TANGER FACTORY OUTLET CENTERS INC
Form PRE 14A
March 29, 2007

UNITED STATES
SECURITY AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. ______)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to 240.14a-12

TANGER FACTORY OUTLET CENTERS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

TANGER FACTORY OUTLET CENTERS, INC.
3200 NORTHLINE AVENUE, SUITE 360
GREENSBORO, NORTH CAROLINA 27408
PHONE: 336-292-3010
E-MAIL: tangermail@tangeroutlet.com
NYSE: SKT

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

to be held on May 18, 2007

Dear Shareholders:

On behalf of the Board of Directors, I cordially invite you to attend the 2007 Annual Meeting of Shareholders of Tanger Factory Outlet Centers, Inc. to be held on Friday, May 18, 2007 at 10 o'clock a.m. at the O. Henry Hotel, 624 Green Valley Road, Greensboro, North Carolina, (336) 854-2000, for the following purposes:

1. To elect directors to serve for the ensuing year;

2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007;

3. To consider a proposal by the directors to amend the Company's articles of incorporation to increase the number of common shares authorized for issuance from 50 million common shares to 150 million common shares. The proposed amendment is set forth in full in the enclosed Proxy Statement;

4. To consider a proposal by the directors to amend the Company's articles of incorporation to create four new classes of preferred shares, each class having four million shares with a par value of $.01 per share and to increase the number of common shares authorized for issuance from 50 to 150 million common shares. The proposed amendment is set forth in full in the enclosed Proxy Statement; and,

5. To transact such other business as may properly come before the meeting or any adjournment(s) thereof.

Holders of Class C Preferred Shares will be entitled to vote as a separate group on Proposal #4 because Version Number One of the proposal involves issuance of classes of preferred shares which may rank equally with the Class C Preferred Shares with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up. Holders of Class C Preferred Shares are not entitled to vote on any other matters to be considered at the meeting.

Only shareholders of record at the close of business on March 29, 2007 will be entitled to vote at the meeting or any adjournment(s) thereof. Information concerning the matters to be considered and voted upon at the Annual Meeting is set out in the attached Proxy Statement. Our 2006 Annual Report for the year ended December 31, 2006 is also enclosed.

It is important that your shares be represented at the Annual Meeting regardless of the number of shares you hold and whether or not you plan to attend the meeting in person. Please complete, sign and date the enclosed proxy card and return it as soon as possible in the accompanying envelope. This will not prevent you from voting your shares in person if you subsequently choose to attend the meeting.

Sincerely,

Stanley K. Tanger
Chairman of the Board and
Chief Executive Officer

April ___, 2007

TANGER FACTORY OUTLET CENTERS, INC.

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GREENSBORO, NORTH CAROLINA 27408
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**PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS**

to be held on May 18, 2007

GENERAL INFORMATION

The Board of Directors of Tanger Factory Outlet Centers, Inc. (NYSE:SKT), a self-administered and self-managed real estate investment trust, referred to as a REIT, is soliciting your proxy for use at the Annual Meeting of Shareholders of the Company to be held on Friday, May 18, 2007.

Unless the context indicates otherwise, the term “Company” refers to Tanger Factory Outlet Centers, Inc., the term “Board” refers to our Board of Directors, the term “meeting” refers to the Annual Meeting of Shareholders of the Company to be held on May 18, 2007, and the term “Operating Partnership” refers to Tanger Properties Limited Partnership. Our factory outlet centers and other assets are held by, and all of our operations are conducted by, the Operating Partnership. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership. The terms “we”, “our” and “us” refer to the Company or the Company and the Operating Partnership together, as the text requires.

The proxy materials are being mailed on or about April ___, 2007 to holders of record of our common shares, par value $.01 per share (referred to as the “Common Shares”), and to holders of record of our Class C Preferred Shares, on March 29, 2007. Any shareholder who does not receive a copy of the proxy materials may obtain a copy at the meeting or by contacting Frank C. Marchisello, Jr., Secretary of our Company (phone number: 336-834-6834). Our principal executive offices are located at 3200 Northline Avenue, Suite 360, Greensboro, North Carolina 27408.

Date, Time and Place

We will hold the meeting on Friday, May 18, 2007 at 10 o'clock a.m. at the O. Henry Hotel, 624 Green Valley Road, Greensboro, North Carolina, (336) 854-2000, subject to any adjournments or postponements.

Who Can Vote; Votes per share

All holders of record of the Common Shares as of the close of business on the record date, March 29, 2007, are entitled to attend and vote on all proposals at the meeting. Each Common Share entitles the holder thereof to one vote. At the close of business on March 15, 2007, 31,260,161 Common Shares were issued and outstanding.

All holders of record of the Class C Preferred Shares will be entitled to vote as a separate group on Proposal #4 to amend the Company’s Articles of Incorporation to create four new classes of preferred shares and to increase the

Company’s authorized Common Shares. Holders of Class C Preferred Shares are not entitled to vote on any other matters to be considered at the meeting. Each Class C Preferred Share entitles the holder thereof to one vote. At the close of business on March 15, 2007, 3,000,000 Class C Preferred Shares were issued and outstanding.

How to Vote

Common Shares and Class C Preferred Shares represented by a properly executed proxy will be voted as directed on the proxy card. To be voted, proxies must be filed with the Secretary of the Company prior to voting.

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, NA, you are considered, with respect to those shares, the "shareholder of record". If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered, with respect to those shares, the "beneficial owner" of those shares held in street name and you have the right to instruct your broker, bank or other nominee how to vote on your behalf. Brokerage firms and other nominees have the authority, under New York Stock Exchange rules at the time of this Proxy Statement, to vote Common Shares for the beneficial owner on certain "routine" matters for which you do not provide voting instructions.

Proposals #1, #2 and #3 above are considered routine matters and where no specification is made on the properly executed and returned form of proxy, the shares will be voted **FOR** the election of all nominees for director, **FOR** the ratification of PricewaterhouseCoopers LLP as our independent registered accounting firm and **FOR** the amendment to the articles of incorporation to increase the number of Common Shares authorized. Proposal #4 to amend the Company's Articles of Incorporation to create four new classes of preferred shares and to increase the number of authorized Common Shares is not considered a routine matter and where the broker or nominee has not received specific voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm or nominee cannot vote FOR or AGAINST the proposal for the beneficial owner. This is called a "broker non-vote".

Quorum and Voting Requirements

Under the Company's By-Laws and North Carolina law, shares represented at the meeting by proxy for any purpose will be deemed present for quorum purposes for the remainder of the meeting. Directors will be elected by the vote of a plurality of the votes cast by the Common Shares entitled to vote in the election, provided that a quorum is present. Accordingly, Common Shares which are present at the meeting for any other purpose but which are not voted in the election of directors will not affect the election of the candidates receiving a plurality of the votes cast by the Common Shares entitled to vote in the election at the meeting. Approval of Proposals #2, #3 and #4 by the holders of Common Shares may be by the affirmative vote of a majority of the votes cast for or against the Proposal by the Common Shares. The holders of Class C Preferred Shares are entitled to vote as a separate group on and only on Proposal #4 to amend the Company's Articles of Incorporation to create four new classes of preferred shares and to increase the Company's authorized Common Shares. Approval of the Proposal by the Class C Preferred Shares may be by the affirmative vote of a majority of the votes cast for or against the Proposal by the Class C Preferred Shares. Approval of any other proposal to come before the meeting requires the affirmative vote of a majority of the votes cast for or against the proposal by the Common Shares unless the North Carolina Business Corporation Act requires that the proposal be approved by the affirmative vote of a percentage of the votes entitled to be cast on the proposal. If a proposal may be approved by the affirmative vote of a majority of the votes cast on the proposal, abstentions, broker non-votes and shares which are present at the meeting for any other purpose but which are not voted on a particular proposal will not affect the outcome of the vote on the proposal.

Revocation of Proxies

You may revoke your proxy at any time before it is voted by filing a notice of such revocation, by filing a later dated proxy with the Secretary of the Company or by voting in person at the meeting. You cannot revoke your proxy by merely attending the meeting. If you dissent, you will not have any rights of appraisal with respect to the matters to be acted upon at the meeting.

Proxy Solicitation

We will bear the costs of soliciting proxies from the holders of our Common Shares and Class C Preferred Shares. Initially, we will solicit proxies by mail. We have retained the services of Georgeson Shareholder to assist in the solicitation of proxies for a fee of $6,500, plus out-of-pocket expenses. Our directors, officers and employees may also solicit proxies by telephone, telegraph, fax, e-mail or personal interview. We will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to shareholders.

PROPOSAL 1

ELECTION OF DIRECTORS

The Company’s By-Laws provide that directors be elected at each Annual Meeting of Shareholders. Pursuant to such By-Laws, our Board has fixed the number of directors to be elected at this year’s meeting at six. The persons named as proxies in the accompanying form of proxy intend to vote in favor of the election of the six nominees for director designated below, all of whom are presently directors of the Company, to serve until the next Annual Meeting of Shareholders and until their successors are elected and shall qualify. It is expected that each of these nominees will be able to serve, but if any such nominee is unable to serve for any reason, the proxies reserve discretion to vote or refrain from voting for a substitute nominee or nominees. All directors of the Company serve terms of one year or until the election of their respective successors.

Information Regarding Nominees (as of March 15, 2007)

Name	Age	Present Principal Occupation or Employment and Five-Year Employment History
Stanley K. Tanger	83	Chairman of the Board of Directors and Chief Executive Officer of the Company since March 3, 1993. Mr. Tanger opened one of the country's first outlet shopping centers in Burlington, N.C. in 1981. He was the founder and Chief Executive of the Company's predecessor formed in 1981 until its business was acquired by the Company in 1993.
Steven B. Tanger	58	Director of the Company since May 13, 1993. President and Chief Operating Officer since January 1995; Executive Vice President from 1986 to 1994. Mr. Tanger joined the Company's predecessor in 1986 and is the son of Stanley K. Tanger.
Jack Africk	78	Director of the Company since June 4, 1993. Managing Partner of Evolution Partners, LLC since June 1993. President and Chief Operating Officer of North Atlantic Trading Company from January 1998 to December 1998.
William G. Benton	61	Director of the Company since June 4, 1993. Chairman of the Board and Chief Executive Officer of Salem Senior Housing, Inc. since May 2002. Chairman of the Board and Chief Executive Officer of Benton Investment Company since 1982. Chairman of the Board and Chief Executive Officer of Health Equity Properties, Inc. from 1987 to September 1994.
Thomas E. Robinson	59	Director of the Company since January 21, 1994. Managing Director of Stifel, Nicolaus & Company (formerly Legg Mason Wood Walker, Inc.) since June 1997. Director (May 1994 to June 1997), President (August 1994 to June 1997) and Chief Financial Officer (July 1996 to June 1997) of Storage USA, Inc.
Allan L. Schuman	72	Director of the Company since August 23, 2004. Chairman of the Board of Ecolab, Inc. from January 2000 to May 2006. President and Chief Executive Officer of Ecolab from March 1995 to July 2004 and President and Chief Operating Officer from August 1992 to March 1995.

Vote Required. The nominees will be elected by the affirmative vote of the holders of a plurality of those votes cast at the meeting; provided that a quorum is present. Accordingly, abstentions, broker non-votes and Common Shares present at the meeting for any other purpose but which are not voted on this proposal will not affect the outcome of the vote on the nominees unless the North Carolina Business Corporation Act requires that the nominee be approved by a greater number of affirmative votes than a plurality of the votes cast.

THE BOARD RECOMMENDS THAT YOU VOTE FOR ALL OF THE NOMINEES SET FORTH ABOVE.

Director Independence

Our Corporate Governance Guidelines and the listing standards of the New York Stock Exchange require that a majority of our directors must be independent directors and every member of the Board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee be independent. Generally, independent directors are those directors who are not concurrently serving as officers of the Company and who currently have no material relationship to us that may interfere with the exercise of their independence from management and the Company. Our Board has affirmatively determined that the following nominees to our Board are independent, as that term is defined under our Corporate Governance Guidelines and the general independence standards in the listing standards of the New York Stock Exchange: Jack Africk, William G. Benton, Thomas E. Robinson and Allan L. Schuman. We presently have six directors, including these four independent directors.

In October 2005, we retained Legg Mason Wood Walker, a firm in which Mr. Robinson served as a managing director at the time, to provide investment banking services in connection with the offering of our Class C Preferred Shares, which was completed in November 2005. We paid Legg Mason Wood Walker fees for its service totaling $140,000. Mr. Robinson did not benefit personally from his firm's receipt of these fees and such fees were less than 0.5% of Legg Mason Wood Walker's total revenues during that year. The Board considered these fees when evaluating Mr. Robinson's independence and concluded that, given the facts above, the amount of revenue received by Mr. Robinson's employer would have no impact on Mr. Robinson's judgment when considering matters of the Company and therefore, Mr. Robinson should be considered an independent director for purposes of serving the entire Board. However, as Mr. Robinson may have not been considered "independent" under Rule 10A-3 of the Securities Exchange Act of 1934, Mr. Robinson voluntarily resigned from service on the Audit Committee in October 2005 and from service on the Share and Unit Option Committee in February 2006. Mr. Robinson is currently employed as a managing director of Stifel Nicolaus & Company. We did not engage the services of, nor did we pay any fees or compensation to, Stifel Nicolaus & Company during 2006.

Attendance at Board Meetings

The Board held five regular and four special meetings during 2006. Each of the above directors attended at least 75% of the meetings held during 2006 by the Board and the committees of which he was a member. The non-management directors are required to meet in executive sessions periodically, but no less than once a year. The non-management directors have designated Mr. Jack Africk to serve as Lead Director for purposes of presiding at the executive sessions. The independent directors should meet in executive session at least once a year. Our policies for non-management and independent director executive sessions were adopted with our Corporate Governance Guidelines in 2004. The Company does not have a formal policy of attendance for directors at our Annual Meeting of Shareholders. All of our directors attended the Annual Meeting of Shareholders in 2006, except Mr. Schuman. Mr. Schuman was unable to attend because the annual shareholders' meeting of Ecolab Inc, of which he was the chairman of the board at the time, was held on the same date.

Committees of the Board

The Board has four standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Share and Unit Option Committee. In accordance with New York Stock Exchange listing standards, all of the committees are comprised solely of non-employee, independent directors. Charters for audit, compensation, and nominating and corporate governance committees are available on the Company's website at www.tangeroutlet.com by first clicking on "OUR COMPANY", then "FINANCIALS" and then "CORPORATE GOVERNANCE". The table below shows current membership for each of the standing committees.

Audit Committee	**Compensation Committee**	**Nominating and Corporate Governance Committee**	**Share and Unit Option Committee**
Jack Africk	Jack Africk (Chair)	Jack Africk	Jack Africk
William G. Benton (Chair)	William G. Benton	William G. Benton	William G. Benton (Chair)
Allan L. Schuman	Thomas E. Robinson	Thomas E. Robinson (Chair)	Allan L. Schuman
	Allan L. Schuman	Allan L. Schuman	

Audit Committee. The Board has established an Audit Committee consisting of three of our independent directors. The purpose of the Audit Committee is (i) to assist the Board in fulfilling its oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications and independence of the Company's independent registered public accountants and the performance of the Company's independent registered public accountants and the Company's internal audit function and (ii) to prepare any audit committee reports required by the Securities Exchange Commission to be included in the Company's annual proxy statement. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent registered public accountants and approves in advance, or adopts appropriate procedures to approve in advance, all audit and non-audit services provided by the independent registered public accountants. The Board has determined that each member of the Audit Committee is "financially literate", as that term is defined in the listing requirements of the New York Stock Exchange, and that each member of the committee is an "audit committee financial expert", as that term is defined in Item 401(h) of Regulation S-K. During 2006, there were five meetings of the Audit Committee.

Compensation Committee. The Board has established a Compensation Committee consisting of our four independent directors. The Compensation Committee is charged with determining compensation for our chief executive officer and making recommendations to the Board with respect to the compensation of other officers. During 2006, there were five meetings of the Compensation Committee.

Nominating and Corporate Governance Committee. The Board has established a Nominating and Corporate Governance Committee consisting of our four independent directors. The Nominating and Corporate Governance Committee makes recommendations to the Board of changes in the size of the Board or any committee of the Board, recommends individuals for the Board to nominate for election as directors, recommends individuals for appointment to committees of the Board, establishes procedures for the Board's oversight of the evaluation of the Board and management, and develops and recommends corporate governance guidelines.

The Nominating and Corporate Governance Committee evaluates annually the effectiveness of the Board as a whole and identifies any areas in which the Board would be better served by adding new members with different skills, backgrounds or areas of experience. The Board considers director candidates based on a number of factors including: whether the Board member will be "independent" in accordance with our Corporate Governance Guidelines and as such term is defined by the New York Stock Exchange listing requirements; personal qualities and characteristics, accomplishments and reputation in the business community; experience with businesses and other organizations of comparable size and current knowledge and contacts in the Company's industry or other industries relevant to the Company's business; experience and understanding of the Company's business and financial matters affecting its business; ability and willingness to commit adequate time to Board and committee matters; the fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company; and diversity of viewpoints, background, experience and other demographics. The Nominating and Corporate Governance Committee does not have a policy on the consideration of board nominees recommended by shareholders. The Nominating and Corporate Governance Committee believes that such a policy is not necessary in that it will consider nominees based on a nominee's qualifications, regardless of whether the nominee is recommended by shareholders. See "Other Matters - Shareholder Proposals and Nominations" in this Proxy Statement.

During 2006, there was one meeting of the Nominating and Corporate Governance Committee.

Share and Unit Option Committee. The Board has established a Share and Unit Option Committee (referred to as the "Option Committee") consisting of three of our independent directors. The Option Committee administers our Incentive Award Plan which provides for the issuance of equity-based awards to the Company's employees and directors. The Option Committee selects the employees to whom equity-based awards under the Incentive Award Plan will be granted and establishes the terms and conditions of the awards based on recommendations and advice from the

Compensation Committee. During 2006, there was one meeting of the Option Committee.

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Shareholder Communications with Directors

Any shareholder may send communications to the Board and individual members of the Board by sending a letter by mail addressed to the Board of Directors (or an individual director) c/o Tanger Factory Outlet Centers, Inc., 3200 Northline Avenue, Suite 360, Greensboro, North Carolina 27408, Attn: Corporate Secretary.

Compensation of Directors

During 2006, our independent directors were paid an annual compensation fee of $20,000 and a per meeting fee of $1,500 ($500 for telephone meetings) for each Board meeting and each committee meeting attended. In addition, the Lead Director and the chairman of the Audit Committee were paid an annual compensation fee of $10,000 and the chairman of each other committee was paid an annual compensation fee $7,500. The Board decided not to increase any of their fees during 2007. Our employees who are also directors will not be paid any director fees for their services as directors of the Company.

Upon approval of the entire Board, we may from time to time under the Incentive Award Plan grant to any independent director options, restricted or deferred shares, dividend equivalents or other awards. The Board selects the independent directors to whom equity-based awards under the Incentive Award Plan will be granted and establishes the terms and conditions of the awards based on recommendations and advice from the Compensation Committee. Based on the advice and recommendations of an independent compensation consultant retained by the Compensation Committee, the Board approved an award to each independent director of 2,500 restricted Common Shares during 2006, 2,000 restricted Common Shares during 2005 and 750 restricted Common Shares during 2004. The restrictions on the shares shall cease to apply with respect to one-third of the shares which are the subject of each grant, and those shares will vest, on each December 31st following the date of grant. Dividends are paid on the restricted Common Shares from the date of the grant. All future grants of restricted Common Shares to independent directors will be the subject of a separate grant by the Board.

The total 2006 compensation for our independent directors is shown in the following table.

Name	Fees Earned or Paid In cash	Share Awards (1)	Option Awards (2)	All Other Compensation (3)	Total
Jack Africk	$66,500	$42,943	$4,339	$5,152	$118,934
William Benton	$56,500	$42,943	$4,339	$5,152	$108,934
Thomas Robinson	$43,500	$42,943	$4,339	$5,152	$95,934
Allan Schuman	$35,000	$40,058	$3,727	$4,896	$83,681

(1) The amounts in this column reflect the dollar amount of restricted Common Shares awards recognized for financial reporting purposes for the fiscal year ended December 31, 2006 in accordance with FAS 123 (R) and includes awards granted in and prior to 2006. Unvested restricted Common Shares for each director as of December 31, 2006 were as follows: 667 restricted Common Shares granted during 2005 with a grant date fair value of $22.58 per share, 1,334 restricted Common Shares granted during 2006 with a grant date fair value of $28.74 per share and 334 restricted Common Shares granted during 2006 with a grant date fair value of $32.08 per share.

(2)

The amounts in this column reflect the dollar amount of option awards recognized for financial reporting purposes for the fiscal year ended December 31, 2006 in accordance with FAS 123 (R) and thus includes awards granted prior to 2006. Options related to the amounts above were awarded during 2004 and had a grant date fair value of $2.17 per option for Mr. Africk, Mr. Benton and Mr. Robinson and $3.11 per option for Mr. Schuman. Aggregate options outstanding for each director as of December 31, 2006 were 40,000 for Mr. Africk; 22,000 for Mr. Benton; 12,000 for Mr. Robinson and 6,000 for Mr. Schuman.

(3) Represents dividends paid during 2006 on unvested restricted Common Share awards.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board, which is composed entirely of independent directors, is charged with determining compensation for our Chief Executive Officer (referred to as the "CEO") and making recommendations to the Board with respect to the compensation of our other officers. Mr. Africk, Mr. Benton, Mr. Robinson and Mr. Schuman currently serve on the Compensation Committee, with Mr. Africk serving as chairman. No executive officer of the Company served as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of the Board or the Compensation Committee.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The purposes and responsibilities of the Compensation Committee of the Board include the following:

· Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the CEO's performance and determine and approve the CEO's compensation level based on this evaluation,

· Make recommendation to the Board with respect to the compensation of independent directors and officers other than the CEO,

· Periodically review the Company's incentive-compensation and equity-based plans and approve any new or materially amended equity-based plan, and

· Oversee, with management, regulatory compliance with respect to compensation matters including the Company's compensation policies with respect to Section 162(m) of the Internal Revenue Code of 1986 (referred to as the "Code").

Compensation Program Objectives and Rewards

The objectives of the Company's compensation program are as follows:

· To attract, retain and motivate qualified executive management who are enthusiastic about the Company's mission and culture.

· Create a fair, reasonable and balanced compensation program that rewards management's performance and contribution to the Company while closely aligning the interests of management with those of shareholders.

· Provide total compensation to executive officers which is competitive with total compensation paid by other REITs, and other private real estate firms similar to the Company.

What Our Compensation Program is Designed to Reward

The Company's compensation program is designed to reward both teamwork and the individual officer's contribution to the Company with respect to annual and longer-term goals. Annual cash performance-based incentives reward both Company financial and individual performance for the fiscal year. In measuring an individual executive officer's and the overall team's performance, the Compensation Committee considers numerous factors including the Company's growth in funds from operations from the prior year, its dividend payout ratio, the success in renewing a significant amount of the leases expiring during the year, increases obtained in tenant base rents upon executing renewals or new leases, occupancy rate maintained at year end, increase in tenant sales and the overall total return to shareholders.

While the individual amounts of compensation incentives paid may vary among officers, the targets that are set are generally the same for all officers, thereby creating an environment where all officers work together to achieve a common goal. Equity-based awards provide long-term incentives designed to reward price appreciation of the Company's Common Shares over a five-year period.

Elements of Compensation

Historically, the Company's primary components of compensation for its executive officers have been base salary, annual incentive cash bonuses and long-term equity-based incentive compensation. There is no pre-established policy or target for the allocation between cash and non-cash incentive compensation.

Since 2004, the Compensation Committee has engaged the services of an outside compensation consultant, the SMG Advisory Group, LLC, to assist it in determining the proper amounts, types and mix of compensation to executive officers in order to achieve the overall objectives as described above. With the help of the consultant, the Compensation Committee annually reviews the compensation practices of other REITs and develops a compensation plan which, to a certain extent, is based on benchmarking peer group total compensation levels, while maintaining the link between corporate performance and shareholder wealth creation.

Within the framework of aligning total compensation with corporate and individual performance, each of the components are evaluated as follows:

- Annual base salaries are designed to provide the executive with a minimum compensation level consistent with the individual's position and duties relative to his or her peers.

- Annual incentive cash bonuses are designed to reward the executive for the achievement of strategic and financial goals of the Company during each fiscal year. In conjunction with the executive's base salary, the Company attempts to keep total cash compensation within the Company's fiscal year budget while reinforcing its pay-for-performance philosophy.

- Long-term incentives are designed to closely align the interests of management with those of shareholders. The long-term incentives granted to executives are evaluated on an annual basis and the terms of the awards are considered relevant to the length of the employment contract and/or performance period.

- The Company seeks to maintain a competitive total compensation package that aligns the economic interest of the executives with that of shareholders while maintaining sensitivity to multiple factors including the Company's fiscal year budget, annual accounting cost and the impact to share dilution.