TRAMMELL CROW CO
Form 10-K/A
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from to

Commission file number 1-13531

Trammell Crow Company

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**75-2721454** (IRS Employer Identification Number)
2001 Ross Avenue **Suite 3400** **Dallas, Texas** (Address of principal executive offices)	**75201** (Zip Code)

(214) 863-3000

(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates on June 30, 2005, was $785,691,072, based on the closing price of the registrant s common stock, $24.24 per share, reported on the New York Stock Exchange on June 30, 2005.

There were 35,991,637 shares of the registrant s common stock outstanding as of June 26, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement to be furnished to stockholders in connection with its 2006 Annual Meeting of Stockholders are incorporated by reference in Part III of this Report.

Explanatory Note

This Form 10-K/A Amendment No. 1 is being filed by Trammell Crow Company (the Company) to provide certain information regarding Savills plc (Savills) in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. *See Management s Discussion and Analysis of Financial Condition and Results of Operations Information Regarding Savills plc.*

The Company accounts for its interest in Savills on the equity method and has included summarized financial information for Savills as part of the Other category in Note 6 of the Company s consolidated financial statements. For the year ended December 31, 2005, the Company s share of Savills income from continuing operations before income taxes represented approximately 22% of the Company s income from continuing operations before income taxes, calculated in accordance with Rule 1-02(w) of Regulation S-X. As this exceeds the 20% threshold under Rule 3-09 of Regulation S-X, the Company is required to file Savills audited financial statements on a Form 10-K/A by June 29, 2006.

The Company believes that the use of income from continuing operations as the measure of recurring income by which Savills significance is calculated overstates Savills significance because the Company s income from continuing operations does not include a category of income that is routinely generated by sales of properties created through its development operations income from discontinued operations that is categorized as such solely as a result of the application of Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). If this type of recurring income from property sales transactions were included as income from continuing operations, Savills would account for approximately 16% of the Company s 2005 recurring income (measured on this basis), and the filing of Savills financial statements would not be required.

Nonetheless, because the Company s share of Savills income from continuing operations calculated in accordance with Rule 1-02(w) of Regulation S-X exceeds the 20% threshold, the Company has requested Savills to take the actions required of it to facilitate the Company s filing of Savills audited financial statements on a Form 10-K/A by June 29, 2006. Savills has refused to take such actions. While the Company is thus unable to file the required financial statements, the Company has filed this Form 10-K/A to provide certain information regarding Savills, including summarized unaudited financial information of Savills as of December 31, 2005 and 2004, and for the years then ended and to provide a reference to where Savills full audited financial statements may be viewed or obtained.

The Company has also updated Management s Discussion and Analysis of Financial Condition and Results of Operations to announce the completion of its previously announced $50.0 million share repurchase program. *See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.* Other portions of Management s Discussion and Analysis of Financial Condition and Results of Operations have been updated as appropriate.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company s consolidated financial statements and the notes thereto and the other information included in Item 15(a)(1) and (2) of this Annual Report on Form 10-K/A.

Overview

The Company s Global Services revenue streams consist primarily of payments pursuant to service contracts and variable transaction-oriented payments for services provided to both user and investor clients. Revenues for corporate advisory services provided to user clients are derived primarily from commissions based on the value of the underlying real estate transaction (i.e., rental revenues or sales price). Project management revenues from user clients include fixed management fees, variable fees (based on an hourly rate, a percentage of project costs, square footage, etc.) and incentive fees if certain agreed-upon performance targets are met. Revenues may also include reimbursement of payroll and related costs for personnel providing the services. Contracts for facilities management services are typically structured so the Company receives reimbursement of client-dedicated personnel costs and associated overhead expenses plus a monthly base fee and, in some cases, annual incentives if certain agreed upon performance targets are satisfied. Brokerage revenues generated from investor clients include commissions based on a percentage of the value of the lease for project leasing services and the value of the sale transaction for capital markets services. Fees for construction management services provided to investor clients are generally calculated as a percentage of project cost. Property management revenues are derived from monthly management fees, generally based upon a specified percentage of the monthly rental income or rental receipts generated from the property under management, or in certain cases, the greater of such percentage fee or a minimum agreed-upon fee. The Company may also be reimbursed for a portion of its administrative and payroll costs, as well as certain out-of-pocket expenses, directly attributable to the properties under management.

The Company s Development and Investment revenue streams consist primarily of payments related to real estate development projects. Revenues from the Company s development activities consist of development and construction fees, which are typically based upon a negotiated percentage of a project s budgeted development and investment cost, and incentive development fees for completing a development project under budget, within certain critical time deadlines and/or for achieving specified leasing targets and value creation. Income from the Company s investment activities primarily consists of gains on disposition of real estate and income from unconsolidated subsidiaries that hold real estate assets. Compensation arrangements, including incentives fees and promote structures, allow the Company to participate in the investment returns on projects it develops for its investor clients. Dispositions of real estate in which the Company has no significant continuing involvement in the operations of the asset after its disposition are reported as discontinued operations in accordance with FAS 144. The Company s Development and Investment revenue streams also include rental revenue earned by the Company s consolidated operating real estate properties. The Company has limited control over the timing of the disposition of certain of these investments and the recognition of any related gain or loss. Because the disposition or impairment of a single significant investment can impact the Company s financial performance in any period, these investment activities create fluctuations in the Company s revenues. Because the Company s investment strategy often entails making relatively modest investments alongside its investor clients, its ability to conduct these activities depends in part on the supply of investment capital for commercial real estate and related assets.

The Company s expenses typically consist of salaries, wages and benefits, commissions, general and administrative expenses, depreciation and amortization expense and interest. Salaries, wages and benefits and commissions constitute a majority of the Company s total costs and expenses.

Over the last three years, an average of 67% of the Company s net income was generated in the fourth quarter, due primarily to a demonstrated tendency of participants in the commercial real estate industry to complete transactions toward year-end. In addition, certain of the Company s outsourcing contracts provide for incentive payments if the Company achieves certain performance targets, which are generally recognized in the fourth quarter. In contrast, the Company s non-variable operating expenses, which are treated as expenses when incurred during the year, are relatively constant on a quarterly basis. See *Quarterly Results of Operations and Seasonality.*

Critical Accounting Policies

Management of the Company is required to make certain estimates and assumptions in connection with the preparation of its consolidated financial statements in accordance with GAAP. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net income during any period. Actual results could differ from those estimates. Certain of the Company s accounting policies and estimates have a more significant impact on its financial statements than others, due to the magnitude of the underlying financial statement elements.

Consolidation

The Company s consolidated financial statements include the accounts of the Company, variable interest entities (VIEs) in which the Company is the primary beneficiary and other subsidiaries over which the Company has control.

Variable Interest Entities

The Company s determination of the appropriate accounting method with respect to its variable interests, including co-investments with its clients, is based on Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* (FIN 46R). The Company consolidates any VIE of which the Company is the primary beneficiary and discloses significant variable interests in VIEs of which the Company is not the primary beneficiary.

The Company determines if an entity is a VIE under FIN 46R based on several factors, including whether the entity s total equity investment at risk upon inception is sufficient to finance the entity s activities without additional subordinated financial support. The Company makes judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, then a quantitative analysis if necessary. In a quantitative analysis, the Company incorporates various estimates, including estimated future cash flows, asset hold periods and discount rates, as well as estimates of the probabilities of various scenarios occurring. If the entity is a VIE, the Company then determines whether it consolidates the entity as the primary beneficiary. This determination of whether the Company is the primary beneficiary includes any impact of an upside economic interest in the form of a promote that the Company may have. A promote is an interest built into the distribution structure of the entity based on the entity s achievement of certain return hurdles.

The Company determines whether an entity is a VIE and, if so, whether it should be consolidated by utilizing judgments and estimates that are inherently subjective. If the Company made different judgments or utilized different estimates in these evaluations, it could result in differing conclusions as to whether or not an entity is a VIE and whether or not to consolidate such entity.

Limited Partnerships, Limited Liability Companies and Other Subsidiaries

The Company s determination of the appropriate accounting method with respect to its investments in limited partnerships, limited liability companies and other subsidiaries is based on control. For the Company s general partner interests, the Company is presumed to control (and therefore consolidates) the entity, unless the other limited partners have substantive rights that overcome this presumption of control. These substantive rights allow the limited partners to participate in significant decisions made in the ordinary course of the entity s business. The Company accounts for its non-controlling general partner investments in these entities under the equity method. This treatment also applies to the Company s managing member interests in limited liability companies. See *New Accounting Pronouncements* below for additional discussion of EITF Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5) regarding the Company s general partner interests.

The Company s determination of the appropriate accounting method for all other investments in subsidiaries is based on the amount of influence the Company has (including its ownership interest) in the underlying entity. Those other investments where the Company has the ability to exercise significant influence (but not control) over operating and financial policies of such subsidiaries (including certain subsidiaries where the Company has less than 20% ownership) are accounted for using the equity method. All remaining investments of the Company are accounted for using the cost method.

The Company s determination of the appropriate accounting treatment for an investment in a subsidiary requires judgment of several factors, including the size and nature of the Company s ownership interest and the other owners substantive rights to make decisions for the entity. If the Company were to make different judgments or conclusions as to the level of its control or influence, it could result in a different accounting treatment. Accounting for an investment as either consolidated or using the equity method generally would have no impact on the Company s net income or stockholders equity in any accounting period, but a different treatment would impact individual income statement and balance sheet items, as consolidation would effectively gross up the Company s income statement and balance sheet. If the Company s evaluation of an investment accounted for using the cost method was different, it could result in the Company being required to account for an investment by consolidation or by the equity method. Under the cost method, the investor only records its share of the underlying entity s earnings to the extent that it receives dividends from the investee; when the dividends received by the investor exceed the investor s share of the investee s earnings subsequent to the date of the investor s investment, the investor records a reduction in the basis of its investment. Under the cost method, the investor does not record its share of losses of the investee. Conversely, under either consolidation or equity method accounting, the investor effectively records its share of the underlying entity s net income or loss, to the extent of its investment or its guarantees of the underlying entity s debt. At December 31, 2005, $2.2 million of the Company s $175.4 million total investment in unconsolidated subsidiaries related to investments that are accounted for using the cost method. Accounting for an investment using either the equity or cost method has no impact on the evaluation of impairment of the underlying investment; under either method, impairment losses are recognized upon evidence of other-than-temporary losses of value.

Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements*, which has four basic criteria that must be met before revenue is recognized:

- existence of persuasive evidence that an arrangement exists;
- delivery has occurred or services have been rendered;
- the seller s price to the buyer is fixed and determinable; and
- collectibility is reasonably assured.

The Company s various revenue recognition policies are consistent with these criteria. The judgments involved in revenue recognition are understanding the complex terms of the agreements and determining the appropriate time to recognize revenue for each transaction based on such terms. Each transaction is evaluated to determine: (1) at what point in time revenues are earned, (2) whether there are contingencies involved that would impact the timing of recognition of revenue, and (3) how and when such contingencies will be resolved. The actual timing of revenue recognition could vary if different judgments were made. The revenues of the Company s business that are subject to the most judgment are its brokerage commission revenues, incentive-based management and development fees and gains on disposition of real estate (see *Real Estate*, below for additional discussion).

The Company s brokerage commission revenues are comprised of commissions earned for investment sales, project leasing and tenant representation transactions. Revenues from investment sales transactions are recognized upon the closing of a sale and are generally paid to the Company by the seller out of the sale proceeds; therefore, there is generally no estimation or judgment involved in the recognition of these revenues. Project leasing and tenant representation commissions are generally recorded half upon execution of a lease contract, and the remainder upon tenant occupancy. The Company performs thousands of project leasing and tenant representation transactions annually, each of which is typically governed by a separate commission agreement. While the majority of these agreements generally provide that half of the commission is earned upon execution of a lease contract and half upon tenant occupancy, agreements do vary as to their terms and complexity, usually due to negotiation of the commission agreement language with the client. The portion of commissions that is subject to contingencies is recognized as revenue when such contingencies are resolved. The unique nature and complexity of each brokerage transaction require the Company to use varying levels of judgment in determining timing of revenue recognition.

The Company earns incentive development and management fees from its development services and certain services provided to user clients in the Company s Global Services segment, including facilities management services, project management services and corporate advisory services. These fees are recognized when quantitative criteria have been met (such as specified leasing or budget targets, client service levels, or achieved levels of operating expense savings) or, for those incentive fees based on qualitative criteria, upon approval of the fee by the clients. Certain incentive development fees allow the Company to share in the fair value of the developed real estate asset above cost. This sharing creates additional revenue potential to the Company with no exposure to loss other than opportunity cost. The

Company s incentive development and management fee revenues are not recognized to the extent that such revenues are subject to future performance contingencies, but rather once the contingency has been resolved. The unique nature and complexity of each incentive fee require the Company to use varying levels of judgment in determining timing of revenue recognition.

Real Estate

As of December 31, 2005, the value of the Company s total real estate assets was $357.6 million (37.7% of total assets). The significant accounting policies and estimates with regard to the Company s real estate assets relate to classification and impairment evaluation, cost capitalization and allocation, dispositions of real estate and discontinued operations.

Classification and Impairment Evaluation

With respect to the Company s real estate assets, FAS 144 establishes criteria to classify an asset as held for sale. Assets included in real estate held for sale include only completed assets or land for sale in its present condition that meet all of the FAS 144 held for sale criteria. All other real estate assets are classified in one of the following line items in the Company s balance sheet: (i) real estate under development (current), which includes real estate that the Company is in the process of developing that is expected to be completed and disposed of within one year of the balance sheet date; (ii) real estate under development (non-current), which includes real estate that the Company is in the process of developing that is expected to be completed and disposed of more than one year from the balance sheet date; or (iii) real estate held for investment, which consists of completed assets not expected to be disposed of within one year of the balance sheet date and land on which development activities have not yet commenced. Any asset reclassified from real estate held for sale to real estate under development (current or non-current) or real estate held for investment is recorded individually at the lower of its fair value at the date of the reclassification or its carrying amount before it was classified as held for sale, adjusted (in the case of real estate held for investment) for any depreciation that would have been recognized had the asset been continuously classified as real estate held for investment.

Real estate held for sale is recorded at the lower of cost or estimated fair value less cost to sell. If an asset s fair value less cost to sell, based on discounted future cash flows or market comparisons, is less than its carrying amount, an allowance is recorded against the asset. Determining an asset s fair value and the related allowance to record requires the Company to utilize judgment and estimates.

Real estate under development and real estate held for investment are carried at cost less depreciation, as applicable. When indicators of impairment are present, real estate under development and real estate held for investment are evaluated for impairment and losses are recorded when undiscounted cash flows estimated to be generated by an asset are less than the asset s carrying amount. The amount of the impairment loss is calculated as the excess of the asset s carrying value over its fair value, which is determined using a discounted cash flow analysis or market comparisons. This determination of fair value and the amount, if any, of the impairment loss, requires the Company to utilize judgments and estimates. Buildings and improvements included in real estate held for investment are depreciated using the straight-line method over estimated useful lives, generally 39 years. Tenant improvements included in real estate held for investment are amortized using the straight-line method over the shorter of their estimated useful life or the terms of the respective leases.

The Company evaluates each of its real estate assets on a quarterly basis in order to determine the classification of each asset in the Company s balance sheet. This evaluation requires judgment by the Company in considering certain criteria that must be evaluated under FAS 144, such as the estimated time to complete assets that are under development and the timeframe in which the Company expects to sell its real estate assets. The classification of real estate assets determines which real estate assets are to be depreciated as well as what method is used to evaluate and measure impairment. Had the Company evaluated its assets differently, the balance sheet classification of such assets, depreciation expense and impairment losses could have been different.

Cost Capitalization and Allocation

When acquiring, developing and constructing real estate assets, the Company capitalizes costs in accordance with Statement of Financial Accounting Standards No. 67, *Accounting for Costs and the Initial Rental Operations of Real Estate Properties* (FAS 67). Capitalization begins when the Company has determined that activities related to development have begun and ceases when activities are complete, which are timing decisions that require judgment. Costs capitalized under FAS 67 include pursuit costs, or pre-acquisition/pre-construction costs, taxes and insurance, development and construction costs and costs of incidental operations. Pursuit costs capitalized in connection with a potential development project that the Company has determined based on its judgment not to pursue are written off in the period that such determination is made. A difference in the timing of when this determination is made could cause the pursuit costs to be expensed in a different period.

The Company often purchases bulk land that it intends to sell or develop in phases. The land basis allocated to each phase is based on the relative estimated fair value of the phases before construction. The Company allocates construction costs incurred relating to more than one phase between the various phases; if the costs cannot be specifically identified to a certain phase or the improvements benefit more than one phase, the Company allocates the costs between the phases based on their relative estimated sales values. Relative allocations of the costs are changed as the estimates are revised. If the Company used different estimates in these cost allocations, the amount and timing of the related gain on disposition of real estate for the individual parcels would differ.

When acquiring real estate with existing buildings, the Company allocates the purchase price between land, building and intangibles related to in-place leases, if any, based on their relative fair values. The fair values of acquired land and buildings are determined based on an estimated discounted future cash flow model with lease-up assumptions as if the building was vacant upon acquisition. The fair value of in-place leases includes the value of net lease intangibles for above or below-market rents and tenant origination costs, determined on a lease by lease basis using assumptions for market rates, absorption periods, lease commissions and tenant improvements. The capitalized values for both net lease intangibles and tenant origination costs are amortized over the term of the underlying leases. Amortization related to net lease intangibles is recorded as either an increase to or a reduction of rental income and amortization for tenant origination costs is recorded to amortization expense. If the Company used different estimates in these valuations, the allocation of purchase price to each component could differ, which could cause the amount of amortization related to lease intangibles and tenant origination costs to be different, as well as depreciation of the related building.

Dispositions of Real Estate

Gains on disposition of real estate are recognized upon sale of the underlying project in accordance with Statement of Financial Accounting Standards No. 66, *Accounting for Sales of Real Estate*. The Company evaluates each real estate sale transaction to determine if it qualifies for gain recognition under the full accrual method. This evaluation requires the Company to make judgments and estimates in assessing whether a sale has been consummated, the adequacy of the buyer s investment, the subordination or collectibility of any receivable related to the purchase, and whether the Company has transferred the usual risks and rewards of ownership to the buyer, with no substantial continuing involvement by the Company. If the transaction does not meet the criteria for the full accrual method of profit recognition based on the Company s assessment, the Company accounts for a sale based on an appropriate deferral method determined by the nature and extent of the buyer s investment and the Company s continuing involvement. In some cases, a deferral method could require the real estate asset and its related liabilities to remain on the Company s balance sheet until the sale qualifies for a different deferral method or full accrual profit recognition.

Discontinued Operations

FAS 144 extends the reporting of a discontinued operation to a component of an entity, and further requires that a component be classified as a discontinued operation if the operations and cash flows of the component have been or will be eliminated from the ongoing operations of the entity in the disposal transaction and the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. As defined in FAS 144, a component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Because each of the Company s real estate assets is generally accounted for in a discrete subsidiary, almost every real estate asset constitutes a component of an entity under FAS 144, increasing the likelihood that the disposition of assets the Company holds for sale in the ordinary course of business must be reported as a discontinued operation unless the Company has significant continuing involvement in the operations of the asset after its disposition. Furthermore, operating profits and losses on such assets are required to be recognized and reported as operating profits and losses on discontinued operations in the periods in which they occur. The evaluation of whether the component s cash flows have been eliminated and the level of the Company s continuing involvement requires judgment by the Company and a different assessment could result in items not being reported as discontinued operations. The Company has certain real estate assets that are land parcels and may constitute a component of an entity. From time to time, the Company disposes of these land parcels in smaller lots. An individual lot that is part of a larger land parcel may constitute a component of an entity within the meaning of paragraph 41 of FAS 144 when it is either classified as held for sale in accordance with FAS 144 or sold.

Carrying Value of Goodwill

As of December 31, 2005, the Company s total goodwill was $75.2 million (7.9% of total assets). Goodwill reflects the excess of the purchase price over the fair value of the net assets of real estate service companies acquired by the Company primarily in 1998 and 1999. The Company accounts for its goodwill in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (FAS 142). This statement requires the Company to evaluate the carrying value of goodwill based on assumptions and estimates of fair value and future cash flow information. These assumptions and estimates developed by the Company may differ from actual results. If different assumptions and estimates were used, carrying values could be adversely impacted, resulting in writedowns that would adversely affect the Company s earnings.

Under FAS 142, the Company s reporting units are the basis of its annual goodwill impairment tests. The required impairment tests are based on a comparison of the fair value of each of the Company s reporting units to the carrying value of such unit. A writedown of goodwill must be recorded if the fair value of a reporting unit falls below its carrying value. The Company has identified its reporting units to mirror its two segments, Global Services and Development and Investment, as each segment s underlying business units have similar long-term economic characteristics and service deliveries. If the Company defined its reporting units differently, the results of its annual impairment tests could be impacted. The Company performed its required annual impairment tests of goodwill in 2005, and determined that no impairment of goodwill existed at December 31, 2005.

Self-Insurance

The Company is self-insured for portions of its health and workers compensation benefits to employees and general and automotive liability claims.

The Company self-insures (through a health and welfare benefit trust) its health insurance benefits provided to substantially all of its employees and has purchased stop-loss insurance to cover individual claims in excess of $250,000. On a quarterly basis, the Company utilizes an independent actuary to evaluate the estimate of incurred but not reported claims under the Company s health insurance programs. Each quarter, the Company adjusts its accrual to this estimate plus its share of unpaid reported claims. The actuarial estimate of the Company s exposure to health insurance claims is subjective, and the amount of claims actually incurred could differ, which could result in increased or decreased expense in future periods. As of December 31, 2005, the Company s liability relating to such claims (for both reported and estimated claims) was $2.1 million, included in accrued expenses on the Company s consolidated balance sheet.

The Company s wholly-owned captive insurance company, which is subject to applicable insurance rules and regulations, insures the Company s exposure related to workers compensation benefits provided to employees and purchases excess coverage from an unrelated insurance carrier. The Company purchases general liability and automotive insurance through an unrelated insurance carrier. The captive insurance company reinsures the deductibles. The captive insurance company also insures deductibles relating to other coverages. Given the nature of these types of claims, it may take several years for resolution and determination of the cost of these claims. The Company is required to estimate the cost of these claims in its financial statements. Exposure to workers compensation, general liability and automotive claims is evaluated on an annual basis during the Company s fourth quarter by an independent actuary.

The Company adjusts its annual expense based on this actuarial estimate, and utilizes this estimate as the basis for the next year s expense, until the actuary calculates the next annual estimate. The estimates that the Company utilizes to record its potential losses on claims are inherently subjective, and actual claims could differ from amounts recorded, which could result in increased or decreased expense in future periods. As of December 31, 2005, the Company s reserve for claims under these insurance programs was $15.1 million, of which $4.3 million was included in other current liabilities and the remainder is included in other liabilities on the Company s consolidated balance sheet.

New Accounting Pronouncements

On December 16, 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (FAS 123R), which is a revision of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (FAS 123). Generally, the approach in FAS 123R is similar to the approach described in FAS 123. However, FAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

FAS 123R became effective for the Company beginning January 1, 2006. FAS 123R permits public companies to adopt its requirements using one of two methods: a modified-prospective method or a modified-retrospective method. The Company adopted FAS 123R using the modified-prospective method under which it will record compensation expense for all share-based awards granted after the effective date and for those unvested awards granted prior to the effective date.

Prior to FAS 123R becoming effective, as previously permitted by FAS 123, the Company accounted for share-based payments to employees using APB 25 s intrinsic value method and, as such, generally recognized no compensation cost for the fair value of employee stock options or for the difference between the employee s cost and the market value of stock purchased under the Company s employee stock purchase plan. Accordingly, the adoption of FAS 123R s fair value method could have a significant impact on the Company s results of operations, although it is not expected to impact the Company s overall financial position. The total impact of adoption of FAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, the amount of additional expense the Company will recognize subsequent to adoption related to unvested stock options granted prior to adoption (net of estimated forfeitures) is not material. FAS 123R also requires the Company to estimate forfeitures of share-based payments upon grant. Prior to the adoption of FAS 123R, the Company s policy was to reverse expense related to forfeitures of restricted stock as they occurred. In the first quarter of 2006, the Company recorded additional income of approximately $1.0 million, net of income taxes, as a cumulative effect of a change in accounting principle. This cumulative effect represents a reversal of expense taken for those shares of unvested restricted stock granted prior to adoption that the Company estimated will be forfeited before vesting.

FAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions related to the exercise of stock options and vesting of restricted stock was $6.1 million in 2005 and not material in 2004 or 2003.

In June 2005, the FASB ratified the consensus in EITF 04-5, which states that the general partner in a limited partnership is presumed to control that limited partnership. That presumption may be overcome if the limited partners have either (1) the substantive ability either by a single limited partner or through a simple majority vote to dissolve (liquidate) the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights. Substantive participating rights provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership s business and thereby preclude the general partner from exercising unilateral control over the partnership.

The effective date for applying the guidance in EITF 04-5 to the Company s general partner interests is June 29, 2005, for all new or amended limited partnerships, and January 1, 2006, for all other limited partnerships. The Company has applied EITF 04-5 for new or amended limited partnerships after June 29, 2005, in its December 31, 2005, financial statements and in the first quarter of 2006, completed its evaluation of the impact of EITF 04-5 for all other general partner interests. As a result of this evaluation, the Company consolidated two real estate partnerships that had previously been accounted for using the equity method. These consolidations as of January 1, 2006 did not impact net income, net income per share or stockholders equity, but did result in certain non-cash changes to the Company s balance sheet as described and disclosed in the Company s Quarterly Report on Form 10-Q covering the three month period ended March 31, 2006, in Note 1 to the Company s condensed consolidated financial statements.

Results of Operations Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

In accordance with FAS 144, certain revenues and expenses for the three quarterly periods ended March 31, June 30 and September 30, 2005, and the year ended December 31, 2004, have been reclassified to conform to the presentation for the quarter ended December 31, 2005. As a result, certain balances differ from the amounts reported in previously filed documents. See *Income from Discontinued Operations, Net of Income Taxes*, below, for additional information.

	For the Years Ended December 31, 2005	2004	$ Change	% Change
	(dollars in thousands)			
REVENUES:				
User Services:				
Facilities management	$ 237,659	$ 211,062	$ 26,597	12.6 %
Corporate advisory services	186,847	143,266	43,581	30.4 %
Project management services	118,678	91,599	27,079	29.6 %
	543,184	445,927	97,257	21.8 %
Investor Services:				
Property management	136,665	137,193	(528)	(0.4)%
Brokerage	138,416	114,478	23,938	20.9 %
Construction management	11,973	11,187	786	7.0 %
	287,054	262,858	24,196	9.2 %
Development and construction	47,159	38,346	8,813	23.0 %
	877,397	747,131	130,266	17.4 %
Gain on disposition of real estate	18,553	26,742	(8,189)	(30.6)%
	895,950	773,873	122,077	15.8 %
COST AND EXPENSES:				
Salaries, wages and benefits	553,552	493,404	60,148	12.2 %
Commissions	151,721	120,345	31,376	26.1 %
General and administrative	140,618	127,758	12,860	10.1 %
Depreciation	9,257	9,985	(728)	(7.3)%
Amortization	738	1,359	(621)	(45.7)%
Interest	5,441	4,195	1,246	29.7 %
	861,327	757,046	104,281	13.8 %
Operating income	34,623	16,827	17,796	105.8 %
Interest and other income	2,835	2,797	38	1.4 %
Income from continuing operations before income taxes, minority interest and income from investments in unconsolidated subsidiaries	37,458	19,624	17,834	90.9 %
Income tax expense	(13,856)	(7,452)	(6,404)	(85.9)%
Minority interest, net of income taxes	2,528	(3,006)	5,534	184.1 %
Income from investments in unconsolidated subsidiaries, net of income taxes	15,154	10,971	4,183	38.1 %
Income from continuing operations	41,284	20,137	21,147	105.0 %
Income from discontinued operations, net of income taxes	18,123	18,982	(859)	(4.5)%
Net income	$ 59,407	$ 39,119	$ 20,288	51.9 %

Segment Performance. The Global Services segment income before income taxes increased 79% from $38.3 million in 2004 to $68.4 million in 2005. Revenues for this segment increased 17%, from

11

$710.8 million in 2004 to $831.7 million in 2005. Significant increases in all of the user services revenues lines (facilities management up 13%, corporate advisory services up 30%, and project management for user customers up 30%) contributed to the increase in income before income taxes, as did the 21% increase in brokerage revenues from investor customers. The revenue increases reflect the impact of the Company s success winning new outsourcing business both through new contract awards and expansions with existing customers and its continued efforts to grow its brokerage business.

Development and Investment segment income before income taxes remained relatively flat, increasing 4% from $24.8 million in 2004 to $25.9 million in 2005. Segment revenues plus income from unconsolidated subsidiaries plus income from discontinued operations (all before income taxes) were up 2% in total during 2005 as compared to 2004. As previously noted, FAS 144 requires classification of certain real estate gains as income from discontinued operations in those instances where the Company will have no significant continuing involvement with the real estate following the sale. Such sales of real estate in part define the business of the Development and Investment segment and they are expected to be a continuing source of segment (and Company) profitability. In addition, substantial indirect costs of producing this income from either source such as local office salaries and bonuses that are driven by overall local office profitability are included in segment expenses and not netted against income from unconsolidated subsidiaries or income from discontinued operations.

Revenues. The increase in facilities management revenue from 2004 was primarily the result of the addition of several new customers. Additionally, the increase reflected the expansion of a client relationship in the second quarter of 2004. Reimbursement of salaries, wages, benefits and out-of-pocket general and administrative costs, a component of facilities management revenue, comprised the majority of the revenue increases from 2004. The composition of facilities management revenue, including management fees and reimbursements, can vary significantly from period to period based on the terms of the underlying management agreements in effect each period.

Corporate advisory services revenue increased from 2004, primarily due to increased commission revenues and incentive fees in 2005. This increase is in part the result of an increase in the number of tenant representation brokers as the Company has focused on expanding its brokerage network. In addition, transaction volumes have increased as clients continue to show a willingness to make real estate commitments.

The increase in project management services revenue was the result of the addition of new clients and the expansion of services provided to existing clients (due to increases in clients portfolios, the scope of the Company s services provided under certain outsourcing contracts and transaction volume).

The slight decrease in property management revenue was the result of decreased square footage under management in 2005 as compared to 2004. The reduction in square footage primarily resulted from sales of buildings in the Company s management portfolio to REITs or other investors that self-manage their properties or use other service providers. In addition, some square footage decreases resulted from clients taking services in-house or to other service providers. These decreases were partially offset by additions to square footage from new business.

Brokerage revenue increased due to increases in investment sales commissions and, to a lesser extent, project leasing commissions. Real estate remains a favored asset class among certain investors as a result of improving leasing fundamentals and relatively low interest rates. As a result, investment sales activity and the resulting commission revenue have increased.

The increase in construction management revenue from 2004 resulted from a higher volume of construction projects as tenant leasing activity increased and is consistent with the increase in brokerage revenue. Construction management revenue is generated from services including space planning and tenant finish coordination for investor clients in conjunction with property management and leasing assignments, and are directly related to tenants real estate demands.

Development and construction revenue increased from 2004 due in part to an increase in development fees. Typically, the impact of increases and decreases in the Company s development starts and investments is not reflected in financial results until later periods. The Company experienced an increase in development and construction revenue in 2005 as a consequence of development starts and investments trending up in 2004, with 2004 starts more than doubling those for 2003. In addition, development and construction revenue increased due to an increase in rental revenue from acquisitions of operating real estate properties during the second half of 2004.

Through approximately 1990, the Company focused its commercial real estate development business on office, industrial and retail projects primarily for investor clients. Since that time, the Company has expanded its focus to include other types of commercial development and development for user clients. National initiative teams source opportunities with both user and investor clients in healthcare, higher education, on-airport distribution and residential/mixed-use development, and initiative personnel support local development teams in their development of the resulting projects. By expanding its focus to include development for user clients and in these initiatives, particularly those in the healthcare sector, the Company seeks to mitigate the cyclicality traditionally inherent in the commercial development business. The Company seeks to establish funds and programs with capital partners and to channel increasing amounts of development and investment activity into those funds and programs.

The Company s gain on disposition of real estate decreased in 2005 from 2004. During 2005, the Company sold seven real estate projects for an aggregate net sales price of $41.7 million. The sales resulted in an aggregate gain on disposition of real estate of $18.6 million, including deferred gain of $0.7 million. In 2004, the Company sold 17 real estate projects for an aggregate net sales price of $121.4 million. The sales resulted in an aggregate gain on disposition of real estate of $26.7 million, including recognition of deferred gain of $0.4 million relating to dispositions in previous periods.

In addition, Development and Investment income is generated from investments in unconsolidated subsidiaries and from the operation and/or disposition of real estate classified as discontinued operations. The impact of Development and Investment project sales accounted for as income from the Company s unconsolidated subsidiaries or as income from discontinued operations is a regular part of, and can contribute significantly to, Development and Investment results in any given period. See *Income from Investments in Unconsolidated Subsidiaries, Net of Income Taxes* and *Income from Discontinued Operations Net of Income Taxes* below.

Costs and Expenses. Salaries, wages and benefits expense includes all compensation paid to Company employees other than brokerage commissions. As such, it includes salaries, benefits and annual incentive bonuses for employees whose compensation is reimbursed by clients (reimbursed employees); salaries, benefits and annual incentive bonuses for employees whose compensation is not so reimbursed (unreimbursed employees); long-term incentive compensation associated with restricted stock grants to certain employees; and transaction-related incentive compensation other than brokerage commissions, primarily paid in connection with development and investment transactions, including those transactions recorded as income from discontinued operations. Salaries, wages and benefits expense for both reimbursed and unreimbursed employees increased in 2005 from 2004. Salaries, wages and benefits for reimbursed employees grew as the Company increased its facilities management and project management headcount to service client expansions and new clients. In addition, the Company s annual incentive bonus expense increased due to the Company s increased headcount and profitability in 2005.

The increase in commission expense for 2005 was directly attributable to the increases in the Company s corporate advisory services and brokerage revenue discussed above.

General and administrative expenses increased in 2005 due in part to increased client-reimbursed out-of-pocket general and administrative expenses due to growth in the Company s facilities management and project management service lines. In addition, the acquisition of several operating real estate properties in the second half of 2004 led to increased real estate operating expenses in 2005. These properties, which the Company plans to redevelop, lease and sell, include acquisitions made through the Company s fifth discretionary development and investment fund (Fund V). The Company s insurance expense also increased as a result of higher premium rates being charged by the insurance industry.

Depreciation and amortization expenses decreased in 2005 from the prior year. The Company has replaced many of its computer assets at a lower cost than the assets that were retired, which has reduced the Company s depreciation expense. In addition, several intangible asset balances related to acquired management contracts became fully amortized during 2004, which resulted in a decrease in amortization expense in 2005 as compared to 2004.

The increase in interest expense in 2005 is primarily the result of higher average outstanding balances and higher interest rates related to the Company s revolving line of credit as compared to 2004. In 2005, the Company drew amounts under its revolving line of credit to fund the Company s acquisition of an increased ownership interest in Savills.

Minority Interest, Net of Income Taxes. Minority interest fluctuated from an expense in 2004 to income in 2005. This change primarily relates to operating losses incurred by Fund V, which are shared with outside partners. Fund V has acquired several operating real estate properties since the first half of 2004 that, as expected, generated operating losses in the current period. The Company plans to redevelop, lease and sell these properties. In addition, a portion of the 2005 income relates to the minority interest owners share of fees earned by the Company related to certain real estate projects.

Income from Investments in Unconsolidated Subsidiaries, Net of Income Taxes. In the ordinary course of business, a significant portion of the Company s development and investment activities are conducted, and are expected to be conducted in future periods, through unconsolidated subsidiaries. The Company also has certain investments in unconsolidated subsidiaries which are not related to its development and investment activities. Income from investments in unconsolidated subsidiaries fluctuates from period to period based on the volume and profitability of transactions carried out by the underlying unconsolidated subsidiaries. The overall increase in 2005 was primarily the result of increased income from the Company s investment in Savills, due to the purchase of additional shares of Savills in 2005, which increased the Company s ownership interest from approximately 10% to approximately 19.6% of the outstanding stock of Savills. In 2005, income from the Company s investment in Savills was partially offset by amortization of the portion of the Savills purchase price allocated to certain intangibles. *See Information Regarding Savills plc.*

Income from Discontinued Operations, Net of Income Taxes. Income from discontinued operations consisted of the operations of real estate properties and gain on disposition of real estate properties held for sale or sold, that were considered components of an entity under FAS 144 and in which the Company had not retained or did not expect to retain significant continuing involvement. Dispositions of real estate assets have been and continue to be a significant part of the Company s activities and, as a result of applying the provisions of FAS 144, the Company expects a significant amount of these activities to be classified as discontinued operations in future periods. Because gains on sale of real estate projects accounted for as income from discontinued operations give rise to significant incentive compensation expense on account of local office and overall Company profitability (which was separately accounted for as salaries, wages and benefits), the portion of the Company s net income attributable to sales was significantly less than the amount shown as income from discontinued operations.

During 2005, the Company sold 22 real estate projects that were considered discontinued operations for an aggregate net sales price of $120.3 million. The sales resulted in an aggregate gain on disposition of real estate (before income taxes) of $31.5 million. In 2004, the Company sold five real estate projects that were considered discontinued operations for an aggregate net sales price of $83.9 million. The sales resulted in an aggregate gain on disposition of real estate (before income taxes) of $42.5 million (including interest forgiveness of $0.3 million, and minority interest expense of $10.8 million).

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

In accordance with FAS 144, certain revenues and expenses for the years ended December 31, 2004 and 2003, have been reclassified to conform to the presentation for the year ended December 31, 2005. As a result, certain balances differ from the amounts reported in previously filed documents. See *Income from Discontinued Operations, Net of Income Taxes*, below, for additional information.

	For the Years Ended December 31, 2004	2003	$ Change	% Change
	(dollars in thousands)			
REVENUES:				
User Services:				
Facilities management	$ 211,062	$ 208,936	$ 2,126	1.0 %
Corporate advisory services	143,266	123,335	19,931	16.2 %
Project management services	91,599	65,500	26,099	39.8 %
	445,927	397,771	48,156	12.1 %
Investor Services:				
Property management	137,193	143,727	(6,534)	(4.5)%
Brokerage	114,478	95,593	18,885	19.8 %
Construction management	11,187	10,736	451	4.2 %
	262,858	250,056	12,802	5.1 %
Development and construction	38,346	43,203	(4,857)	(11.2)%
	747,131	691,030	56,101	8.1 %
Gain on disposition of real estate	26,742	13,199	13,543	102.6 %
	773,873	704,229	69,644	9.9 %
COST AND EXPENSES:				
Salaries, wages and benefits	493,404	452,195	41,209	9.1 %
Commissions	120,345	98,957	21,388	21.6 %
General and administrative	127,758	116,434	11,324	9.7 %
Depreciation	9,985	14,704	(4,719)	(32.1)%
Amortization	1,359	1,856	(497)	(26.8)%
Interest	4,195	5,953	(1,758)	(29.5)%
	757,046	690,099	66,947	9.7 %
Operating income	16,827	14,130	2,697	19.1 %
Interest and other income	2,797	2,236	561	25.1 %
Income from continuing operations before income taxes, minority interest and income from investments in unconsolidated subsidiaries	19,624	16,366	3,258	19.9 %
Income tax expense	(7,452)	(6,636)	(816)	(12.3)%
Minority interest, net of income taxes	(3,006)	1,231	(4,237)	(344.2)%
Income from investments in unconsolidated subsidiaries, net of income taxes	10,971	9,839	1,132	11.5 %
Income from continuing operations	20,137	20,800	(663)	(3.2)%
Income from discontinued operations, net of income taxes	18,982	240	18,742	7,809.2 %
Net income	$ 39,119	$ 21,040	$ 18,079	85.9 %

Segment Performance. The Global Services segment income before income taxes increased 41% from $27.2 million in 2003 to $38.3 million in 2004. Revenues for this segment increased 9%, from $649.6 million in 2003 to $710.8 million in 2004. Significant increases in two of the user services revenue lines (corporate advisory services up 16% and project management for user customers up 40%)

contributed to the increase in income before income taxes, as did the 20% increase in brokerage revenues from investor customers. The revenue increases reflect the impact of the Company s progress in growing its brokerage force and its strengthening capability in the area of outsourcing sales.

Development and Investment segment income before income taxes more than tripled in 2004, increasing from $8.2 million in 2003 to $24.8 million in 2004. Segment revenues plus income from unconsolidated subsidiaries plus income from discontinued operations (all before income taxes) were up 53% in 2004 as compared to 2003.

Revenues. Facilities management revenue increased slightly from 2003. This increase primarily resulted from an expansion of a client relationship in the second quarter of 2004. The overall increase was offset by the termination of certain client relationships as part of the Company s wind-down of its centralized call center operations. Reimbursement of salaries, wages, benefits, and out-of-pocket general and administrative costs, a component of facilities management revenue, increased $7.3 million in 2004, compared to 2003.

Corporate advisory services revenue increased from 2003, primarily due to increased commission revenues in 2004. The increase was the result of growth in the number of tenant representation brokers as part of the Company s focus on expanding its brokerage network. In addition, transaction volumes had increased, reflecting clients willingness to make real estate commitments.

The increase in project management services revenue was mainly the result of the expansion of services provided to existing clients (due to increases in clients portfolios, the scope of the Company s services provided under certain outsourcing contracts and transaction volume). Also, the Company added new clients during 2004.

The decrease in property management revenue was partially the result of decreased square footage under management in 2004 as compared to 2003. The reduction in square footage primarily resulted from sales of buildings in the Company s management portfolio to REITs or other investors that self-manage their properties or use other service providers. In addition, some square footage decreases resulted from clients taking services in-house or to other service providers. These decreases were partially offset by additions to square footage from new business.

The increase in brokerage revenue was driven by a large increase in investment sales commissions, while project leasing commissions increased slightly. Favorable capital markets fundamentals, including low interest rates, led to increased investment sales transaction volumes, which contributed to the improvement in investment sales commissions. The addition of investment sales brokers, resulting from the Company s focus on expansion of its brokerage network, also contributed to the increase in such commissions.

Construction management revenue remained relatively flat in 2004 as compared to 2003, although the Company did experience an increase in new projects in the second half of 2004. Construction management revenue is generated from services including space planning and tenant finish coordination for investor clients in conjunction with property management and leasing assignments, and are directly related to tenants real estate demands.

Development and construction revenue decreased in 2004 primarily due to a decrease in incentive development fees, which was largely due to the timing of significant transactions in 2004 as compared to 2003. In addition, the decrease in 2004 is due to a reduction in the Company s development starts and investments (including property acquisitions) in recent years. Typically, the impact of increases and decreases in the Company s development starts and investments is not reflected in financial results until later periods, and the Company has experienced a reduction in its 2004 development and construction revenue as a consequence of reduced 2002 and 2003 development starts and investments. However, development starts and investments began trending up in 2004 with 2004 starts more than doubling those for 2003.

The Company s gain on disposition of real estate decreased slightly in 2004 from 2003. During 2004, the Company sold 17 real estate projects for an aggregate net sales price of $121.4 million. The sales resulted in an aggregate gain on disposition of $26.7 million, including recognition of deferred gain of

$0.4 million related to dispositions in previous periods. In 2003, the Company sold 19 real estate projects for an aggregate net sales price of $67.1 million. The sales resulted in an aggregate gain on disposition of $13.2 million, including recognition of deferred gain of $0.3 million related to dispositions in a previous period.

Costs and Expenses. The increase in salaries, wages, and benefits expense in 2004 was primarily due to growth in salaries, wages and benefits for reimbursed employees as the Company increased its project management headcount to service client expansions and the addition of new clients. In addition, the Company s annual incentive bonus expense and transaction-related incentive compensation expense increased due to the Company s increased profitability in 2004.

The 2004 increase in commission expense was directly attributable to the increase in the Company s corporate advisory services and brokerage revenue discussed above.

General and administrative expenses increased in 2004 primarily due to increased client-reimbursed out-of-pocket general and administrative expenses, largely driven by the growth in the Company s project management service line.

Depreciation and amortization expenses decreased in 2004 from the prior year. The Company has replaced many of its computer assets at a lower cost than the assets that were retired, which has reduced the Company s depreciation expense. In addition, several intangible asset balances related to acquired management contracts became fully amortized during 2004, which created a decrease in amortization expense as compared to 2003.

The decrease in interest expense is due in part to the expiration of the Company s interest rate swap agreement at the end of the first quarter of 2003 for which the Company recorded $0.6 million of interest expense in 2003. The Company also had lower average outstanding balances on its revolving line of credit and capital leases during 2004 as compared to 2003.

Minority Interest, Net of Income Taxes. Minority interest fluctuated from income in 2003 to an expense in 2004. This change is primarily a result of 2004 gains on dispositions of consolidated real estate projects in which outside parties have an interest. In addition, the results of operations of certain consolidated real estate entities with outside owners improved due to lower charges for impairment of real estate held by these entities in 2004, as compared to 2003.

Income from Investments in Unconsolidated Subsidiaries, Net of Income Taxes. Income from investments in unconsolidated subsidiaries fluctuates from period to period based on the volume and profitability of transactions carried out by the underlying unconsolidated subsidiaries. The overall increase in 2004 was primarily the result of significant income from an unconsolidated subsidiary that sold its building portfolio in the first quarter of 2004 and increased income from the Company s investment in Savills due to Savills improved operating results. *See Information Regarding Savills plc.*

Income from Discontinued Operations, Net of Income Taxes. During 2004, the Company sold five real estate projects that were considered discontinued operations for an aggregate net sales price of $83.9 million. The sales resulted in an aggregate gain on disposition of real estate (before income taxes) of $42.5 million (including interest forgiveness of $0.3 million), and minority interest expense of $10.8 million. In 2003, the Company sold four real estate projects that were considered discontinued operations for an aggregate sales price of $25.1 million. The sales resulted in an aggregate gain on disposition of $5.6 million. Income from discontinued operations for 2003 included a provision for loss of $1.4 million to reflect a real estate held for sale asset at fair value less cost to sell. Income from discontinued operations for 2003 also included $2.1 million of impairment on real estate. Both of these real estate assets were sold in 2004.

Net Income. Net income increased due to the fluctuations in revenues and expenses described above, in addition to a decrease in the Company s effective tax rate driven by favorable results from state tax planning.

Quarterly Results of Operations and Seasonality

The following table presents unaudited quarterly results of operations data for the Company for each of the eight quarters in 2005 and 2004. This quarterly information is unaudited but, in the opinion of

17

management, reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information for the periods presented. The results of operations for any quarter are not necessarily indicative of results for any future period. Revenues and net income during the fourth fiscal quarter historically have been greater than in each of the first three fiscal quarters, primarily because the Company s clients have demonstrated a tendency to close transactions toward the end of the fiscal year. The timing and introduction of new contracts, the disposition of investments in real estate assets and other factors may also cause quarterly fluctuations in the Company s results of operations.

	Quarter Ended March 31 (in thousands)	**June 30**	**September 30**	**December 31**
2005:				
Total revenues	$ 178,621	$ 211,989	$ 226,729	$ 278,611
Income (loss) from discontinued operations, net of income taxes(1)	(325)	680	12,181	5,587
Net income	2,053	8,264	14,517	34,573
2004:				
Total revenues	$ 158,099	$ 181,933	$ 188,498	$ 245,343
Income (loss) from discontinued operations, net of income taxes(1)	397	(18)	(73)	18,676
Net income	2,099	3,214	5,854	27,952

(1) Discontinued operations include the operations of real estate properties and gain on disposition of real estate properties held for sale or sold in which the Company retained or expects to retain no continuing involvement, in accordance with FAS 144.

Information Regarding Savills plc

The Company accounts for its interest in Savills on the equity method and has included summarized financial information for Savills as part of the Other category in Note 6 of the Company s consolidated financial statements. For the year ended December 31, 2005, the Company s share of Savills income from continuing operations before income taxes represented approximately 22% of the Company s income from continuing operations before income taxes, calculated in accordance with Rule 1-02(w) of Regulation S-X. As this exceeds the 20% threshold under Rule 3-09 of Regulation S-X, the Company is required to file Savills audited financial statements on a Form 10-K/A by June 29, 2006.

The Company believes that the use of income from continuing operations as the measure of recurring income by which Savills significance is calculated overstates Savills significance because the Company s income from continuing operations does not include a category of income that is routinely generated by sales of properties created through its development operations income from discontinued operations that is categorized as such solely as a result of the application of Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). If this type of recurring income from property sales transactions were included as income from continuing operations, Savills would account for approximately 16% of the Company s 2005 recurring income (measured on this basis), and the filing of Savills financial statements would not be required.

Nonetheless, because the Company s share of Savills income from continuing operations calculated in accordance with Rule 1-02(w) of Regulation S-X exceeds the 20% threshold, the Company has requested Savills to take the actions required of it to facilitate the Company s filing of Savills audited financial statements on a Form 10-K/A by June 29, 2006. Savills has refused to take such actions. While the Company is thus unable to file the required financial statements, the Company has filed this Form 10-K/A to provide certain information regarding Savills, including summarized unaudited financial information of Savills as of December 31, 2005 and 2004, and for the years then ended and to provide a reference to where Savills full audited financial statements may be viewed or obtained.

Savills financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Savills adopted IFRS effective January 1, 2005, and restated its 2004 results from U.K. generally accepted accounting principles (UK GAAP). Summarized unaudited financial information for Savills, adjusted for differences between IFRS and U.S. generally accepted accounting principles (US GAAP) to the extent material to the Company s recognition of its share of Savills earnings, are as follows:

	December 31, 2005 (unaudited)	**2004**
	(dollars in thousands)	
Current assets	$ 486,839	$ 379,307
Non-current assets	195,176	122,322
Total assets	$ 682,015	$ 501,629
Current liabilities	$ 334,674	$ 276,271
Non-current liabilities	54,810	28,174
Minority interest	988	303
Stockholders equity	291,543	196,881
Total liabilities and stockholders equity	$ 682,015	$ 501,629

	Years Ended December 31, 2005 (unaudited)	**2004**
	(dollars in thousands)	
Revenues	$ 688,987	$ 621,785
Expenses	620,099	558,042
Net income	$ 68,888	$ 63,743

Differences between IFRS (and adoption thereof) and US GAAP that materially impacted the Company s share of Savills earnings include accounting for: (i) stock-based compensation; (ii) payroll taxes related to stock-based compensation, and (iii) intangible assets.

Stock-based compensation. Under IFRS, stock-based compensation is recorded at the grant-date fair value and recognized as expense over the vesting period. The impact of service and performance conditions is estimated at the grant date. These estimates are trued up for differences between estimated and actual vested awards. As part of its IFRS transition, Savills elected to continue to account for awards issued prior to 2003 under UK GAAP. Under UK GAAP, certain awards issued as bonus compensation to employees based on certain levels of earnings were recognized as compensation expense in the year that Savills generated the earnings, regardless of vesting provisions related to future service requirements. In addition, under UK GAAP, no expense was recognized related to stock-based compensation awarded under Savills tax-qualified stock purchase plan.

Under US GAAP, prior to adoption of FAS 123R, compensation expense was measured at intrinsic value and recognized as expense over the vesting period. Awards with performance conditions were marked to market each period until the ultimate number of awards to be issued was fixed. Compensation expense related to awards that did not ultimately vest were reversed when forfeitures occured. Under US GAAP, prior to the adoption of FAS 123R, Savills tax-qualified stock purchase plan was accounted for as a compensatory plan, and the stock discount was recognized as compensation expense over the vesting period. To the extent that awards were offered at a lower price than previously granted awards that were cancelable by the holder, such previous awards were marked to market as repriced options until exercised, forfeited, or expired.

Payroll taxes related to stock-based compensation. Under IFRS, payroll tax liabilities related to stock-based compensation are recognized over the same period as the related stock-based compensation expenses are recognized. Under US GAAP, payroll tax liabilities related to stock-based compensation are recognized at the time of the underlying event triggering measurement and payment of the tax to the taxing authority (e.g., the option exercise date, or vesting of restricted stock).

Intangible assets. Upon adoption of IFRS, Savills elected not to restate any business combinations recorded prior to January 1, 2004. As a result, certain finite-lived intangibles related to acquisitions from June 30, 2001 through December 31, 2003, were not separately identified and amortized. Under US GAAP, such intangibles are identified separately and amortized.

Availability of Additional Savills Financial Information

The Annual Report and Accounts for Savills plc for the year ended December 31, 2005 can be found on Savills website within the investor relations section at www.ir.savills.com. Alternatively, a copy can be obtained from Savills Company Secretary s office, Savills plc, 20 Grosvenor Hill, Berkeley Square, London, W1K 3HQ. Telephone: 0207 409 8844.

Liquidity and Capital Resources

The Company s liquidity and capital resources requirements include the funding of working capital needs, primarily costs incurred in providing services to its clients before collection of related billings; the funding of capital investments, including the acquisition of or investments in other real estate service companies; the repurchase of its shares if authorized by the Board of Directors; expenditures for real estate and payments on notes payable associated with its development and investment activities; and expenditures related to upgrading the Company s management information systems. The Company finances its operations with internally generated funds and borrowings under the Credit Facility (described below). The portion of the Company s development and investment business that includes the acquisition and development of real estate is financed with loans secured by underlying real estate, external equity, internal sources of funds, or a combination thereof.

Net cash used in operating activities totaled $3.0 million in 2005, compared to cash provided of $94.4 million in 2004. Cash provided by operating activities, excluding the change in real estate and related borrowings, totaled $33.6 million in 2005 as compared to $95.7 million in 2004. This decrease in cash provided by operating activities is partially due to higher outstanding accounts receivable balances in 2005, consistent with the overall growth in the Company s revenues from 2004 to 2005. In addition, the Company collected a large receivable from an affiliate in 2004 that was outstanding at year-end 2003, as compared to no such large receipts in 2005. The Company also made greater incentive compensation and income tax payments during 2005 on account of 2004 activity, as compared to such payments made during 2004. Cash used in real estate activities, net of related borrowings, was $36.6 million in 2005, compared to $1.3 million in 2004 as a result of increased real estate investment activity in 2005.

Net cash used in investing activities totaled $114.8 million in 2005, compared to $37.1 million in 2004. This increase in cash used is primarily due to investments in unconsolidated subsidiaries, net of distributions, of $86.0 million in 2005 as compared to distributions from the Company s unconsolidated subsidiaries, net of contributions, of $7.1 million in 2004. The increase in investments is attributable to the Company s purchase of additional shares of Savills in 2005. The Company s wholly-owned captive insurance company also made purchases, net of sales proceeds and maturities, of $18.4 million in marketable securities in 2005, as compared to no such purchases in 2004. This increase in cash used was offset by a decrease in expenditures related to real estate classified as held for investment, which were $39.5 million in 2005, as compared to $105.8 million in 2004. These expenditures were offset by

$38.9 million of proceeds from the dispositions of real estate projects classified as held for investment at the time of disposition in accordance with FAS 144, as compared to $67.3 million of such proceeds in 2004.

Net cash provided by financing activities totaled $31.1 million in 2005 as compared to $0.7 million in 2004. The increase in cash provided in 2005 is due, in part, to borrowings, net of principal debt payments, under the Company s line of credit of $36.3 million, compared to principal debt payments, net of borrowings, of $13.4 million in 2004. The Company used these 2005 borrowings to fund its purchase of additional shares of Savills. In addition, the Company received proceeds from the exercise of employee stock options of $8.2 million in 2005, as compared to $1.7 million in 2004. Another factor contributing to the increase in cash provided was that the Company used less cash in 2005 to repurchase common stock, or $20.1 million in 2005 as compared to $37.9 million in 2004. This increase in cash provided was offset by a decrease in proceeds from borrowings, net of payments, on notes payable related to real estate held for investment, which were $12.5 million in 2005 as compared to $47.2 million in 2004. In addition, the Company made distributions, net of contributions, to minority interest holders of $9.1 million in 2005, compared to contributions received, net of distributions, of $0.2 million in 2004.

In June 2005, the Company obtained a $175.0 million revolving line of credit (the Credit Facility) arranged by Bank of America, N.A., as the administrative agent, which replaced the Company s previous $150.0 million revolving line of credit. Borrowings under the Credit Facility are due in June 2008 and are either Base Rate Loans or Eurodollar Rate Loans. Base Rate Loans bear interest at a base rate plus a margin up to 0.25% depending on the Company s leverage ratio. The base rate is the higher of the prime lending rate or an average federal funds rate plus 0.5%. Eurodollar Rate Loans bear interest at the Eurodollar rate plus a margin, which ranges from 1.75% to 2.0%, depending upon the Company s leverage ratio. The Eurodollar rate is based on the British Bankers Association LIBOR rate. The Credit Facility contains various covenants such as the maintenance of minimum net worth, liquidity, revenues, interest coverage ratios and fixed charge ratios. The Credit Facility also includes restrictions on recourse indebtedness and total indebtedness, restrictions on liens and certain restrictions on investments and acquisitions that can be made by the Company. In addition, the Company may not pay dividends, repurchase common shares, or make other distributions on account of its common stock exceeding 50% of the previous year s net income before depreciation and amortization, plus, for the year ended December 31, 2005 only, an amount equal to $20.0 million. The Credit Facility is guaranteed by certain significant subsidiaries of the Company and is secured by a pledge of stock of such significant subsidiaries and a pledge of certain intercompany indebtedness.

The Company s participation in derivative transactions has been limited to risk management purposes, and derivative instruments are not held for trading purposes. If a certain interest coverage ratio is not maintained, as defined in the agreement, the Credit Facility requires the Company to enter into one or more interest rate agreements for the Company s floating rate indebtedness in excess of $30.0 million (other than construction loans under which interest is capitalized in accordance with GAAP) ensuring the net interest on such excess is fixed, capped or hedged.

The Company also has a $25.0 million short-term revolving line of credit (the Swing Line) with Bank of America, N.A. Each loan obtained by the Company under the Swing Line matures in five business days, but no later than June 28, 2008, and bears interest at a 30-day LIBOR-based rate (plus an applicable margin as defined per the agreement). Borrowings under the Swing Line are unsecured and reduce borrowing capacity under the Credit Facility.

At December 31, 2005, the Company had outstanding borrowings of $35.0 million under the Credit Facility. The covenants contained in the Credit Facility and the amount of the Company s other borrowings and contingent liabilities may have the effect of limiting the borrowing capacity available to the Company under the Credit Facility to an amount less than the $175.0 million commitment. The Company s unused borrowing capacity (taking into account borrowings and letters of credit outstanding) under the

Credit Facility was $133.9 million at December 31, 2005. Since many of the financial covenants in the Credit Facility are dependent on the Company s EBITDA, as defined in the Credit Facility agreement and calculated on a trailing four-quarter basis, a decline in the Company s overall operations could adversely impact the Company s ability to comply with these financial covenants and, in turn, the Company s borrowing capacity.

At December 31, 2005, the Company was in compliance with all covenants of the Credit Facility. The Company expects to continue to borrow under the Credit Facility to finance future strategic acquisitions and investments, fund its co-investment activities and provide the Company with an additional source of working capital.

In December 2005, the Company entered into an interest rate cap agreement in order to limit its interest expense on a construction loan with a 30-day LIBOR-based floating interest rate related to a consolidated real estate project. The interest rate cap agreement has a notional amount of $25.7 million at December 31, 2005, and the Company will receive payments if the LIBOR-based interest rate exceeds 5.5%. The interest rate cap agreement has not been designated as an effective hedge, and therefore the interest rate cap agreement was marked to market each period with the change in fair market value recognized in current period earnings. The interest rate cap agreement expires on January 2, 2008. Through December 31, 2005, amounts recorded by the Company related to this interest rate cap agreement were not material.

The Company does not anticipate paying any dividends in the foreseeable future. The Company believes that funds generated from operations, together with existing cash and available credit under the Credit Facility and loans secured by underlying real estate will be sufficient to finance its current operations, planned capital expenditure requirements, payment obligations for development purchases, investments in development and investment funds and programs, share repurchases, acquisitions of and investments in service companies, signing bonuses or loans for new employees and internal growth for the foreseeable future. The Company s need, if any, to raise additional funds to meet its working capital and capital requirements will depend upon numerous factors, including the success and pace of implementation of its growth strategy. The Company regularly considers capital raising alternatives to be able to take advantage of available avenues to supplement its working capital, including strategic corporate partnerships or other alliances, bank borrowings and the sale of equity and/or debt securities.

In February 2006, the Company announced that its Board of Directors authorized the purchase of up to $50.0 million of its common stock from time to time in open market purchases or in privately negotiated transactions. The Company also amended its Credit Facility to allow for additional repurchases or other distributions on account of its common stock in an amount up to $100.0 million from the date of the repurchase announcement through December 31, 2006 and to reduce the minimum required net worth covenant. In June 2006, the Company completed its $50.0 million share repurchase program. A total of 1,487,500 shares were repurchased at an average price of $33.61 per share. The purchases were financed from the Company s available cash and borrowings under the Credit Facility. The repurchase of shares is intended to be accretive to future earnings per share for holders who retain their shares. The Company s intent with respect to its stock repurchase programs is to reserve the repurchased shares for issuance in connection with the Company s equity-based incentive plans, as well as for other corporate purposes.

In March 2005, the Company announced that its Board of Directors authorized the purchase of up to $20.0 million of its common stock from time to time in open market purchases or in privately negotiated transactions. In April 2005, the Company completed its $20.0 million share repurchase program. A total of 970,142 shares were repurchased, at an average price of $20.61 per share, all through open market purchases. The purchases were financed from the Company s available cash, and the Company placed the repurchased shares in treasury.

In September 2004, the Company commenced a Modified Dutch Auction tender offer whereby it offered to purchase up to 4,444,444 shares of its common stock. Under the terms of the tender offer, the Company invited stockholders to tender their shares at a purchase price not in excess of $15.75, nor less than $13.50 per share. The tender offer was completed in October 2004, and as a result, the Company purchased 2,354,437 shares of common stock priced at $15.75 per share for a total of $37.9 million, including the costs of the tender offer. The transaction was financed from the Company s available cash, and the Company placed the repurchased shares in treasury.

Off-balance Sheet Arrangements and Contractual Obligations

The Company has off-balance sheet arrangements consisting of certain debt repayment guarantees that have been provided by the Company as security for the obligations of others (primarily unconsolidated subsidiaries of the Company) in the normal course of the Company s real estate development business. The Company has not made any material payments under such arrangements in the years ended December 31, 2003, 2004 or 2005. As of December 31, 2005, the Company had guaranteed a maximum of $7.1 million of such notes payable, all of which was outstanding as of December 31, 2005. Payments required under these arrangements, if any, could be indicative of impairment in the Company s investments in the underlying unconsolidated subsidiaries and therefore could result in additional expense to the Company.

The Company had various contractual obligations at December 31, 2005, as summarized below (in millions), that could impact its liquidity:

	Payments due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Long-term debt obligations	$ 36.3	$ 1.3	$ 35.0	$	$
Operating lease obligations	67.5	20.0	26.8	14.1	6.6
Notes payable on real estate (recourse)(1)(2)	18.6	8.1	10.5		
Notes payable on real estate (nonrecourse)(1)	237.6	24.3	213.3		
Other long-term obligations(3)	10.8		10.8		
Total Contractual Obligations	$ 370.8	$ 53.7	$ 296.4	$ 14.1	$ 6.6

(1) Includes notes related to the Company s various real estate projects and excludes future interest. The notes (primarily construction loans) have either fixed or variable interest rates, ranging from 6% to 12% at December 31, 2005. In general, interest is drawn on the underlying construction loan and subsequently paid with principal with proceeds upon sale of the real estate project.

(2) With respect to a project to which $3.3 million of these obligations relate, the Company has an agreement with an investor client to purchase the project upon completion, the proceeds of which will be used to repay the related note payable.

(3) These obligations, as well as $4.3 million recorded in other current liabilities, are collateralized by outstanding letters of credit totaling $12.6 million.

Effects of Inflation

The Company does not believe that inflation has had a significant impact on its results of operations in recent years. However, there can be no assurance that the Company s business will not be affected by inflation in the future.

Forward-Looking Statements

Certain statements contained or incorporated by reference in this Annual Report on Form 10-K, including without limitation statements containing the words believe, anticipate, attainable, forecast, will, may, expect(ation), envision, project, budget, objective, estimate, could, should, would, conceivable, intend, possible, prospects, forsee, look(ing) for, look to and words of similar forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other matters which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other matters include, but are not limited to:

- the ability of the Company to retain its major clients and renew its contracts,
- the ability of the Company to attract new user and investor clients,
- the ability of the Company to manage fluctuations in net earnings and cash flow which could result from the Company s participation as a principal in real estate investments,
- the Company s ability to continue to pursue its growth strategy,
- the Company s ability to pursue strategic acquisitions on favorable terms and manage challenges and issues commonly encountered as a result of those acquisitions,
- the Company s ability to compete in highly competitive national and local business lines,
- the Company s ability to attract and retain qualified personnel in all areas of its business (particularly senior management),
- the timing of individual transactions,
- the ability of the Company to identify, implement and maintain the benefit of cost reduction measures and achieve economies of scale, and
- the ability of the Company to compete effectively in the international arena and manage the risks of operating in the international arena (including foreign currency exchange risk).

In addition, the Company s ability to achieve certain anticipated results will be subject to other factors affecting the Company s business that are beyond the Company s control, including but not limited to general economic conditions (including interest rates, the cost and availability of capital for investment in real estate, clients willingness to make real estate commitments and other factors impacting the value of real estate assets), the effect of government regulation on the conduct of the Company s business and the threat of terrorism and acts of war. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such statements or publicly announce any updates or revisions to any of the forward-looking statements contained herein to reflect any change in the Company s expectation with regard thereto or any change in events, conditions, circumstances or assumptions underlying such statements.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) The following consolidated financial statements of Trammell Crow Company and Subsidiaries for the year ended December 31, 2005, were filed as part of the Company s Form 10-K filed on March 15, 2006:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Income for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Stockholders Equity for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements

The financial statements and related notes of TFK Retail, Ltd. as of June 30, 2004, filed as part of the Company s Form 10-K filed on March 15, 2006. The financial statements were included as TFK Retail, Ltd. is deemed to be a significant subsidiary pursuant to Rule 3-09 of Regulation S-X.

(a)(2) The following consolidated financial statement schedule of Trammell Crow Company and Subsidiaries were filed as part of the Company s Form 10-K filed on March 15, 2006:

Schedule III Real Estate Investments and Accumulated Depreciation

Note to Schedule III Real Estate Investments and Accumulated Depreciation

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) The following documents are filed or incorporated by reference as exhibits to this Report:

3.1(1)	Certificate of Incorporation of the Company
3.2(1)	Bylaws of the Company
3.2.1(5)	First Amendment to Bylaws of the Company
3.2.2(9)	Second Amendment to Bylaws of the Company
3.2.3(11)	Third Amendment to Bylaws of the Company
4.1(1)	Form of certificate for shares of Common Stock of the Company
10.1(16)	Credit Agreement, dated June 28, 2005, among the Company, Bank of America, N.A. as administrative agent, swing line lender and issuing bank, and the other lender parties thereto.
10.1.1(18)	First Amendment of Credit Agreement dated February 22, 2006, between the Company and Bank of America, N.A.
10.2(1)	Form of License Agreement among the Company and CF98
10.2.1(8)	First Amendment to License Agreement dated July 31, 2002, between the Company and CF98
10.3(14)	Form of Indemnification Agreement, with schedule of signatures
10.4(1)	Predecessor Company s 1997 Stock Option Plan
10.5(1)	Company s Long-Term Incentive Plan
10.5.1(2)	Amendment No. 1 to Long-Term Incentive Plan

25

10.5.2(9)	Second Amendment to Long-Term Incentive Plan
10.6(1)	Company s 1995 Profit Sharing Plan
10.7(3)	Company s Employee Stock Purchase Plan
10.7.1(4)	First Amendment to the Company s Employee Stock Purchase Plan
10.7.2(6)	Second Amendment to the Company s Employee Stock Purchase Plan
10.7.3(7)	Third Amendment to the Company s Employee Stock Purchase Plan
10.7.4(10)	Fourth Amendment to the Company s Employee Stock Purchase Plan
10.7.5(10)	Fifth Amendment to the Company s Employee Stock Purchase Plan
10.7.6(15)	Sixth Amendment to the Company s Employee Stock Purchase Plan
10.8(1)	Form of Stockholders Agreement among the Company, Crow Family Partnership L.P., CFH Trade-Names, L.P., J. McDonald Williams and certain other signatories thereto
10.9(10)	Employment Agreement dated as of October 17, 2003, between the Company and Robert E. Sulentic
10.9.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and Robert E. Sulentic
10.9.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Robert E. Sulentic
10.10(10)	Employment Agreement dated as of October 17, 2003, between the Company and Derek R. McClain
10.10.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and Derek R. McClain
10.10.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Derek R. McClain
10.11(10)	Employment Agreement dated as of October 17, 2003, between the Company and James R. Groch
10.11.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and James R. Groch
10.11.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and James R. Groch
10.12(17)	Amended and Restated Employment Agreement dated as of October 17, 2005, between the Company and Michael J. Lafitte
10.13(11)	Employment Agreement dated as of March 2, 2004, between the Company and John A. Stirek
10.13.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and John A. Stirek
10.13.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and John A. Stirek
10.14(17)	Amended and Restated Employment Agreement dated as of October 17, 2005, between the Company and William F. Concannon
10.15(12)	Employment Agreement dated as of April 6, 2004, between the Company and T. Christopher Roth
10.15.1(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and T. Christopher Roth
10.16(12)	Employment Agreement dated as of April 27, 2004, between the Company and Diane Paddison
10.16.1(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Diane Paddison
10.17(13)	Employment Agreement dated as of September 28, 2004, between the Company and Matthew S. Khourie
10.17.1(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Matthew S. Khourie

14.1(11)	Code of Business Conduct and Ethics
21.1(19)	Subsidiaries of the Company
23.1(19)	Consent of Ernst & Young LLP
23.2(19)	Consent of Ernst & Young LLP
24.1(19)	Power of Attorney for Derek R. McClain
24.2(19)	Power of Attorney for Arlin E. Gaffner
24.3(19)	Power of Attorney for Curtis F. Feeny
24.4(19)	Power of Attorney for Michael A. Moses
24.5(19)	Power of Attorney for J. McDonald Williams
24.6(19)	Power of Attorney for William F. Concannon
24.7(19)	Power of Attorney for James R. Erwin
24.8(19)	Power of Attorney for Jeffrey M. Heller
24.9(19)	Power of Attorney for Rowland T. Moriarty
24.10(19)	Power of Attorney for Robert E. Sulentic
31.1	Certification by the Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1(19)	Certification by the Chief Executive Officer of the Company Pursuant to 18 U.S.C. §1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(19)	Certification by the Chief Financial Officer of the Company Pursuant to 18 U.S.C. §1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

---

(1) Previously filed as an exhibit to the Company s Registration Statement on Form S-1 (File Number 333-34859) filed with the Securities and Exchange Commission on September 3, 1997 and incorporated herein by reference.

(2) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-50585) filed with the Securities and Exchange Commission on June 24, 1999 and incorporated herein by reference.

(3) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-50579) filed with the Securities and Exchange Commission on April 21, 1998 and incorporated herein by reference.

(4) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-50579) filed with the Securities and Exchange Commission on June 24, 1999 and incorporated herein by reference.

(5) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on August 11, 2000 and incorporated herein by reference.

(6) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 29, 2001 and incorporated herein by reference.

(7) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-62884) filed with the Securities and Exchange Commission on June 13, 2001 and incorporated herein by reference.

(8) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on August 14, 2002 and incorporated herein by reference.

(9) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 31, 2003 and incorporated herein by reference.

(10) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on November 14, 2003 and incorporated herein by reference.

(11) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 15, 2004 and incorporated herein by reference.

(12) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on May 10, 2004 and incorporated herein by reference.

(13) Previously filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on September 29, 2004 and incorporated herein by reference.

(14) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on November 9, 2004 and incorporated herein by reference.

(15) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-121053) filed with the Securities and Exchange Commission on December 7, 2004 and incorporated herein by reference.

(16) Previously filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on July 1, 2005 and incorporated herein by reference.

(17) Previously filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on October 20, 2005 and incorporated herein by reference.

(18) Previously filed as Exhibit 10.1 to the Company s Form 8-K filed with the Securities and Exchange Commission on February 23, 2006 and incorporated herein by reference.

(19) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 15, 2006 and incorporated herein by reference.

(b) The exhibits required by Item 601 of Regulation S-K are filed as part of this Report.

(c) The required financial statements and financial schedule are filed as part of this Report.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

TRAMMELL CROW COMPANY
By: /s/ ROBERT E. SULENTIC
Robert E. Sulentic
Chairman of the Board, President and
Chief Executive Officer

Date: June 29, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ ROBERT E. SULENTIC Robert E. Sulentic	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	June 29, 2006
* Derek R. McClain	Executive Vice President and Chief Financial Officer	June 29, 2006
* Arlin E. Gaffner	Executive Vice President and Chief Accounting Officer	June 29, 2006
* Curtis F. Feeny	Director	June 29, 2006
* Michael A. Moses	Director	June 29, 2006
* J. McDonald Williams	Chairman Emeritus	June 29, 2006
* William F. Concannon	Vice Chairman	June 29, 2006
* James R. Erwin	Director	June 29, 2006
* Jeffrey M. Heller	Director	June 29, 2006
* Rowland T. Moriarty	Director	June 29, 2006

Robert Sulentic, by signing his name hereto, does hereby sign this Annual Report on Form 10-K/A on behalf of each of the above-named directors and officers of the Company on the date indicated below, pursuant to powers of attorney executed by each of such directors and officers and contemporaneously filed herewith with the Commission.

*By: /s/ ROBERT E. SULENTIC June 29, 2006
Robert E. Sulentic
Attorney-in-fact

Exhibit Index

3.1(1)	Certificate of Incorporation of the Company
3.2(1)	Bylaws of the Company
3.2.1(5)	First Amendment to Bylaws of the Company
3.2.2(9)	Second Amendment to Bylaws of the Company
3.2.3(11)	Third Amendment to Bylaws of the Company
4.1(1)	Form of certificate for shares of Common Stock of the Company
10.1(16)	Credit Agreement, dated June 28, 2005, among the Company, Bank of America, N.A. as administrative agent, swing line lender and issuing bank, and the other lender parties thereto.
10.1.1(18)	First Amendment of Credit Agreement dated February 22, 2006, between the Company and Bank of America, N.A.
10.2(1)	Form of License Agreement among the Company and CF98
10.2.1(8)	First Amendment to License Agreement dated July 31, 2002, between the Company and CF98
10.3(14)	Form of Indemnification Agreement, with schedule of signatures
10.4(1)	Predecessor Company s 1997 Stock Option Plan
10.5(1)	Company s Long-Term Incentive Plan
10.5.1(2)	Amendment No. 1 to Long-Term Incentive Plan
10.5.2(9)	Second Amendment to Long-Term Incentive Plan
10.6(1)	Company s 1995 Profit Sharing Plan
10.7(3)	Company s Employee Stock Purchase Plan
10.7.1(4)	First Amendment to the Company s Employee Stock Purchase Plan
10.7.2(6)	Second Amendment to the Company s Employee Stock Purchase Plan
10.7.3(7)	Third Amendment to the Company s Employee Stock Purchase Plan
10.7.4(10)	Fourth Amendment to the Company s Employee Stock Purchase Plan
10.7.5(10)	Fifth Amendment to the Company s Employee Stock Purchase Plan
10.7.6(15)	Sixth Amendment to the Company s Employee Stock Purchase Plan
10.8(1)	Form of Stockholders Agreement among the Company, Crow Family Partnership L.P., CFH Trade-Names, L.P., J. McDonald Williams and certain other signatories thereto
10.9(10)	Employment Agreement dated as of October 17, 2003, between the Company and Robert E. Sulentic
10.9.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and Robert E. Sulentic
10.9.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Robert E. Sulentic
10.10(10)	Employment Agreement dated as of October 17, 2003, between the Company and Derek R. McClain
10.10.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and Derek R. McClain
10.10.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Derek R. McClain
10.11(10)	Employment Agreement dated as of October 17, 2003, between the Company and James R. Groch
10.11.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and James R. Groch
10.11.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and James R. Groch
10.12(17)	Amended and Restated Employment Agreement dated as of October 17, 2005, between the Company and Michael J. Lafitte

10.13(11)	Employment Agreement dated as of March 2, 2004, between the Company and John A. Stirek
10.13.1(12)	Amendment to Employment Agreement dated as of April 6, 2004, between the Company and John A. Stirek
10.13.2(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and John A. Stirek
10.14(17)	Amended and Restated Employment Agreement dated as of October 17, 2005, between the Company and William F. Concannon
10.15(12)	Employment Agreement dated as of April 6, 2004, between the Company and T. Christopher Roth
10.15.1(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and T. Christopher Roth
10.16(12)	Employment Agreement dated as of April 27, 2004, between the Company and Diane Paddison
10.16.1(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Diane Paddison
10.17(13)	Employment Agreement dated as of September 28, 2004, between the Company and Matthew S. Khourie
10.17.1(17)	Amendment to Employment Agreement dated as of October 17, 2005, between the Company and Matthew S. Khourie
14.1(11)	Code of Business Conduct and Ethics
21.1(19)	Subsidiaries of the Company
23.1(19)	Consent of Ernst & Young LLP
23.2(19)	Consent of Ernst & Young LLP
24.1(19)	Power of Attorney for Derek R. McClain
24.2(19)	Power of Attorney for Arlin E. Gaffner
24.3(19)	Power of Attorney for Curtis F. Feeny
24.4(19)	Power of Attorney for Michael A. Moses
24.5(19)	Power of Attorney for J. McDonald Williams
24.6(19)	Power of Attorney for William F. Concannon
24.7(19)	Power of Attorney for James R. Erwin
24.8(19)	Power of Attorney for Jeffrey M. Heller
24.9(19)	Power of Attorney for Rowland T. Moriarty
24.10(19)	Power of Attorney for Robert E. Sulentic
31.1	Certification by the Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1(19)	Certification by the Chief Executive Officer of the Company Pursuant to 18 U.S.C. §1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2(19)	Certification by the Chief Financial Officer of the Company Pursuant to 18 U.S.C. §1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Previously filed as an exhibit to the Company s Registration Statement on Form S-1 (File Number 333-34859) filed with the Securities and Exchange Commission on September 3, 1997 and incorporated herein by reference.

(2) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-50585) filed with the Securities and Exchange Commission on June 24, 1999 and incorporated herein by reference.

(3) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-50579) filed with the Securities and Exchange Commission on April 21, 1998 and incorporated herein by reference.

(4) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-50579) filed with the Securities and Exchange Commission on June 24, 1999 and incorporated herein by reference.

(5) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on August 11, 2000 and incorporated herein by reference.

(6) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 29, 2001 and incorporated herein by reference.

(7) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-62884) filed with the Securities and Exchange Commission on June 13, 2001 and incorporated herein by reference.

(8) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on August 14, 2002 and incorporated herein by reference.

(9) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 31, 2003 and incorporated herein by reference.

(10) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on November 14, 2003 and incorporated herein by reference.

(11) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 15, 2004 and incorporated herein by reference.

(12) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on May 10, 2004 and incorporated herein by reference.

(13) Previously filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on September 29, 2004 and incorporated herein by reference.

(14) Previously filed as an exhibit to the Company s Form 10-Q filed with the Securities and Exchange Commission on November 9, 2004 and incorporated herein by reference.

(15) Previously filed as an exhibit to the Company s Form S-8 (File Number 333-121053) filed with the Securities and Exchange Commission on December 7, 2004 and incorporated herein by reference.

(16) Previously filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on July 1, 2005 and incorporated herein by reference.

(17) Previously filed as an exhibit to the Company s Form 8-K filed with the Securities and Exchange Commission on October 20, 2005 and incorporated herein by reference.

(18) Previously filed as Exhibit 10.1 to the Company s Form 8-K filed with the Securities and Exchange Commission on February 23, 2006 and incorporated herein by reference.

(19) Previously filed as an exhibit to the Company s Form 10-K filed with the Securities and Exchange Commission on March 15, 2006 and incorporated herein by reference.

(b) The exhibits required by Item 601 of Regulation S-K are filed as part of this Report.

(c) The required financial statements and financial schedule were filed as part of the Company s Form 10-K filed on March 15, 2006.

32