

CHELSEA PROPERTY GROUP INC
Form 11-K
July 15, 2002

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

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended December 31, 2001

OR

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

For the transition period from _____ to _____

Commission File No. 333-62207

A. Full title of the Plan and the address of the Plan,
if different from that of the issuer named below:

Chelsea Property Group 401(K) Savings Plan

B. Name of the issuer of the securities held pursuant to the Plan
and the address of its principal executive office:

**CHELSEA PROPERTY GROUP, INC.
103 Eisenhower Parkway
Roseland, New Jersey 07068**

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

Chelsea Property Group 401(k) Savings Plan

December 31, 2001

Chelsea Property Group 401(k) Savings Plan
Financial Statements and Supplemental Schedules
December 31, 2001

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Report of Independent Auditors

Chelsea Property Group 401(k) Savings Plan
Retirement and Benefits Committee

We have audited the accompanying statements of net assets available for benefits of Chelsea Property Group 401(k) Savings Plan (the "Plan") as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of non-exempt transactions and assets (held at end of year) as of and for the year ended December 31, 2001, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

New York, New York
June 17, 2002

Chelsea Property Group 401(k) Savings Plan

Statements of Net Assets Available for Benefits

	December 31	
	2001	2000

Assets		
Investments, at fair value:		
Vanguard Growth and Income Fund	\$ 402,784	\$ 419,292
Vanguard Balanced Index Fund	227,099	200,698
Vanguard Intermediate Term Bond Index Fund	282,037	166,341
Vanguard Asset Allocation Fund	208,917	181,915
Vanguard Growth Index Fund	646,767	643,191
Vanguard US Growth Fund	242,690	265,545
Fidelity Advisor Technology Fund	237,666	229,969
Fidelity Advisor Healthcare Fund	129,005	75,572
Vanguard 500 Index Fund	393,144	305,695

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Vanguard International Growth Fund	56,844	31,214
Vanguard European Stock Index	47,210	15,948
Vanguard Federal Money Market Fund	278,515	161,354
Chelsea Property Group, Inc. Common Stock and Money Market	286,766	220,640
Participant loans	81,129	54,040
	-----	-----
Total investments	3,520,573	2,971,414
	-----	-----
Receivables:		
Participant contributions	88,897	46,036
Employer contributions	29,409	13,633
	-----	-----
Total receivables	118,306	59,669
	-----	-----
Net assets available for benefits	\$3,638,879	\$3,031,083
	=====	=====

See accompanying notes.

Chelsea Property Group 401(k) Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2001

Additions:	
Additions to net assets attributed to:	
Investment income:	
Interest and dividends	\$ 59,572
Participant contributions	718,360
Employer contributions	175,888
Participant rollovers	168,998

Total additions	1,122,818
Deductions:	
Deductions from net assets attributed to:	
Participant withdrawals	176,379
Net depreciation in fair value of investments	338,643

Net increase	607,796
Net assets available for benefits:	
Beginning of year	3,031,083

End of year	\$3,638,879
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See accompanying notes.

Chelsea Property Group 401(k) Savings Plan

Notes to Financial Statements

December 31, 2001

1. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of Chelsea Property Group 401(k) Savings Plan (the "Plan") are presented on the accrual basis of accounting.

Investments

Investments are valued at fair value using share values of the funds as reported by Trustar Retirement Services ("Trustar") on December 31, 2001 and 2000.

Appreciation or depreciation of securities represents realized gains (losses) and the change in fair value during the year.

Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated August 26, 1998, stating the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to the issuance of the determination letter, the Plan was amended and restated, effective February 1, 2000. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator, CPG Partners, L.P., believes the Plan, as amended and restated, is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Chelsea Property Group 401(k) Savings Plan

Notes to Financial Statements (continued)

2. Description of the Plan

The Plan is a defined contribution plan sponsored and administered by CPG Partners, L.P. (formerly Chelsea GCA Realty Partnership, L.P.) (the "Partnership") and was established for the purpose of allowing Plan members to make tax-deferred contributions through voluntary payroll withholdings in order to accumulate benefits to be paid upon retirement. The Partnership pays all administrative expenses incurred by the Plan except for a fee of \$.25 per share for all purchase and sale transactions of Chelsea Property Group, Inc. (formerly Chelsea GCA Realty, Inc.) common stock which is paid by the participant. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Effective October 19, 2001, the Plan was updated to reflect new legislation.

All employees of the Partnership were eligible to participate in the Plan after completing 1,000 hours or one year of service and attaining age 21 through November 1, 2000 at which time the Partnership amended the Plan's eligibility requirements (the "Amendment"). Certain employees of the Partnership are eligible to participate in the Plan after 6 months of service with no hours requirement. Employees who elect to enroll in the Plan may elect to have from 1% to 15% of their pre-tax gross pay (for up to a 40 hour work week) contributed to their account each pay period. This deduction may not exceed the maximum amount allowed under the Code of \$10,500 for 2001 and 2000. Rollover

contributions of \$168,998 and \$66,357 in 2001 and 2000, respectively, were made by participants from other qualified plans.

Effective February 1, 2000 (the "Transition Date"), Trustar (the "Trustee") began serving as trustee of the Plan. Prior to the Transition Date, Merrill Lynch served as trustee of the plan. The Trustee has invested the assets of the Plan in funds maintained in pooled separate accounts held by Vanguard and Fidelity.

Also effective February 1, 2000, the Company no longer offered Chelsea Property Group, Inc. common stock as an investment option. Participants can keep the common stock they currently have in their account, but they cannot purchase additional stock.

Employees participating in the Plan are eligible to receive a benefit upon their normal retirement date, disability retirement date or termination date, equal to the amount in their individual account. Participants are always 100% vested in their contributions including the earnings thereon.

Chelsea Property Group 401(k) Savings Plan

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

Participants are eligible to borrow from their account. The minimum loan is \$500. A participant may borrow 50% of his or her vested balance to a maximum of \$50,000. The loans must be paid back within five years. The loans bore interest at a rate between 8.0% and 9.75% at December 31, 2001 and 2000.

The Plan provides for an employer discretionary matching contribution. For the 2001 and 2000 Plan years, the matching contribution was equal to 50% of each participant's first 6% contributed to the Plan.

As of December 31, 2001 and 2000, forfeitures in the amount of \$22,083 and \$21,931, respectively, will be used to reduce future Company contributions. Forfeitures arise from forfeited balances of terminated participant's nonvested accounts.

Employees with the following titles are not eligible to participate in the matching contribution: Chief Executive Officer, Chief Financial Officer, President, Chief Operating Officer, Senior Vice President, Executive Vice Presidents, and Vice Presidents.

As of October 1, 1999, the Plan was amended to allow employees from Worcester Common Outlets, a retail outlet that the Partnership managed through March 31, 2001, to participate in the Plan. As of April 1, 2001, the employees of Worcester no longer contribute to the Plan.

Participants shall have a vested percentage in the matching contributions as follows:

After 1 year of vesting service	20%
After 2 years of vesting service	40%
After 3 years of vesting service	60%
After 4 years of vesting service	80%
After 5 years of vesting service	100%

While the Partnership hopes and expects to continue the Plan indefinitely, it reserves the right to terminate, amend or modify the Plan at any time subject to the provisions of ERISA. Upon the termination of the Plan, the monies already invested in the Plan are distributed to the participants based on their account values at termination. If money has been deducted from a participant's paycheck but not yet deposited into the Plan, those monies are at risk because they are

not yet considered part of the Plan.

Chelsea Property Group 401(k) Savings Plan

Notes to Financial Statements (continued)

2. Description of the Plan (continued)

This is not a complete description of the Plan. For more information on the Plan, see the Summary Plan Description available at the office of the Administrator, CPG Partners, L.P.

3. Net Appreciation (Depreciation) in Fair Value of Investments

During the year ended December 31, 2001, the investments of the Plan appreciated (depreciated) in fair value as follows:

Vanguard Growth and Income Fund	\$ (50,135)
Vanguard Balanced Index Fund	(12,635)
Vanguard Intermediate Term Bond Index Fund	4,797 (13,664)
Vanguard Asset Allocation Fund	(83,326)
Vanguard Growth Index Fund	(95,105)
Vanguard US Growth Fund	(78,378)
Fidelity Advisor Technology Fund	(11,536)
Fidelity Advisor Healthcare Fund	(45,235)
Vanguard 500 Index Fund	(8,700)
Vanguard International Growth Fund	(4,298)
Vanguard European Stock Index	<u>59,572</u>
Chelsea Property Group, Inc. Common Stock	\$(338,643)
	=====

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 10, 2002

Chelsea Property Group 401(k) Savings Plan

By: CPG Partners, L.P., Administrator

By: Chelsea Property Group, Inc., General Partner

By: /s/ Michael J. Clarke
Michael J. Clarke, Chief Financial Officer

Supplemental Schedules

EIN 223258100
Plan#: 001

Chelsea Property Group 401(k) Savings Plan

Schedule H, Line 4a--Schedule of Non-Exempt Transactions

Year ended December 31, 2001

Identity of Party Involved or Other Party-In-Interest	Relationship to Plan, Employer or Other Party-In-Interest	Description of Transactions, Including Maturity Date, Rate of Interest, Par or Maturity Value	Purchase Price	Expenses Incurred in Connection with Transaction	Selling Price	Current Value of Asset at Date of Transaction	Net Gain (Loss) on Sale
Chelsea Property Group, Inc.	Plan Sponsor	During the year the Plan Sponsor failed to remit employee contributions withheld within 15 business days from the month-end. This amount, \$62,011, which represents withholding from the month of November, was remitted to the Trust on December 27, 2002. The Plan sponsor has made all corrections in accordance with Administrative Procedures Regarding Self Correction.	\$62,011		N/A	\$62,011	N/A

EIN 223258100
Plan#: 001

Chelsea Property Group 401(k) Savings Plan

Schedule H, Line 4i--Schedule of Assets (Held at End of Year)

December 31, 2001

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value	Number of Shares	Current Value
Trustar Retirement Services Vanguard Growth and Income Fund	14,283.2 \$ 402,784		Trustar Retirement Services Vanguard Balanced Index Fund
12,715.5	227,099		Trustar Retirement Services Vanguard Intermediate Term Bond Index Fund
27,435.6	282,037		Trustar Retirement Services Vanguard Asset Allocation Fund
9,579.0	208,917		Trustar Retirement Services Vanguard Growth Index Fund
24,489.5	646,767		Trustar Retirement Services Vanguard US Growth Fund
12,874.8	242,690		Trustar Retirement Services Fidelity Advisor Technology Fund
14,661.7	237,666		Trustar Retirement Services Fidelity Advisor Healthcare Fund
6,460.0	129,005		Trustar Retirement Services Vanguard 500 Index Fund
3,712.8	393,144		Trustar Retirement Services Vanguard International Growth Fund
3,787.1	56,844		Trustar Retirement Services Vanguard European Stock Index
2,331.4	47,210		Trustar Retirement Services Vanguard Federal Money Market Fund
278,515.2	278,515	-----	3,152,678
Chelsea Property Group, Inc. Common Stock	5,234.9	257,034	Chelsea Property Group, Inc. Money Market
29,731.8	29,732		Participant loans receivable
Interest rates range from 8.0% to 9.75% maturing through 2006 81,129 ----- Total investments \$3,520,573			

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-62207) pertaining to the Chelsea Property Group 401(K) Savings Plan of our report dated June 17, 2002 with respect to the financial statements and schedules of the Chelsea Property Group 401(k) Savings Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2001.

/s/Ernst & Young LLP

New York, New York
July 10, 2002