

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

FORM 10-Q

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

For the quarterly period ended March 31, 2003

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. 33-98136

CPG PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware

State or other jurisdiction
of incorporation or organization)

22-3258100

(I.R.S. Employer
Identification No.)

103 Eisenhower Parkway, Roseland, New Jersey 07068

(Address of principal executive offices - zip code)

(973) 228-6111

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer.

Yes No .

There are no outstanding shares of Common Stock or voting securities.

CPG Partners, L.P.

Index

Part I. Financial Information

Item		Page
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of March 31, 2003 and December 31, 2002	3
	Condensed Consolidated Statements of Income for the three months ended March 31, 2003 and 2002	4
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2003 and 2002	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	26

Part II. Other Information

CPG Partners, L.P.
Consolidated Balance Sheets
(In thousands)

	March 31, 2003	December 31, 2002
(Unaudited)		
Assets:		
Rental properties:		
Land.....	\$ 269,410	\$ 266,461
Depreciable property.....	1,574,650	1,570,713
Total rental property.....	1,844,060	1,837,174
Accumulated depreciation.....	(299,285)	(284,239)
Rental properties, net.....	1,544,775	1,552,935
Cash and cash equivalents.....	21,024	22,551
Restricted cash - escrows.....	3,435	3,455
Tenant accounts receivable (net of allowance for doubtful accounts of \$2,955 in 2003 and \$2,593 in 2002).....	3,100	7,762
Deferred rent receivable.....	20,317	18,778
Investments in unconsolidated affiliates.....	61,926	47,997
Notes receivable-related parties.....	2,719	2,746
Deferred costs, net.....	14,890	16,706
Other assets.....	34,319	30,100
Total assets.....	\$1,706,505	\$1,703,030
 Liabilities and partners' capital:		
Liabilities:		
Unsecured bank debt.....	\$ 87,035	\$ 103,035
Unsecured notes.....	621,475	621,330
Mortgage debt.....	305,170	306,455
Construction payables.....	7,708	8,046
Accounts payable and accrued expenses.....	39,430	43,570
Obligation under capital lease.....	1,349	1,507
Accrued distribution payable.....	27,628	4,927
Other liabilities.....	22,391	18,886
Total liabilities.....	1,112,186	1,107,756
 Commitments and contingencies		
Partners' capital:		
General partner units outstanding, 41,764 in 2003 and 41,485 in 2002.....	462,072	462,127
Limited partners units outstanding 7,529 in 2003 and 7,563 in 2002.....	76,075	77,094
Preferred partners units outstanding, 1,300 in 2003 and 2002.....	63,315	63,315
Officer loan.....	(488)	(488)
Accumulated other comprehensive loss.....	(6,655)	(6,774)
Total partners' capital.....	594,319	595,274
Total liabilities and partners' capital.....	\$1,706,505	\$1,703,030

The accompanying notes are an integral part of the financial statements.

CPG Partners, L.P.
Condensed Consolidated Statements of Income
for the Three Months Ended March 31, 2003 and 2002
(Unaudited)
(In thousands, except per unit data)

	2003	2002
Revenues:		
Base rent.....	\$59,889	\$38,509
Percentage rent.....	4,187	3,073
Expense reimbursements.....	18,794	12,595
Other income.....	1,477	2,504
Total revenues.....	84,347	56,681
 Expenses:		
Operating and maintenance.....	22,976	16,204
Depreciation and amortization.....	17,632	12,941
General and administrative.....	2,201	1,517
Other.....	1,460	1,093
Total expenses.....	44,269	31,755

Income before unconsolidated investments and interest expense.....	40,078	24,926
Income from unconsolidated investments.....	1,451	3,770
Loss from Chelsea Interactive.....	(837)	(2,700)
Interest expense.....	(16,634)	(9,750)
	-----	-----
Net income.....	24,058	16,246
Preferred unit requirement.....	(2,296)	(2,366)
	-----	-----
Net income available to common unitholders.....	\$21,762	\$13,880
	=====	=====
Net income to common unitholders:		
General partner.....	\$18,413	\$11,887
Limited partners.....	3,349	1,993
	-----	-----
Total.....	\$21,762	\$13,880
	=====	=====
Net income per common unit:		
General partner.....	\$0.44	\$0.32
Limited partners.....	\$0.44	\$0.32
Weighted average units outstanding:		
General partner.....	41,570	37,572
Limited partners.....	7,561	6,300
	-----	-----
Total.....	49,131	43,872

The accompanying notes are an integral part of the financial statements.

CPG Partners, L.P.
Condensed Consolidated Statements of Cash Flows
for the Three Months Ended March 31, 2003 and 2002
(Unaudited)
(In thousands)

	2003	2002
	-----	-----
Cash flows from operating activities		
Net income.....	\$24,058	\$16,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	17,632	12,941
Equity-in-earnings of unconsolidated investments in excess of distributions.....	(261)	(348)
Loss from Chelsea Interactive.....	-	2,700
Proceeds from non-compete receivable.....	-	4,300
Amortization of non-compete revenue.....	-	(1,284)
Other operating activities.....	(253)	(222)
Changes in assets and liabilities:		
Straight-line rent receivable.....	(1,760)	(522)
Due from affiliates.....	(1,185)	(1,092)
Other assets.....	4,951	4,541
Deferred incentive compensation.....	-	(14,401)
Accounts payable and accrued expenses.....	(4,769)	(10,965)
	-----	-----
Net cash provided by operating activities.....	38,413	11,894
	-----	-----
Cash flows from investing activities		
Additions to rental properties.....	(8,361)	(3,927)
Additions to investments in unconsolidated affiliates.....	(11,577)	(3,287)
Distributions from investments in unconsolidated affiliates in excess of earnings.....	-	805
Additions to deferred development costs.....	(113)	(2,276)
Payments from related parties.....	27	1,113
Loans to related parties.....	-	(488)
	-----	-----
Net cash used in investing activities.....	(20,024)	(8,060)
	-----	-----
Cash flows from financing activities		
Debt proceeds.....	-	159
Repayment of debt.....	(17,207)	(392)
Net proceeds from sale of the Company's common stock.....	3,536	2,835
Distributions.....	(5,967)	(4,973)
Redemption of preferred units.....	-	(6,431)
Additions to deferred financing costs.....	(278)	(70)
	-----	-----
Net cash used in financing activities.....	(19,916)	(8,872)
	-----	-----
Net decrease in cash and cash equivalents.....	(1,527)	(5,038)
Cash and cash equivalents, beginning of period.....	22,551	24,604
	-----	-----
Cash and cash equivalents, end of period.....	\$21,024	\$19,566
	=====	=====

The accompanying notes are an integral part of the financial statements.

CPG Partners, L.P.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Basis of Presentation

CPG Partners, L.P., (the "Operating Partnership" or "OP"), which commenced operations on November 2, 1993 specializes in owning, developing, leasing, marketing and managing upscale and fashion-oriented manufacturers' outlet centers. As of March 31, 2003, the OP wholly or partially owned 59 centers in 30 states and Japan containing approximately 14.6 million square feet of gross leasable area ("GLA"). The OP's portfolio is comprised of 28 premium outlet centers containing 9.0 million square feet of GLA (the "Premium Properties") and 31 other retail centers containing approximately 5.6 million square feet of GLA ("Other Properties") (collectively the "Properties"). The OP's Premium Properties generated approximately 77% and 89% of the OP's retail real estate net operating income for the three months ended March 31, 2003, and 2002, respectively. The Premium Properties generally are located near metropolitan areas including New York City, Los Angeles, Boston, Washington, D.C., San Francisco, Sacramento, Cleveland, Atlanta, Dallas, Portland (Oregon), Tokyo and Osaka, Japan. Some Premium Properties are also located within 20 miles of major tourist destinations including Palm Springs, the Napa Valley, Orlando, and Honolulu.

The sole general partner of the OP, Chelsea Property Group, Inc. (the "Company") is a self-administered and self-managed real estate investment trust.

The financial statements contain the accounts of the Operating Partnership and its majority owned subsidiaries. Such subsidiaries represent partnerships in which the OP has greater than a 50% ownership interest and the ability to maintain operational control. All significant intercompany transactions and accounts have been eliminated in consolidation.

On May 1, 2002, the Company declared a 2-for-1 stock split of the Company's common shares. The Operating Partnership simultaneously declared a 2-for-1 split of the OP's Limited Partnership units. The stock/unit dividend was paid May 28, 2002, to shareholders/unitholders of record on May 14, 2002. All applicable unit and per unit information in the accompanying financial statements have been adjusted to reflect the stock/unit split.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of March 31, 2003, using available market information and appropriate valuation methodologies. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since such date and current estimates of fair value may differ significantly from the amounts presented herein.

Common ownership of the OP as of March 31, 2003, was approximately as follows:

General Partner	84.7%	41,764,000	units
Limited Partners	15.3%	7,529,000	units
	-----	-----	
Total	100.0%	49,293,000	

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Basis of Presentation (continued)

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three month period ended March 31, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. The balance sheet at December 31, 2002, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2002.

In August 2001, FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") which is effective January 1, 2003. SFAS 143 requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. See note 2 to financial statements for discussion related to the estimated future costs to be incurred in connection with the future operations of Chelsea Interactive, Inc. ("Chelsea Interactive").

2. Investments in Affiliates

The OP holds several non-controlling interests in domestic and international joint ventures accounted for under the equity method. Equity in earnings or losses of these affiliates and related management advisory, license, leasing and guarantee fees earned are included in income from unconsolidated investments and loss from Chelsea Interactive in the accompanying financial statements.

As of March 31, 2003, the OP's interests in joint ventures included a 50% interest in Las Vegas Premium Outlets and a 50% interest in Chicago Premium Outlets with Simon Property Group, Inc. ("Simon") (collectively "Simon-Ventures"), a 40% interest in Chelsea Japan Co., Ltd. ("Chelsea Japan"), a 50% interest in a strategic alliance with Sordo Madaleno y Asociados and Mr. Carlos Peralta of Mexico City ("Chelsea Mexico"), minority interests in various outlet centers and development projects in Europe operated by Value Retail PLC ("Value Retail") and 100% of the non-voting preferred stock and 50% of the non-voting common stock of Chelsea Interactive, representing 40% of the total common stock.

In June 2002, the OP and Simon entered into a new 50/50 joint venture to develop and operate Las Vegas Premium Outlets, a 435,000 square-foot single-phase outlet center located in Las Vegas, Nevada, scheduled to open in mid-2003. The OP is responsible for financing its 50% share of development costs that are expected to be approximately \$48.0 million. As of March 31, 2003, the OP had contributed \$29.5 million.

In August 2002, the OP and Simon entered into a new 50/50 joint venture to develop and operate Chicago Premium Outlets, a 438,000 square-foot single-phase outlet center located in Aurora, Illinois, scheduled to open in mid-2004. The OP is responsible for financing its 50% share of the development costs that are expected to be approximately \$46.0 million. As of March 31, 2003, the OP had contributed \$10.5 million.

**Notes to Condensed Consolidated Financial Statements
(Unaudited)**

2. Investments in Affiliates (continued)

In March 2003, Chelsea Japan opened the 180,000 square-foot first phase of Sano Premium Outlets, located 40 miles north of Tokyo. Chelsea Japan has two other centers: Gotemba Premium Outlets, located to the west of Tokyo, currently a 220,000 square-foot center, is being expanded by an additional 170,000 square feet scheduled to open in July 2003; Rinku Premium Outlets, located near Osaka, is a 250,000 square-foot center including a 70,000 square-foot second phase that opened in March 2002.

At March 31, 2003, the OP had incurred approximately \$1.5 million related to predevelopment costs and formation of the Chelsea Mexico joint venture.

At March 31, 2003, the OP had minority interests ranging from 3% to 8% in several outlet centers and outlet development projects in Europe.

At December 31, 2002, the OP recognized an impairment loss equal to the net book value of its investment in Chelsea Interactive. The OP believes that it will not be able to recover the net book value of its investment in Chelsea Interactive through future cash flows before reaching the OP's \$60.0 million funding limit. Through March 31, 2003, the OP had funded \$53.2 million and anticipates that the \$6.8 million funding balance may be used to further develop the platform and/or to finance operating cash shortfalls and potential costs related to the disposal or discontinuance of the business. An \$0.8 million funding loss was reported for the three months ended March 31, 2003. Future funding by the OP will be reported as a loss in the period funding is required. The OP is in active discussions with a potential investor to restructure Chelsea Interactive or dispose of its assets. There can be no assurance that any of these discussions will be successful or that Chelsea Interactive will be able to continue as a going concern.

The following is a summary of investments in and amounts due from affiliates at March 31, 2003, (in thousands):

	Chelsea Japan	Simon- Ventures	Mexico	Other	Total
Balance December 31, 2002	\$12,471	\$31,919	\$ -	\$3,607	\$47,997
Additional investment	386	10,657	1,508	-	12,551
Income from unconsolidated investments	1,451	-	-	-	1,451
Distributions and fees	(1,190)	-	-	-	(1,190)
Advances (net)	1,147	(30)	-	-	1,117
Balance March 31, 2003	<u>\$14,265</u>	<u>\$42,546</u>	<u>\$1,508</u>	<u>\$3,607</u>	<u>\$61,926</u>

**Notes to Condensed Consolidated Financial Statements
(Unaudited)**

2. Investments in Affiliates (continued)

The OP's share of income (loss) before depreciation, depreciation expense and income (loss) from unconsolidated investments for the three months ended March 31, 2003, and 2002 are as follows (in thousands):

	2003			2002		
	Income (loss) before Depreciation	Depr.	Income (loss) from Unconsol. Investments	Income (loss) before Depreciation	Depr.	Income (loss) from Unconsol. Investments
Chelsea Japan	\$2,050	\$599	\$1,451	\$1,291	\$ 399	\$ 892
F/C (1)	-	-	-	2,264	721	1,543
Simon (2)	-	-	-	1,833	523	1,310
Other	-	-	-	25	-	25
Total	<u>\$2,050</u>	<u>\$599</u>	<u>\$1,451</u>	<u>\$5,413</u>	<u>\$1,643</u>	<u>\$3,770</u>
Chelsea Interactive	<u>\$ (837)</u>	<u>\$ -</u>	<u>\$ (837)</u>	<u>(\$1,192)</u>	<u>\$1,508</u>	<u>(\$2,700)</u>

- (1) During the three months ended March 31, 2002, the OP had a 49% interest in F/C Acquisition, a joint venture that owns four Premium Outlet centers. In August 2002, the OP became the sole owner of F/C Acquisition by acquiring the remaining 51% undivided ownership interest from the joint venture partner and consolidated the operations and balance sheet from the buyout date.
- (2) During the three months ended March 31, 2002, the OP had a 50% interest in Orlando Premium Outlets through a 50/50 joint venture with Simon. In April 2002, the OP became the sole owner of Orlando Premium Outlets by acquiring the remaining 50% undivided ownership interest from Simon and consolidated the operations and balance sheet from the buyout date.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

2. Investments in Affiliates (continued)

Condensed financial information as of March 31, 2003, and December 31, 2002, and for the three months ended March 31, 2003, and 2002 for investments in unconsolidated affiliates is as follows:

	Retail Real Estate	Chelsea Interactive
	-----	-----
Property, plant and equipment (net)		
March 31, 2003.....	\$274,737	\$ -
December 31, 2002.....	140,057	31,409
Total assets		
March 31, 2003.....	359,961	-
December 31, 2002.....	190,157	33,295
Long term debt (Chelsea Japan)		
March 31, 2003.....	78,221	-
December 31, 2002.....	75,139	-
Total liabilities		
March 31, 2003.....	189,841	-
December 31, 2002.....	119,886	1,548
Net income (loss)		
March 31, 2003.....	652	-
March 31, 2002 (1) (2).....	4,992	(3,651)
OP's share of net income (loss)		
March 31, 2003.....	261	(837)
March 31, 2002 (1) (2).....	2,395	(2,700)
Fee income		
March 31, 2003.....	1,190	-
March 31, 2002 (1) (2).....	1,350	-

- (1) During the three months ended March 31, 2002, the OP had a 49% interest in F/C Acquisition, a joint venture that owns four Premium Outlet centers. In August 2002, the OP became the sole owner of F/C Acquisition by acquiring the remaining 51% undivided ownership interest from the joint venture partner and consolidated the operations and balance sheet from the buyout date.
- (2) During the three months ended March 31, 2002, the OP had a 50% interest in Orlando Premium Outlets through a 50/50 joint venture with Simon. In April 2002, the OP became the sole owner of Orlando Premium Outlets by acquiring the remaining 50% undivided ownership interest from Simon and consolidated the operations and balance sheet from the buyout date.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

3. Non-Compete Agreement

The OP recognized income from its non-compete agreement with The Mills Corporation of \$1.3 million during the three months ended March 31, 2002, which is included in other income in the accompanying financial statements.

4. Debt

Unsecured Bank Debt

The OP has a \$200.0 million senior unsecured bank line of credit (the "Senior Credit Facility") with an expiration date of March 31, 2005, which the OP has the right to extend until March 31, 2006. The Senior Credit Facility bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (2.38% at March 31, 2003) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.50% depending on the OP's Senior Debt rating. A facility fee of 0.125% is payable annually in advance. At March 31, 2003, \$82.0 million was outstanding under the Senior Credit Facility.

The OP also has a \$5.0 million term loan that carries the same interest rate and maturity as the Senior Credit Facility.

Unsecured Notes

A summary of the terms of the unsecured notes outstanding at March 31, 2003, and December 31, 2002, is as follows (in thousands):

	March 31, 2003	December 31, 2002	Effective Yield (1)
8.375% Unsecured Notes due August 2005.....	\$ 49,930	\$ 49,922	8.44%
7.25% Unsecured Notes due October 2007.....	124,849	124,841	7.39
8.625% Unsecured Notes due August 2009.....	49,935	49,933	8.76
8.25% Unsecured Notes due February 2011.....	148,853	148,817	8.40
6.875% Unsecured Notes due June 2012.....	99,864	99,825	6.90
6.00% Unsecured Notes due January 2013.....	148,044	147,992	6.28
Total	\$621,475	\$621,330	

(1) Including discount on the notes

Notes to Condensed Consolidated Financial Statements

(Unaudited)

4. Debt (continued)

Mortgage Debt

A summary of the terms of the mortgage debt outstanding at March 31, 2003, and December 31, 2002, and the related interest rate and Net Book Value ("NBV") of the associated collateral as of March 31, 2003, are as follows (in thousands):

	March 31, 2003	December 31, 2002	Interest Rate	NBV
Mortgage Loan due July 2008 (1)	\$166,955	\$167,723	6.99%	\$256,654
Mortgage Loan due April 2010 (2)	67,000	67,250	7.26%	71,546
Mortgage Loan due December 2012 (3)	71,215	71,482	7.67%	75,231
	\$305,170	\$306,455		\$403,431

- The Mortgage Loan due July 2008 was consolidated as part of the August 2002 buyout of a joint venture partner's 51% interest in the F/C Acquisition joint venture. The mortgage calls for a \$1.2 million fixed monthly interest plus principal payment based on a 26-year amortization schedule. During the three months ended March 31, 2003, the OP recognized \$34,000 in debt discount amortization that is included in interest expense in the accompanying financial statements.
- Chelsea Financing entered into a \$70.0 million Mortgage Loan due April 2010 secured by its four properties. The Mortgage Loan bears interest equal to LIBOR plus 1.50% (2.84% at March 31, 2003) or prime rate plus 1.0% and calls for quarterly principal amortization of \$0.25 million through April 2005 and thereafter \$0.45 million per quarter until maturity. In December 2000, the OP entered into an interest rate swap agreement to hedge against unfavorable fluctuations in LIBOR rates by fixing the interest rate at 7.26% until January 2006. During the three months ended March 31, 2003, and 2002, the OP recognized interest expense of \$0.7 million on the hedge that is included in interest expense in the accompanying financial statements.
- The Mortgage Loan due December 2012 was assumed as part of a September 2001 acquisition. The loan calls for fixed monthly debt service payments of \$0.5 million for interest based on a 26-year amortization schedule. During the three months ended March 31, 2003, and 2002, the OP recognized \$0.1 million in debt premium amortization that is included in interest expense in the accompanying financial statements.

Interest and loan costs of approximately \$0.9 million and \$0.7 million were capitalized as development costs during the three months ended March 31, 2003, and 2002, respectively.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

5. Financial Instruments: Derivatives and Hedging

The OP employs interest rate and foreign currency forwards or purchased options to hedge qualifying anticipated transactions. Gains and losses are deferred and recognized in net income in the same period that the underlying hedged transaction affects net income, expires or is otherwise terminated or assigned.

At March 31, 2003, the OP's interest rate swap was reported at its fair value and classified as an other liability of \$6.6 million. At March 31, 2003, there were \$6.6 million in deferred losses, recorded in accumulated other comprehensive loss. During the next twelve months, the OP expects to reclassify to earnings approximately \$2.8 million of the current balance held in accumulated other comprehensive loss related to the interest rate swap.

Hedge Type	Notional Value	Rate	Maturity	Fair Value
Swap, Cash Flow	\$67.0 million	5.7625%	1/1/06	(\$6.6 million)

The notional value and fair value of the above hedge provides an indication of the extent of the OP's involvement in financial derivative instruments of March 31, 2003, but does not represent exposure to credit, interest rate, foreign exchange or market risk.

6. Partners' Capital

Following is a statement of partners' capital for the three months ended March 31, 2003, (in thousands):

	General Partner's Capital	Limited Partners' Capital	Preferred Partner's Capital	Officer Loan	Accum. Other Comp. Income (Loss) (1)	Total Partners' Capital
Balance December 31, 2002.....	\$462,127	\$77,094	\$63,315	(\$488)	(\$6,774)	\$595,274
Net income.....	19,247	4,811	-	-	-	24,058
Other comprehensive income/(loss):						
Foreign currency translation.....	-	-	-	-	(1)	(1)
Interest rate swap.....	-	-	-	-	120	120
Total comprehensive income.....						24,177
Common distributions.....	(22,344)	(4,028)	-	-	-	(26,372)
Preferred distribution.....	(834)	(1,462)	-	-	-	(2,296)
Contributions (net of costs).....	3,536	-	-	-	-	3,536
Transfer of limited partners' interest	340	(340)	-	-	-	-
Balance March 31, 2003.....	\$462,072	\$76,075	\$63,315	(\$488)	(\$6,655)	\$594,319

Notes to Condensed Consolidated Financial Statements

(Unaudited)

7. Distributions

On March 13, 2003 the Board of Directors of the Company declared a \$0.535 per unit distribution to unitholders of record on March 31, 2003. The distribution, totaling \$26.4 million, was paid on April 14, 2003.

8. Income Taxes

No provision has been made for income taxes in the accompanying consolidated financial statements since such taxes, if any, are the responsibility of the individual partners.

9. Net Income Per Partnership Unit

Net income per partnership unit is determined by allocating net income to the general partner (including the general partner's preferred unit allocation) and the limited partners based on their weighted average partnership units outstanding during the respective periods presented.

10. Commitments and Contingencies

In May 2002, the OP entered into a 50/50 joint venture agreement with Sordo Madaleno y Asociados and Mr. Carlos Peralta of Mexico City to jointly develop premium outlet centers in Mexico. Subject to leasing and entitlements, construction on the 200,000 square-foot first phase of the outlet project is scheduled to commence later in 2003 and open in 2004. The site can support a second phase containing approximately 165,000 square feet of GLA. Once Phase I of the project has been approved, the OP will be committed to fund approximately \$12.0 million which is 50% of the development costs.

In connection with the Simon joint ventures, the OP has committed to provide 50% of the development costs, which are expected to be approximately \$48.0 million for Las Vegas Premium Outlets and \$46.0 million for Chicago Premium Outlets. As of March 31, 2003, the Company had contributed \$29.5 million and \$10.5 million to the Las Vegas and Chicago projects, respectively.

Borrowings related to Chelsea Japan for which the Company and the OP have provided guarantees for repayment of debt as of March 31, 2003, are as follows (in thousands):

Total Facility		Outstanding			Due Date	Interest Rate
Yen	US \$ Equivalent	Yen	US \$ Equivalent	US \$ Guarantee		
4.0 billion (1)	\$33.9 million	1.0 billion	\$8.4 million	\$8.4 million	2004	1.43%
3.8 billion (2)	32.2 million	3.5 billion	29.7 million	11.9 million	2015	2.20%

- 1) Facility entered into by an equity investee of the OP that has a one-year extension option.
- 2) Facilities entered into by Chelsea Japan, secured by Gotemba and Rinku and 40% severally guaranteed by the OP.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

10. Commitments and Contingencies (continued)

As of March 31, 2003, the OP had provided limited debt service guarantees of approximately \$22.0 million to Value Retail and affiliates, the maximum amount under a standby facility for loans provided to Value Retail and affiliates to construct outlet centers in Europe. The term of the standby facility expired in November 2001 and guarantees shall not be outstanding for longer than five years after project completion.

At March 31, 2003, other assets includes \$10.3 million and accrued expenses and other liabilities include \$12.8 million related to the 2002 deferred unit incentive program which may be paid to certain key officers in 2007.

The OP is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the OP or its properties, other than routine litigation arising in the ordinary course of business. Management believes the cost incurred by the OP related to any of its litigation will not be material and have been adequately provided for in the consolidated financial statements.

11. Related Party Information

In 1999, the OP established a \$6.0 million secured loan facility that will expire in June 2004 for the benefit of certain unitholders. Each borrower issues a note that is secured by OP units, bears interest at a rate of LIBOR plus 200 basis points per annum payable quarterly and is due by the facility expiration date. At March 31, 2003, loans made to two unitholders, who are also management of the OP, totaled \$3.2 million, \$0.5 million of which was used to exercise OP stock options and is reflected as a reduction to partners' capital in the accompanying financial statements. The carrying value of such loans approximated fair value at March 31, 2003. Effective June 1, 2002, the OP changed its policy to eliminate new loans to directors and officers.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

12. Segment Information

The OP is principally engaged in the development, ownership, acquisition and operation of manufacturers' outlet centers and has determined that under SFAS No.131 "Disclosures About Segments of an Enterprise and Related Information" it has three reportable retail real estate segments: premium domestic, other domestic and international. The OP evaluates real estate performance and allocates resources based on Net Operating Income ("NOI") defined as total revenue less operating and maintenance expense. The primary sources of revenue are generated from tenant base rents, percentage rents and reimbursement revenue. Operating expenses primarily consist of common area maintenance, real estate taxes and promotional expenses. The retail real estate business segments meet the quantitative threshold for determining reportable segments.

Unaudited (in thousands)	Premium Domestic	Other Domestic	International	Other	Total
		(1)	(2)	(3)	
Total revenues					
Three months ended:					
March 31, 2003.....	\$62,370	\$21,945	\$ -	\$32	\$84,347
March 31, 2002.....	44,075	11,229	-	1,377	56,681
Interest income					
Three months ended:					
March 31, 2003.....	255	4	-	32	291
March 31, 2002.....	283	24	-	93	400
Income (loss) from unconsolidated investments					
Three months ended:					
March 31, 2003.....	-	-	1,451	(837)	614
March 31, 2002.....	2,853	-	917	(2,700)	1,070
NOI					
Three months ended:					
March 31, 2003.....	45,267	14,463	2,414	(2,857)	59,287
March 31, 2002.....	36,586	4,930	1,703	(744)	42,475
Fixed asset additions					
Three months ended:					
March 31, 2003.....	4,164	4,743	-	(546)	8,361
March 31, 2002.....	3,192	275	-	460	3,927
Total assets					
March 31, 2003.....	1,257,106	397,283	19,380	32,736	1,706,505
December 31, 2002.....	1,262,190	394,984	16,077	29,779	1,703,030

- (1) Approximately 15% of the GLA is occupied by and approximately 7% of annualized revenue is derived from one tenant.
- (2) Principally comprised of the OP's interest in Chelsea Japan.
- (3) Includes corporate overhead assets and results from Chelsea Interactive.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

12. Segment Information (continued)

Following is a reconciliation of net operating income to net income for the three months ended March 31, 2003, and 2002 (in thousands):

	2003	2002
Segment NOI.....	\$59,287	\$42,475
Interest expense - consolidated.....	(16,634)	(9,750)
Interest expense - unconsolidated investments.....	(144)	(128)
Depreciation and amortization expense - consolidated.....	(17,632)	(12,941)
Depreciation and amortization expense - unconsolidated investments.....	(599)	(1,643)
Depreciation and amortization expense - Chelsea Interactive.....	-	(1,508)
Income tax - unconsolidated investments.....	(220)	(259)
Net income.....	\$24,058	\$16,246

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in connection with the accompanying unaudited condensed consolidated financial statements and notes thereto. These financial statements include all adjustments, which in the opinion of management are necessary to reflect a fair statement of results for all interim periods presented, and all such adjustments are of a normal recurring nature.

General Overview

From April 1, 2002, to March 31, 2003, the OP has grown rental revenue by \$22.5 million to \$64.1 million. This was achieved by increasing rents, expanding two wholly-owned centers and acquiring seven centers that were partially offset by rent decreases from selling five non-core centers. Increasing rents at operating centers resulted in base rent growth of \$1.2 million. The OP re-leased or renewed approximately 1.2 million square feet of Premium Property GLA during the twelve months ended March 31, 2003, for which initial contractual cash rents under new leases were 12% higher than expiring leases. The expansion of two wholly-owned centers increased base rents by \$0.4 million. The acquisition of seven centers increased base rents by \$8.3 million. In addition, the purchase of ownership interests in the five centers previously held as unconsolidated investments resulted in rental revenue growth of \$11.6 million and a decrease in income from unconsolidated investments of \$2.9 million during the three months ended March 31, 2003, from March 2002, as the operating results for these five centers have been fully consolidated since their buyouts. Income from unconsolidated investments for Chelsea Japan grew due to higher earnings, increased fees and the expansion of Rinku Premium Outlets in March 2002 and the opening of Sano Premium Outlets in March 2003.

At March 31, 2003, the OP wholly or partially-owned 14.6 million square feet of GLA. Since April 1, 2002, the OP has added 2.0 million square feet ("sf") of net GLA and details are as follows:

Net GLA added since April 1, 2002, is detailed as follows:

	12 months ended March 31, 2003	3 months ended March 31, 2003	9 months ended December 31, 2002
Changes in GLA (sf in 000's):			
New centers developed:			
Sano Premium Outlets (40% owned)	180	180	-
Centers expanded:			
Rinku Premium Outlets (40% owned)	70	-	70
Desert Hills Premium Outlets.....	23	-	23
Liberty Village Premium Outlets.....	23	-	23
Other.....	(12)	-	(12)
Total centers expanded.....	104	-	104
Centers acquired:			
Factory Outlet Village Osage Beach.....	391	-	391
St. Augustine Outlet Center.....	329	-	329
Edinburgh Outlet Center.....	305	-	305
Outlets at Albertville.....	305	-	305
Factory Merchants Branson.....	300	-	300
Jackson Outlet Village.....	292	-	292
Johnson Creek Outlet Center.....	278	-	278
Total centers acquired.....	2,200	-	2,200
Centers sold:			

Five Other Properties.....	(496)	-	(496)
Net GLA added during the period.....	1,988	180	1,808
GLA at end of period.....	14,566	14,566	14,386

Results of Operations

Comparison of the three months ended March 31, 2003, to the three months ended March 31, 2002.

Income increased \$7.8 million, or 48.1%, to \$24.0 million for three months ended March 31, 2003, from \$16.2 million for the three months ended March 31, 2002. This increase was primarily the result of the buyouts of ownership interest in five centers, acquisition of seven centers during 2002 and higher rents on releasing and renewals during 2003, partially offset by increased interest expense.

Base rentals increased \$21.4 million, or 55.5%, to \$59.9 million for the three months ended March 31, 2003, from \$38.5 million for the three months ended March 31, 2002, due to the buyouts of ownership interest in five centers and the acquisition of seven centers in 2002, higher average rents on releasing and renewals, and the expansion of two wholly-owned centers in late 2002.

Percentage rents increased \$1.1 million, or 36.3%, to \$4.2 million for the three months ended March 31, 2003, from \$3.1 million for the three months ended March 31, 2002, primarily due to the buyouts of ownership interest in five centers and the acquisition of seven centers in 2002.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased \$6.2 million, or 49.2%, to \$18.8 million for the three months ended March 31, 2003, from \$12.6 million for the three months ended March 31, 2002, due to the recovery of operating and maintenance costs from increased GLA. The average recovery of reimbursable expenses for the Premium Portfolio was 87% for the three months ended March 31, 2003 and 2002. The average recovery of reimbursable expenses for the Other Retail Centers was 69% for the three months ended March 31, 2003, compared to 52% for the three months ended March 31, 2002.

Other income decreased \$1.0 million or 41.0% to \$1.5 million for the three months ended March 31, 2003, from \$2.5 million for the three months ended March 31, 2002, primarily due to the termination of the non-compete agreement which included income recognition of \$1.3 million in 2002 partially offset by an increase in ancillary operating income in 2003.

Operating and maintenance expenses increased \$6.8 million, or 41.8%, to \$23.0 million for the three months ended March 31, 2003, from \$16.2 million for the three months ended March 31, 2002. The increase was primarily due to costs related to increase in GLA.

Depreciation and amortization expense increased \$4.7 million, or 36.2% to \$17.6 million for the three months ended March 31, 2003, from \$12.9 million for the three months ended March 31, 2002. The increase was due to depreciation of the increased GLA.

General and administrative expense increased \$0.7 million or 45.1% to \$2.2 million for the three months ended March 31, 2003, from \$1.5 million for the three months ended March 31, 2002, primarily due to increases in unit program accrual, increased salaries and professional fees.

Other expenses increased \$0.4 million or 33.6% to \$1.5 million for the three months ended March 31, 2003, from \$1.1 million for the three months ended March 31, 2002, due to increased reserve for bad debt and center rent expense.

Income from unconsolidated investments decreased \$2.3 million or 61.5% to \$1.5 million for the three months ended March 31, 2003, from \$3.8 million for the three months ended March 31, 2002, due to the buyouts of ownership interests in five centers which were previously held as unconsolidated investments partially offset by higher income from Chelsea Japan.

The loss from Chelsea Interactive decreased \$1.9 million to \$0.8 million for the three months ended March 31, 2003, from \$2.7 million for the three months ended March 31, 2002, due to the write-off of the OP's investment at December 31, 2002. The March 31, 2003, loss represents funding to Chelsea Interactive.

Interest expense increased \$6.8 million or 70.6% to \$16.6 million for the three months ended March 31, 2003, from \$9.8 million for the three months ended March 31, 2002, due to higher debt that financed acquisitions and the buyouts of partner's interests.

Liquidity and Capital Resources

The OP believes it has adequate financial resources to fund operating expenses, distributions, and planned development, construction and acquisition activities over the short term, which is less than 12 months and the long term, which is 12 months or more. Operating cash flow for the year ended December 31, 2002, of \$128.2 million is expected to increase with a full year of operations from the five joint venture buyout centers and the 1.8 million square feet of GLA added during 2002 as well as scheduled openings of approximately 800,000 square feet of new joint venture GLA in 2003. The OP has adequate funding sources to complete and open all current development projects from available cash, credit facilities and secured construction financing. The OP also has access to the public markets through its \$800 million debt and the Company's \$800 million equity shelf registrations.

Operating cash flow is expected to provide sufficient funds for dividends and distributions in accordance with REIT federal income tax requirements. In addition, the OP anticipates retaining sufficient operating cash to fund re-tenanting and lease renewal tenant improvement costs, as well as capital expenditures to maintain the quality of its centers, meet funding requirements of Chelsea Interactive and partially fund development projects.

Common distributions declared and recorded in 2003 were \$26.4 million, or \$0.535 per unit. The OP's distribution payout ratio as a percentage of net income before gain or loss on sale or writedown of assets and depreciation and amortization (reduced by amortization of deferred financing costs, depreciation of non-real estate assets and preferred dividends ("FFO")) was 66.9%. The OP's senior unsecured bank line of credit ("Senior Credit Facility") limits aggregate dividends and distributions to the lesser of (i) 90% of FFO on an annual basis or (ii) 100% of FFO for any two consecutive quarters.

The OP's \$200 million Senior Credit Facility expires in March 2005 (unless extended until March 2006), bears interest on the outstanding balance at an annual rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (2.38% at March 31, 2003) or the prime rate, at the OP's option and has an annual facility fee of 0.125%. The LIBOR rate spread ranges from 0.85% to 1.50% depending on the OP's Senior Debt rating. At March 31, 2003, \$82.0 million was outstanding under the Senior Credit Facility.

A summary of the maturity of the OP's contractual debt obligations (at par) as of March 31, 2003, is as follows (in thousands):

	Total	Less than One Year	1 to 3 Years	4 to 5 Years	After 5 Years
Unsecured bank debt	\$87,035	\$ -	\$87,035	\$ -	\$ -
Unsecured notes	625,000	-	50,000	125,000	450,000
Mortgage debt	299,815	3,480	10,934	164,067	121,334
Total	\$1,011,850	\$3,480	\$147,969	\$289,067	\$571,334

Construction projects underway and expected to open during 2003 include a 170,000 square-foot second phase at Gotemba Premium Outlets, scheduled to open in July 2003; and the 435,000 square-foot Las Vegas Premium Outlets, scheduled to open mid-2003. The 180,000 square foot first phase of Sano Premium Outlets located north of Tokyo, Japan opened March 14, 2003. The OP is also under construction on the 438,000 square-foot Chicago Premium Outlets in Aurora, Illinois, that is scheduled to open in mid-2004 and the 124,000 square-foot third phase of Outlets at Albertville scheduled to open in late March 2004. The Gotemba and Sano projects are developments of Chelsea Japan Co., Ltd., the OP's 40% owned Japanese joint venture. The Las Vegas and Chicago projects are 50/50 joint ventures with Simon. Other projects in various stages of development are expected to open in 2004 and beyond. There can be no assurance that these projects will be completed or opened, or that there will not be delays in opening or completion. All current development activity is fully financed either through project specific secured construction financing, the yen denominated line of credit, available cash or through the Senior Credit Facility. The OP will seek to obtain permanent financing once the projects are completed and income has been stabilized.

In connection with the Simon joint ventures, the OP has committed to provide 50% of the development costs, which are expected to be approximately \$48.0 million for Las Vegas Premium Outlets and \$46.0 million for Chicago Premium Outlets. As of March 31, 2003, the OP had contributed \$29.5 million and \$10.5 million to the Las Vegas and Chicago projects, respectively.

The OP has an agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan under the joint venture Chelsea Japan. Borrowings related to Chelsea Japan for which the Company and the OP have provided guarantees as of March 31, 2003, are as follows (in thousands):

Total Facility		Outstanding			Due Date	Interest Rate
Yen	US \$ Equivalent	Yen	US \$ Equivalent	US \$ Guarantee		
4.0 billion (1)	\$33.9 million	1.0 billion	\$8.4 million	\$8.4 million	2004	1.43%
3.8 billion (2)	32.2 million	3.5 billion	29.7 million	11.9 million	2015	2.20%
0.6 billion (2)	5.1 million	0.6 billion	4.8 million	1.9 million	2012	1.50%

- 1) Facility entered into by an equity investee of the OP that has a one-year extension option.
- 2) Facilities entered into by Chelsea Japan, secured by Gotemba and Rinku and 40% severally guaranteed by the OP.

In May 2002, the OP, through an affiliated entity, entered into a 50/50 strategic alliance with Sordo Madaleno y Asociados and Mr. Carlos Peralta of Mexico City to jointly develop premium outlet centers in Mexico. Subject to leasing and entitlements, construction on a 200,000 square-foot first phase of an outlet project north of Mexico City is expected to commence later in 2003 and to open in 2004. The site can support a second phase containing approximately 165,000 square feet of GLA. Once phase one of the project has been approved, the OP will be committed to fund approximately \$12.0 million which is 50% of the development costs. As of March 31, 2003, the OP had incurred costs of approximately \$1.5 million related to predevelopment costs and formation of the joint venture.

At December 31, 2002, the OP recognized an impairment loss equal to the net book value of its investment in Chelsea Interactive. The OP believes that it will not be able to recover the net book value of its investment in Chelsea Interactive through future cash flows before reaching the OP's \$60.0 million funding limit. Through March 31, 2003, the OP had funded \$53.2 million and

anticipates that the \$6.8 million funding balance may be used to further develop the platform and to finance operating cash shortfalls and potential costs related to the disposal or discontinuance of the business. An \$0.8 million funding loss was reported for the three months ended March 31, 2003. Future funding by the OP will be reported as a loss in the period funding is required. The OP is in active discussions with a potential investor to restructure Chelsea Interactive or dispose of its assets. There can be no assurance that any of these discussions will be successful or that Chelsea Interactive will be able to continue as a going concern.

The OP has minority interests ranging from 3% to 8% in several outlet centers and outlet development projects in Europe operated by Value Retail. The OP's total investment in Europe as of March 31, 2003, was \$3.6 million. The OP has also provided \$22.0 million in limited debt service guarantees under a standby facility for loans arranged by Value Retail to construct outlet centers in Europe. The term of the standby facility for new guarantees expired in November 2001 and these guarantees shall not be outstanding for longer than five years after project completion.

To achieve planned growth and favorable returns in both the short and long-term, the OP's financing strategy is to maintain a strong, flexible financial position by: (i) maintaining a conservative level of leverage; (ii) extending and sequencing debt maturity dates; (iii) managing exposure to floating interest rates; and (iv) maintaining liquidity. Management believes these strategies will continue to enable the OP to access a broad array of capital sources, including bank or institutional borrowings and secured and unsecured debt and equity offerings, subject to market conditions.

Net cash provided by operating activities was \$38.4 million and \$11.9 million for the three months ended March 31, 2003, and 2002, respectively. The increase was primarily due to increased operating cash flow generated on the growth of the OP's GLA offset by the payout of the deferred incentive compensation in March 2002 and the receipt in January 2002 of the final non-compete installment. Net cash used in investing activities was \$20.0 million and \$8.1 for the three months ended March 31, 2003, and 2002, respectively. The increase was a result of increased joint venture and wholly owned property investing activity. Net cash used in financing activities was \$19.9 million and \$8.9 million for the three months ended March 31, 2003, and 2002, respectively. The increase was primarily a result of increased debt repayments offset by preferred stock redemptions in 2002.

Funds from Operations

Management believes that funds from operations ("FFO") should be considered in conjunction with net income, as presented in the statements of income included elsewhere herein, to facilitate a clearer understanding of the operating results of the OP. The White Paper on Funds from Operations approved by the Board of Governors of NAREIT in October 1999 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The OP believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the OP to incur and service debt, to make capital expenditures and to fund other cash needs. The OP computes FFO in accordance with the current standards established by NAREIT which may not be comparable to FFO reported by other REITS that do not define the term in accordance with current NAREIT definition or that interpret the current NAREIT definition differently than the OP. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the OP's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the OP's liquidity, nor is it indicative of funds available to fund the OP's cash needs, including its ability to make cash distributions.

	Three Months Ended March 31,	
	2003	2002
Income available to common unitholders	\$21,762	\$13,880
Depreciation and amortization-wholly-owned.....	17,632	12,941
Depreciation and amortization-joint ventures.....	599	1,643
Amortization of deferred financing costs and depreciation of non-rental real estate assets.....	(600)	(552)
FFO.....	\$39,393	\$27,912
Average units outstanding (1).....	50,883	45,076
Distributions declared per unit.....	\$0.535	\$0.405

1) Assumes 2-for-1 stock/unit split in May 2002 had occurred on January 1, 2002.

Recent Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 requires certain guarantees to be recorded at fair value, instead of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, Accounting for Contingencies. FIN 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The OP adopted the disclosure provisions of FIN 45 effective December 31, 2002. FIN 45's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002.

In January of 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 clarifies the application of existing accounting pronouncements to certain entities in which equity investors do not have the characteristics

of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The provisions of FIN 46 will be immediately effective for all variable interests in variable interest entities created after January 31, 2003, and the OP will need to apply its provisions to any existing variable interests in variable interest entities by no later than December 31, 2004. The OP does not believe that FIN 46 will have a significant impact on the OP's financial statements.

Critical Accounting Policies and Estimates

The OP's discussion and analysis of its financial condition and results of operations are based upon the OP's consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the OP to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The OP bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The OP believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Bad Debt

The OP maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its tenants to make required rent payments. If the financial condition of the OP's tenants were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The OP's allowance for doubtful accounts included in tenant accounts receivable totaled \$3.0 million and \$2.6 million at March 31, 2003, and December 31, 2002, respectively.

Valuation of Investments

On a periodic basis, management assesses whether there are any indicators that the value of real estate properties, including joint venture properties, may be impaired. If the carrying amount of the property is greater than the estimated expected future cash flow (undiscounted and without interest charges) of the asset, impairment has occurred. The OP will then record an impairment loss equal to the difference between the carrying amount and the fair value of the asset. The OP does not believe that the value of any of its rental properties were impaired at March 31, 2003. The OP currently believes that it will not be able to recover the net book value of its investment in Chelsea Interactive through future cash flows unless Chelsea Interactive is able to achieve positive cash flow before reaching the \$60.0 million funding limit. Due to current market conditions and costs related to securing additional brand users for the platform, future funding by the OP will be reported as a loss in the period funding occurs. As of March 31, 2003, \$53.2 million had been funded and \$0.8 million has been reported as a loss for the three month period then ended.

Economic Conditions

Substantially all leases contain provisions, including escalations of base rents and percentage rentals calculated on gross sales, to mitigate the impact of inflation. Inflationary increases in common area maintenance and real estate tax expenses are substantially reimbursed by tenants.

Virtually all tenants have met their lease obligations and the OP continues to attract and retain quality tenants. The OP intends to reduce operating and leasing risks by continually improving its tenant mix, rental rates and lease terms and by pursuing contracts with creditworthy upscale and national brand-name tenants.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The OP is exposed to changes in interest rates primarily from its floating rate debt arrangements. In December 2000, the OP implemented a policy to protect against interest rate and foreign exchange risk. The OP's primary strategy is to protect against this risk by using derivative transactions as appropriate to minimize the variability that floating rate interest and foreign currency fluctuations could have on cash flow. In December 2000, a wholly-owned subsidiary of the OP entered into an interest rate swap agreement effective January 2, 2001 with a financial institution for a notional amount of \$69.3 million amortizing to \$64.1 million to hedge against unfavorable fluctuations in the LIBOR rates of its secured mortgage loan facility. The hedge effectively produces a fixed rate of 7.2625% on the notional amount until January 1, 2006.

At March 31, 2003, a hypothetical 100 basis point adverse move (increase) in US Treasury and LIBOR rates applied to unhedged debt would adversely affect the OP's annual interest cost by approximately \$0.9 million annually.

Following is a summary of the OP's debt obligations at March 31, 2003 (in thousands):

	Expected Maturity Date						Total	Fair Value
	2004	2005	2006	2007	2008	Thereafter		
Fixed Rate Debt:	-	\$49,930	-	\$124,849	\$166,955	\$517,911	\$859,645	\$970,665
Average Interest Rate:	-	8.38%	-	7.25%	6.99%	7.30%	7.29%	
Variable Rate Debt:	-	\$87,035	-	-	-	\$67,000	\$154,035	\$154,035
Average Interest Rate:	-	2.38%	-	-	-	2.84%	2.58%	

Item 4. Controls and Procedures

The Company's chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in rule 13a-14(c) under the Securities Exchange Act of 1934, as amended) within 90 days of the filing date of this report (the "Evaluation Date") and, based on that evaluation, concluded that, as of the Evaluation Date, we had sufficient controls and procedures for recording, processing, summarizing and reporting information that is required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, within the time periods specified in the SEC's rules and forms.

Since the Evaluation Date, there have not been any significant changes to our internal controls including any corrective actions with regard to significant deficiencies and material weaknesses or other factors that could significantly affect these controls.

CPG Partners. L.P.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) 99.1 Section 906 Certifications
- (b) Current Report on Form 8K reporting under Items 2 and 7 on an event that occurred December 19, 2002.

Signatures

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

CPG Partners, L.P.

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

Date: May 12, 2003

CERTIFICATION

I, David C. Bloom, Chief Executive Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P., (the "OP"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the OP;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the OP as of, and for, the periods presented in this quarterly report;
4. The OP's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the OP and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the OP, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the OP's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The OP's other certifying officers and I have disclosed, based on our most recent evaluation, to the OP's auditors and the audit committee of the OP's board of directors (or persons performing the equivalent function):

- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the OP's ability to record, process, summarize and report financial data and have identified for the OP's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the OP's internal controls; and
6. The OP's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ David C. Bloom
David C. Bloom
Chief Executive Officer

CERTIFICATION

I, Michael J. Clarke, Chief Financial Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P., (the "OP"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the OP;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the OP as of, and for, the periods presented in this quarterly report;
4. The OP's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the OP and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the OP, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the OP's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The OP's other certifying officers and I have disclosed, based on our most recent evaluation, to the OP's auditors and the audit committee of the OP's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the OP's ability to record, process, summarize and report financial data and have identified for the OP's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the OP's internal controls; and
6. The OP's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 12, 2003

/s/ Michael J. Clarke

Michael J. Clarke
Chief Financial Officer

CERTIFICATION

I, David C. Bloom, Chief Executive Officer of Chelsea Property Group, Inc., the sole general partner of CPG Partners, L.P., (the "OP"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The quarterly report on Form 10-Q of the OP for the period ended March 31, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the OP.

IN WITNESS WHEREOF, I have executed this Certification this 12th day of May, 2003.

/s/ David C. Bloom
David C. Bloom
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to CPG Partners, L.P. and will be retained by CPG Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION

I, Michael J. Clarke, Chief Financial Officer of Chelsea Property Group, Inc. the sole general partner of CPG Partners, L.P., (the "OP"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, do hereby certify as follows:

1. The quarterly report on Form 10-Q of the OP for the period ended March 31, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the OP.

IN WITNESS WHEREOF, I have executed this Certification this 12th day of May, 2003.

/s/ Michael J. Clarke
Michael J. Clarke
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to CPG Partners, L.P. and will be retained by CPG Partners, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.