. It is the express intention of Borrower and Lender that the Loan and each of the Related Loans be, and they hereby are, cross-defaulted and cross-collateralized. Accordingly, a default under this Note or the other Loan Documents will constitute an event of default under the Related Loan Documents, and a default under any of the Related Loan Documents will constitute an event of default under this Note and the other Loan Documents. This Note shall be governed by and construed in accordance with the laws of the State of Maine.

WITNESS the execution and delivery hereof under seal on the day and year first above written.

TANGER PROPERTIES LIMITED
PARTNERSHIP

By: Tanger Factory Outlet Centers,
Inc., Its Sole General Partner

Attest:-----
Secretary/Assistant Secretary
Attest and Witness

By:-----
Name: Stanley K. Tanger
Title: Chairman of the Board
and Chief Executive Officer

(Corporate Seal)

MICHIGAN PROMISSORY NOTE

\$7,475,000.00

-----, 1999

1. Debt and Payment. For Value Received, the undersigned, Tanger Properties Limited Partnership, a North Carolina limited partnership (the "Borrower") having a mailing address of P.O. Box 29168, Greensboro, North Carolina 27429 or 1400 West Northwood, Greensboro, North Carolina 27408, hereby promises to pay to the order of John Hancock Mutual Life Insurance Company (the "Lender"), a Massachusetts corporation, at its Home Office at John Hancock Place, Boston, Massachusetts 02117, or at such other place, or to such other party or parties, as the holder of this Note may from time to time designate in writing, the principal sum of Seven Million Four Hundred Seventy-five Thousand Dollars (\$7,475,000.00) (the "Loan") with interest to be computed from the date of disbursement of the proceeds of the Loan at the rate of seven and seven-eighths percent (7.875%) per annum, payable on the first day of each and every month beginning May 1, 1999, upon all principal remaining from time to time unpaid; principal and interest to be paid in installments as follows: Fifty-seven Thousand Seventy-five and 66/100ths Dollars (\$57,075.66) on May 1, 1999 and a like amount on the first day of each and every month thereafter through April 1, 2009 (the "Maturity Date"), inclusive; provided, however, that the amount of the final payment aforesaid shall be for the amount of principal and interest then remaining unpaid. If the Loan proceeds are not disbursed on the first day of a month, then interest only at the rate specified above from and including the date of disbursement of the Loan proceeds to the first day of

the month following such disbursement shall be due and payable in advance on the date of such disbursement.

The Loan is secured by the Michigan Mortgage and Security Agreement (the "Michigan Mortgage") and the Michigan Assignment of Leases and Rents (the "Michigan Assignment"), both of even date herewith. Also given in connection with the Loan is the Michigan Indemnification Agreement (the "Michigan Indemnification"), also of even date herewith. This Note, the Michigan Mortgage, the Michigan Assignment and the Michigan Indemnification are hereinafter referred to collectively as the "Loan Documents".

Unless Lender elects otherwise, all sums received by Lender in payment under this Note shall be applied first to late charges, costs of collection or enforcement, expenditures by Lender pursuant to the Loan Documents and similar amounts, if any, due under this Note or under the other Loan Documents or the Related Loan Documents (as hereinafter defined), then to interest due and payable under this Note, and the remainder to principal due and payable under this Note.

2. Related Loans. The Loan evidenced and secured by the Loan Documents is made simultaneously with four other loans by Lender to Borrower, all evidenced by four (4) notes of even date herewith in the following amounts (the "Related Notes") and secured by first mortgages (or deeds of trust) on factory outlet centers at the following locations, which loans are hereinafter referred to collectively as the "Related Loans", the Related Notes and the other instruments evidencing and securing the Related Loans (other than the Loan Documents) being referred to

collectively as the "Related Loan Documents":

Location of Center	Amount of Loan
San Marcos, Hays County, Texas	\$20,000,000.00
Kittery, York County, Maine	6,700,000.00
Dalton, Whitfield County, Georgia	11,775,000.00
Williamsburg, Iowa County, Iowa	20,550,000.00

3. Permitted Prepayment. Except as provided below, Borrower may not prepay the principal balance of this Note in whole or in part.

Borrower may, on any scheduled payment date on or after April 1, 2003, and subject to giving Lender not less than thirty (30) days nor more than ninety (90) days prior written notice, prepay the entire unpaid principal amount of this Note together with any and all accrued interest and other sums due hereunder and under any of the other Loan Documents, subject to a prepayment premium described below and subject to and in accordance with the following terms and conditions:

- A. It shall be a pre-condition of any such prepayment: (i) that all of the Related Loans shall be prepaid in full in accordance with the terms of their respective Related Loan Documents simultaneously with the prepayment in full on the Loan, or (ii) if no uncured default exists under the Loan or under any of the Related Loans, that Lender shall, in its sole reasonable discretion, allow the Loan, either alone or together with one or more of the Related Loans, to be prepaid in full, provided (a) that the Related Loans which are not then being prepaid (hereinafter the "Remaining Related Loans") shall have a ratio of outstanding principal balance to value of the properties securing the Remaining Related Loans that, in the aggregate, is less than or equal to sixty percent (60%) (such loan to value ratio to be determined as hereinafter provided), and (b) that the aggregate net operating income ("Net Operating Income") from the properties securing the Remaining Related Loans shall equal or exceed 1.30 times the total debt service payable under the Remaining Related Loans and under any loans ("junior loans") secured by liens junior to those of the Remaining Related Loans (without any implication that junior loans are permitted under the Loan Documents or the Related Loan Documents) (such ratio is hereinafter referred to as "required debt service coverage" and shall be determined by Lender, in its sole discretion, as hereinafter provided).
- B. For purposes of the preceding paragraph, property values shall be determined, at Borrower's election, by one of the following methods: (i) by an appraisal performed by an appraiser mutually acceptable to Borrower and Lender with experience in the appraisal of retail shopping center properties and who is a Member of the Appraisal Institute, at Borrower's expense, (ii) by a totally arm's-length bona fide third party offer to purchase the property in question, subject to approval by Lender, or (iii) by capitalizing Net Operating Income at a nine

and one-half percent (9.5%) capitalization rate. The Net Operating Income of such property is to be calculated by the following formula:

- (a) Annualized base rent determined from base rent actually received in the most recent three (3) month period under then existing leases;
- (b) Less customary non-reimbursed operating expenses at market rates then currently applicable to factory outlet centers;
- (c) Less a reserve equal to ten cents (\$.10) times the number of gross leasable square feet of floor area of the buildings on the subject property.

For purposes of determining whether the required debt service coverage test is satisfied by the Net Operating Income from the properties securing the Remaining Related Loans, the Net Operating Income of all remaining properties, determined in accordance with the foregoing formula, shall be divided by the annual debt service payable under the Remaining Related Loans (and any junior loans) secured by those properties.

- C. If the conditions set forth in this Section 3 are satisfied, the prepayment premium with respect to the Loan shall be equal to the greater of: (i) the positive amount, if any, equal to (a) the sum of the present values of all scheduled payments due under this Note from the date on which prepayment is to be made (the "Prepayment Date") to and including the maturity date of this Note, less (b) the principal balance of this Note immediately prior to such prepayment; or (ii) an amount equal to one percent (1%) of the principal balance of this Note immediately prior to such prepayment. All present values shall be calculated as of the Prepayment Date, using a discount rate, compounded monthly, equal to the yield rate, converted to its monthly equivalent, of the United States Treasury Security having the closest maturity date to the maturity date of this Note, as established in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the Prepayment Date.

Provided no default existing under any of the Loan Documents or Related Loan Documents, the prepayment premium shall not be applicable to a prepayment resulting from Lender's election to require insurance loss proceeds or condemnation awards to be applied to a payment of principal.

No partial prepayment shall be allowed.

The principal balance of this Note may be prepaid in full without premium during the last one hundred twenty (120) days of the term of this Note.

- 4. Interest After Default; Acceleration. While any default exists in the

making of any of said payments or in the performance or observance of any of the covenants or agreements of this Note, or of any of the other Loan Documents, or of any of the Related Loan Documents, including, without limitation, failure to make payment in full of all amounts due under this Note or any of the other Loan Documents or under any Related Loan Documents, by the Maturity Date, the undersigned further promises to pay, on each monthly payment date, additional interest on the principal balance of this Note then outstanding at the rate representing the difference between the aforesaid rate and twelve and seven-eighths percent (12.875%) per annum, provided that any additional interest which has accrued shall be paid at the time of and as a condition precedent to the curing of any default. Upon any default under this Note, the other Loan Documents, or the Related Loan Documents which shall continue uncured after the expiration of any applicable notice or cure period, the holder of this Note may apply payments received on any amounts due hereunder or under the terms of the Loan Documents or the Related Loan Documents as said holder may determine and, if the holder of this Note so elects, notice of election being expressly waived, the principal remaining unpaid with accrued interest and all other amounts due hereunder shall at once become due and payable.

5. Payment After Default And Acceleration. Borrower acknowledges that the Loan evidenced hereby was made on the basis and assumption that Lender would receive the payments of principal and interest set forth herein for the full term of the Loan. Therefore, whenever the maturity of the Loan has been accelerated by reason of a default under this Note, any of the other Loan Documents or the Related Loan Documents which has continued uncured beyond the expiration of any applicable notice or cure period, which default occurs prior

to the time period, if any, in which prepayment is allowed, including an acceleration by reason of sale, conveyance, further encumbrance or other default (which acceleration shall be at Lender's sole option), there shall be due, in addition to the outstanding principal balance, accrued interest and other sums due under this Note and the Loan Documents, a premium equal to the greater of:

A. The sum obtained by:

- (i) Multiplying the then outstanding principal balance due by the difference obtained by subtracting the yield rate on publicly traded United States Treasury Securities (as published in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the date of said payment) having the closest matching maturity date to the Maturity Date from the interest rate on this Note adjusted to its semi-annual equivalent rate (8.005%), times the number of scheduled monthly payments remaining in the term of this Note, divided by twelve; and
- (ii) Adding an amount equal to five percent (5%) of the then outstanding principal balance; or

B. An amount equal to ten percent (10%) of the then outstanding principal balance.

In the event such default or acceleration occurs on or after the date on which prepayment is permitted under Section 3 of this Note and the preconditions to such prepayment set forth in Section 3(A) are satisfied, then in lieu of the above-described premium, payment of a premium calculated in the manner set forth in Section 3(C), shall be required. In the event the yield rate on publicly traded United States Treasury Securities is not obtainable, then the nearest equivalent issue or index shall be selected, at Lender's reasonable determination, and used in calculating the premium hereunder.

A tender of the amount necessary to satisfy the entire indebtedness evidenced hereby, paid at any time following such default or acceleration, including at a foreclosure sale, shall be deemed a voluntary prepayment, and, at Lender's option, such payment shall include a premium as described above.

6. Waivers. The undersigned waives presentment, protest and demand, notice of protest, demand and dishonor and non-payment of this Note, notice of intention to accelerate the maturity of this Note, and notice of acceleration, and agrees to pay all costs of collection when incurred, including attorneys' and paralegals' fees, and to perform and comply with each of the covenants, conditions, provisions and agreements of the undersigned contained in every Loan Document. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability under this Note, either in whole or in part, of any of the undersigned not a party to such agreement. Notwithstanding any provision herein or in any Loan Document, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Michigan.

7. Limitation on Liability. In any action brought to enforce the obligation of the parties executing the Loan Documents to pay the indebtedness or perform the other obligations evidenced or secured by the Loan Documents, the judgment or decree shall be enforceable against such parties only to the extent of their interests in the properties, rights, estates and interests covered by the Michigan Mortgage, the other Loan Documents and the Related Loan Documents (all such properties, rights, estates and interests are hereinafter referred to as the "Security"), and any such judgment shall not be subject to execution on, nor be a lien on, assets of such parties other than their interests in the Security. Notwithstanding the foregoing, Borrower shall be personally liable to Lender for: (i) fraud, intentional misrepresentation and waste; (ii) any rents, issues or profits collected more than one (1) month in advance of their due dates; (iii) any misapplication of security deposits, insurance proceeds, or condemnation awards or other sums of like nature to condemnation awards; (iv) liability under any environmental covenants, conditions and indemnity contained in the Loan Documents or Related Loan Documents and in any separate environmental indemnity agreement; (v) failure to pay real estate taxes or assessments, or failure to pay valid mechanic's liens; (vi) reasonable attorneys' fees, court costs and other expenses incurred by Lender if Lender prevails in any legal matter; and (vii) after a default which has continued uncured beyond the expiration of any applicable notice or cure period,

misapplication of any rents and other payments, including, without limitation, both base and percentage rents, contributions of tenants and lease termination fees, received from tenants under space leases of the Security.

8. Security, Cross-Default, Cross-Collateralization, Governing Law. This Note is given for a loan of Seven Million Four Hundred Seventy-five Thousand Dollars (\$7,475,000.00) and is secured by (i) the Michigan Mortgage; (ii) the Michigan Assignment; (iii) the other Loan Documents other than this Note; and (iv) the Related Loan Documents other than the Related Notes. The Loan and the Related Loans are all secured by, and are entitled to the benefits of, the Michigan Mortgage, the Michigan Assignment, the other Loan Documents and the Related Loan Documents. It is the express intention of Borrower and Lender that the Loan and each of the Related Loans be, and they hereby are, cross-defaulted and cross-collateralized. Accordingly, a default under this Note or the other Loan Documents will constitute an event of default under the Related Loan Documents, and a default under any of the Related Loan Documents will constitute an event of default under this Note and the other Loan Documents. This Note shall be governed by and construed in accordance with the laws of the State of Michigan.

WITNESS the execution and delivery hereof under seal on the day and year first above written.

TANGER PROPERTIES LIMITED
PARTNERSHIP

By: Tanger Factory Outlet Centers,
Inc., Its Sole General Partner

Attest:-----
Secretary/Assistant Secretary
Attest and Witness

By:-----
Name: Stanley K. Tanger

Title: Chairman of the Board
and Chief Executive Officer

(Corporate Seal)

GEORGIA PROMISSORY NOTE

\$11,775,000.00

-----,1999

1. DEBT AND PAYMENT. For Value Received, the undersigned, Tanger Properties Limited Partnership, a North Carolina limited partnership (the "Borrower") hereby promises to pay to the order of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (the "Lender"), a Massachusetts corporation, at its Home Office at John Hancock Place, Boston, Massachusetts 02117, or at such other place, or to such other party or parties, as the holder of this Note may from time to time designate in writing, the principal sum of Eleven Million Seven Hundred Seventy-five Thousand Dollars (\$11,775,000.00) (the "Loan") with interest to be computed from the date of disbursement of the proceeds of the Loan at the rate of seven and seven-eighths percent (7.875%) per annum, payable on the first day of each and every month beginning May 1, 1999, upon all principal remaining from time to time unpaid; principal and interest to be paid in installments as follows: Eighty-nine Thousand Nine Hundred Eight and 48/100ths Dollars (\$89,908.48) on May 1, 1999 and a like amount on the first day of each and every month thereafter through April 1, 2009 (the "Maturity Date"), inclusive; provided, however, that the amount of the final payment aforesaid shall be for the amount of principal and interest then remaining unpaid. If the Loan proceeds are not disbursed on the first day of a month, then interest only at the rate specified above from and including the date of disbursement of the Loan proceeds to the first day of the month following such disbursement shall be due and payable in advance on the date of such disbursement. TIME IS OF THE ESSENCE of the provisions of this Note respecting all payments hereunder.

The Loan is secured by the Georgia Deed to Secure Debt (the "Georgia Deed") and the Georgia Assignment of Leases and Rents (the "Georgia Assignment"), both of even date herewith. Also given in connection with the Loan is the Georgia Indemnification Agreement (the "Georgia Indemnification"), also of even date herewith. This Note, the Georgia Deed, the Georgia Assignment and the Georgia Indemnification are hereinafter referred to collectively as the "Loan Documents".

Unless Lender elects otherwise, all sums received by Lender in payment under this Note shall be applied first to late charges, costs of collection or enforcement, expenditures by Lender pursuant to the Loan Documents and similar amounts, if any, due under this Note or under the other Loan Documents or the

Related Loan Documents (as hereinafter defined), then to interest due and payable under this Note, and the remainder to principal due and payable under this Note.

2. RELATED LOANS. The Loan evidenced and secured by the Loan Documents is made simultaneously with four other loans by Lender to Borrower, all evidenced by four (4) notes of even date herewith in the following amounts (the "Related Notes") and secured by first mortgages (or deeds of trust) on factory outlet centers at the following locations, which loans are hereinafter referred to collectively as the "Related Loans", the Related Notes and the other instruments evidencing and securing the Related Loans (other than the Loan Documents) being referred to

collectively as the "Related Loan Documents":

Location of Center	Amount of Loan
San Marcos, Hays County, Texas	\$20,000,000.00
West Branch, Ogemaw County, Michigan	7,475,000.00
Kittery, York County, Maine	6,700,000.00
Williamsburg, Iowa County, Iowa	20,550,000.00

3. PERMITTED PREPAYMENT. Except as provided below, Borrower may not prepay the principal balance of this Note in whole or in part.

Borrower may, on any scheduled payment date on or after April 1, 2003, and subject to giving Lender not less than thirty (30) days nor more than ninety (90) days prior written notice, prepay the entire unpaid principal amount of this Note together with any and all accrued interest and other sums due hereunder and under any of the other Loan Documents, subject to a prepayment premium described below and subject to and in accordance with the following terms and conditions:

- A. It shall be a pre-condition of any such prepayment: (i) that all of the Related Loans shall be prepaid in full in accordance with the terms of their respective Related Loan Documents simultaneously with the prepayment in full on the Loan, or (ii) if no uncured default exists under the Loan or under any of the Related Loans, that Lender shall, in its sole reasonable discretion, allow the Loan, either alone or together with one or more of the Related Loans, to be prepaid in full, provided (a) that the Related Loans which are not then being prepaid (hereinafter the "Remaining Related Loans") shall have a ratio of outstanding principal balance to value of the properties securing the Remaining Related Loans that, in the aggregate, is less than or equal to sixty percent (60%) (such loan to value ratio to be determined as hereinafter provided), and (b) that the aggregate net operating income ("Net Operating Income") from the properties securing the Remaining Related Loans shall equal or exceed 1.30 times the total debt service payable under the Remaining Related Loans and under any loans ("junior loans") secured by liens junior to those of the Remaining Related Loans (without any implication that junior loans are permitted under the Loan Documents or the Related Loan Documents) (such ratio is hereinafter referred to as "required debt service coverage" and shall be determined by Lender, in its sole discretion, as hereinafter provided).
- B. For purposes of the preceding paragraph, property values shall be determined, at Borrower's election, by one of the following methods: (i) by an appraisal performed by an appraiser mutually acceptable to Borrower and Lender with experience in the appraisal of retail shopping center properties and who is a Member of the Appraisal Institute, at Borrower's expense, (ii) by a totally arm's-length bona fide third party offer to purchase the property in question, subject to approval by Lender, or (iii) by capitalizing Net Operating Income at a nine and one-half percent

(9.5%) capitalization rate. The Net Operating Income of such property is to be calculated by the following formula:

- (a) Annualized base rent determined from base rent actually received in the most recent three (3) month period under then existing leases;
- (b) Less customary non-reimbursed operating expenses at market rates then currently applicable to factory outlet centers;
- (c) Less a reserve equal to ten cents (\$.10) times the number of gross leasable square feet of floor area of the buildings on the subject property.

For purposes of determining whether the required debt service coverage test is satisfied by the Net Operating Income from the properties securing the Remaining Related Loans, the Net Operating Income of all remaining properties, determined in accordance with the foregoing formula, shall be divided by the annual debt service payable under the Remaining Related Loans (and any junior loans) secured by those properties.

- C. If the conditions set forth in this Section 3 are satisfied, the prepayment premium with respect to the Loan shall be equal to the greater of: (i) the positive amount, if any, equal to (a) the sum of the present values of all scheduled payments due under this Note from the date on which prepayment is to be made (the "Prepayment Date") to and including the maturity date of this Note, less (b) the principal balance of this Note immediately prior to ---- such prepayment; or (ii) an amount equal to one percent (1%) of the principal balance of this Note immediately prior to such prepayment. All present values shall be calculated as of the Prepayment Date, using a discount rate, compounded monthly, equal to the yield rate, converted to its monthly equivalent, of the United States Treasury Security having the closest maturity date to the maturity date of this Note, as established in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the Prepayment Date.

Provided no default existing under any of the Loan Documents or Related Loan Documents, the prepayment premium shall not be applicable to a prepayment resulting from Lender's election to require insurance loss proceeds or condemnation awards to be applied to a payment of principal.

No partial prepayment shall be allowed.

The principal balance of this Note may be prepaid in full without premium during the last one hundred twenty (120) days of the term of this Note.

4. INTEREST AFTER DEFAULT; ACCELERATION. While any default exists in the

making of any of said payments or in the performance or observance of any of the covenants or agreements of this Note, or of any of the other Loan Documents, or of any of the Related Loan Documents, including, without limitation, failure to make payment in full of all amounts due under this Note or any of the other Loan Documents or under any Related Loan Documents, by the Maturity Date, the undersigned further promises to pay, on each monthly payment date, additional interest on the principal balance of this Note then outstanding at the rate representing the difference between the aforesaid rate and twelve and seven-eighths percent (12.875%) per annum, provided that any additional interest which has accrued shall be paid at the time of and as a condition precedent to the curing of any default. Upon any default under this Note, the other Loan Documents, or the Related Loan Documents which shall continue uncured after the expiration of any applicable notice or cure period, the holder of this Note may apply payments received on any amounts due hereunder or under the terms of the Loan Documents or the Related Loan Documents as said holder may determine and, if the holder of this Note so elects, notice of election being expressly waived, the principal remaining unpaid with accrued interest and all other amounts due hereunder shall at once become due and payable.

5. PAYMENT AFTER DEFAULT AND ACCELERATION. Borrower acknowledges that the Loan evidenced hereby was made on the basis and assumption that Lender would receive the payments of principal and interest set forth herein for the full term of the Loan. Therefore, whenever the maturity of the Loan has been accelerated by reason of a default under this Note, any of the other Loan Documents or the Related Loan Documents which has continued uncured beyond the expiration of any applicable notice or cure period, which default occurs prior to the time period, if any, in which prepayment is allowed, including an acceleration by reason of sale, conveyance, further encumbrance or other default (which acceleration shall be at Lender's sole option), there shall be due, in addition to the outstanding principal balance, accrued interest and other sums due under this Note and the Loan Documents, a premium equal to the greater of:

- A. The sum obtained by:
- (i) Multiplying the then outstanding principal balance due by the difference obtained by subtracting the yield rate on publicly traded United States Treasury Securities (as published in the Wall Street Journal or other business publication of general circulation five (5) business days prior to the date of said payment) having the closest matching maturity date to the Maturity Date from the interest rate on this Note adjusted to its semi-annual

equivalent rate (8.005%), times the number of scheduled monthly payments remaining in the term of this Note, divided by twelve; and

- (ii) Adding an amount equal to five percent (5%) of the then outstanding principal balance; or

B. An amount equal to ten percent (10%) of the then

outstanding principal balance.

In the event such default or acceleration occurs on or after the date on which prepayment is permitted under Section 3 of this Note and the preconditions to such prepayment set forth in Section 3(A) are satisfied, then in lieu of the above-described premium, payment of a premium calculated in the manner set forth in Section 3(C), shall be required. In the event the yield rate on publicly traded United States Treasury Securities is not obtainable, then the nearest equivalent issue or index shall be selected, at Lender's reasonable determination, and used in calculating the premium hereunder.

A tender of the amount necessary to satisfy the entire indebtedness evidenced hereby, paid at any time following such default or acceleration, including at a foreclosure sale, shall be deemed a voluntary prepayment, and, at Lender's option, such payment shall include a premium as described above.

6. WAIVERS. The undersigned waives presentment, protest and demand, notice of protest, demand and dishonor and non-payment of this Note, notice of intention to accelerate the maturity of this Note, and notice of acceleration, and agrees to pay all costs of collection when incurred, including attorneys' and paralegals' fees, and to perform and comply with each of the covenants, conditions, provisions and agreements of the undersigned contained in every Loan Document. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability under this Note, either in whole or in part, of any of the undersigned not a party to such agreement. Notwithstanding any provision herein or in any Loan Document, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Georgia.

7. LIMITATION ON LIABILITY. In any action brought to enforce the obligation of the parties executing the Loan Documents to pay the indebtedness or perform the other obligations evidenced or secured by the Loan Documents, the judgment or decree shall be enforceable against such parties only to the extent of their interests in the properties, rights, estates and interests covered by the Georgia Deed, the other Loan Documents and the Related Loan Documents (all such properties, rights, estates and interests are hereinafter referred to as the "Security"), and any such judgment shall not be subject to execution on, nor be a lien on, assets of such parties other than their interests in the Security. Notwithstanding the foregoing, Borrower shall be personally liable to Lender for: (i) fraud, intentional misrepresentation and waste; (ii) any rents, issues or profits collected more than one (1) month in advance of their due dates; (iii) any misapplication of security deposits, insurance proceeds, or condemnation awards or other sums of like nature to condemnation awards; (iv) liability under any environmental covenants, conditions and indemnity contained in the Loan Documents or Related Loan Documents and in any separate environmental indemnity agreement; (v) failure to pay real estate taxes or assessments, or failure to pay valid mechanic's liens; (vi) reasonable attorneys' fees, court costs and other expenses incurred by Lender if Lender prevails in any legal matter; and (vii) after a default which has continued

uncured beyond the expiration of any applicable notice or cure period, misapplication of any rents and other payments, including, without limitation, both base and percentage rents, contributions of tenants and lease termination fees, received from tenants under space leases of the Security.

8. SECURITY, CROSS-DEFAULT, CROSS-COLLATERALIZATION, GOVERNING LAW. This Note is given for a loan of Eleven Million Seven Hundred Seventy-five Thousand Dollars (\$11,775,000.00) and is secured by (i) the Georgia Deed; (ii) the Georgia Assignment; (iii) the other Loan Documents other than this Note; and (iv) the Related Loan Documents other than the Related Notes. The Loan and the Related Loans are all secured by, and are entitled to the benefits of, the Georgia Deed, the Georgia Assignment, the other Loan Documents and the Related Loan Documents. It is the express intention of Borrower and Lender that the Loan and each of the Related Loans be, and they hereby are, cross-defaulted and cross-collateralized. Accordingly, a default under this Note or the other Loan Documents will constitute an event of default under the Related Loan Documents, and a default under any of the Related Loan Documents will constitute an event of default under this Note and the other Loan Documents. This Note shall be governed by and construed in accordance with the laws of the State of Georgia.

WITNESS the execution and delivery hereof under seal on the day and year first above written.

TANGER PROPERTIES LIMITED
PARTNERSHIP

By: Tanger Factory Outlet Centers,
 Inc., Its Sole General Partner

Attest:-----
 Secretary/Assistant Secretary
 Attest and Witness

By:-----
Name: Stanley K. Tanger

Title: Chairman of the Board
 and Chief Executive Officer

(Corporate Seal)

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The schedule contains summary financial information extracted from the financial statements as of and for the three months ended March 31, 1999 included herein and is qualified in its entirety by reference to such financial statements.

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