

TRAMMELL CROW CO  
Form DEF 14A  
July 05, 2006

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

**SCHEDULE 14A**

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

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

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

Trammell Crow Company  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**TRAMMELL CROW COMPANY**  
**2001 Ross Avenue, Suite 3400**  
**Dallas, Texas 75201**

July 5, 2006

Dear Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders of Trammell Crow Company to be held on August 3, 2006, at **1:00 p.m.**, local time, at **2001 Ross Avenue, Suite 3400, Dallas, Texas 75201**. Please find enclosed a notice to stockholders, a Proxy Statement describing the business to be transacted at the meeting and a form of Proxy for use in voting at the meeting.

At the Special Meeting, you will be asked (i) to ratify and approve certain performance-based award provisions of the Trammell Crow Company Long-Term Incentive Plan and (ii) to act upon such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

We hope that you will be able to attend the Special Meeting, and we urge you to read the enclosed Proxy Statement before you decide to vote. Whether or not you plan to attend, please complete, sign, date and return the enclosed Proxy or grant your proxy by telephone or over the internet, as described on the enclosed Proxy, as promptly as possible. It is important that your shares be represented at the meeting.

Very truly yours,

Robert E. Sulentic  
*Chairman and Chief Executive Officer*

**YOUR VOTE IS IMPORTANT**

**All stockholders are cordially invited to attend the Special Meeting in person. However, to ensure your representation at the meeting, you are urged to complete, sign, date and return, in the enclosed postage paid envelope, the enclosed Proxy or to grant your proxy by telephone or over the internet, as described on the enclosed Proxy, as promptly as possible. Returning your Proxy or granting your proxy by telephone or over the internet will help the Company assure that a quorum will be present at the meeting and avoid the additional expense of duplicate proxy solicitations. Any stockholder attending the meeting may vote in person even if he or she has returned the Proxy or has granted his or her proxy by telephone or over the internet.**

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**TRAMMELL CROW COMPANY**  
**2001 Ross Avenue, Suite 3400**  
**Dallas, Texas 75201**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD AUGUST 3, 2006**

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PLEASE TAKE NOTICE THAT a Special Meeting of Stockholders (the Special Meeting ) of Trammell Crow Company, a Delaware corporation (the Company ), will be held on August 3, 2006, at **1:00 p.m.**, local time, at **2001 Ross Avenue, Suite 3400, Dallas, Texas 75201**, to consider and vote on the following matters:

- (1) ratification and approval of certain performance-based award provisions of the Trammell Crow Company Long-Term Incentive Plan; and
- (2) such other business as may properly come before the Special Meeting or any postponements or adjournments thereof.

The close of business on June 26, 2006 (the Record Date ), has been fixed as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Special Meeting and any adjournments or postponements thereof. Only holders of record of Common Stock at the close of business on the Record Date are entitled to notice of, and to vote at, the Special Meeting. A list of stockholders entitled to vote at the Special Meeting will be available for inspection by any stockholder for any purpose germane to the Special Meeting during ordinary business hours for the ten days preceding the Special Meeting at the Company s offices at the address on this notice, and also at the Special Meeting.

Whether or not you plan to attend the Special Meeting, please complete, sign, date and return the enclosed Proxy or grant your proxy by telephone or over the internet, as described on the enclosed Proxy, as promptly as possible. You may revoke your proxy before the Special Meeting as described in the Proxy Statement under the heading Solicitation and Revocability of Proxies.

By Order of the Board of Directors,

J. Christopher Kirk  
*Secretary*

Dallas, Texas

July 5, 2006

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**TRAMMELL CROW COMPANY**  
**2001 Ross Avenue, Suite 3400**  
**Dallas, Texas 75201**  
**(214) 863-3000**

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**PROXY STATEMENT**

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**SOLICITATION AND REVOCABILITY OF PROXIES**

The Board of Directors of the Company (the Board of Directors ) requests your proxy for use at the Special Meeting of Stockholders to be held on August 3, 2006, at **1:00 p.m.**, local time, at **2001 Ross Avenue, Suite 3400, Dallas, Texas 75201**, and at any adjournments or postponements thereof. By signing and returning the enclosed Proxy, or granting your proxy by telephone or over the internet, you authorize the persons named on the Proxy to represent you and to vote your shares at the Special Meeting. This Proxy Statement and the form of Proxy were first mailed to stockholders of the Company on or about July 5, 2006.

This solicitation of proxies is made by the Board of Directors of the Company and will be conducted primarily by mail. Officers, directors and employees of the Company may solicit proxies personally or by telephone, electronic mail, telegram or other forms of wire or facsimile communication. The Company may also request banking institutions, brokerage firms, custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of Common Stock that those persons hold of record. The costs of the solicitation, including reimbursement of such forwarding expenses, will be paid by the Company. In addition, we have hired Morrow & Co., Inc. to solicit proxies on our behalf. The cost of soliciting proxies on our behalf will be approximately \$4,500 plus costs and expenses.

If you attend the Special Meeting, you may vote in person. If you are not present at the Special Meeting, your shares can be voted only if you have returned a properly signed Proxy, are represented by another proxy, or have granted your proxy by telephone or over the internet. You may revoke your proxy, whether granted by telephone, over the internet or by returning the enclosed Proxy, at any time before it is exercised at the Special Meeting by (a) signing and submitting to the Secretary of the Company a later-dated proxy, (b) delivering to the Secretary of the Company written notice of revocation of the proxy, or (c) voting in person at the Special Meeting. In addition, if you granted your proxy by telephone or over the internet, you may revoke such grant by resubmitting your proxy by telephone or over the internet at any time prior to 6:00 a.m., Eastern daylight time, on August 3, 2006. In the absence of any such revocation, shares represented by the persons named on the Proxies will be voted at the Special Meeting.

**VOTING AND QUORUM**

The only outstanding voting securities of the Company are shares of common stock, par value \$0.01 per share (the Common Stock ). As of the close of business on the Record Date, there were 35,991,637 shares of Common Stock outstanding and entitled to be voted at the Special Meeting.

Each outstanding share of Common Stock is entitled to one vote. The presence, in person or by proxy, of a majority of the shares of Common Stock issued and outstanding and entitled to vote as of the Record Date shall constitute a quorum at the Special Meeting. The chairman of the meeting or the holders of a majority of the Common Stock entitled to vote who are present or represented by proxy at the Special Meeting have the power to adjourn the Special Meeting from time to time without notice, other than an announcement at the Special Meeting of the time and place of the holding of the adjourned meeting, until a quorum is present. At any such adjourned meeting at which a quorum is present, any business may be transacted that may have been transacted at the Special Meeting had a quorum originally been present; provided, that if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned

meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting. Proxies solicited by this Proxy Statement may be used to vote in favor of any motion to adjourn the Special Meeting. The persons named on the Proxies intend to vote in favor of any motion to adjourn the Special Meeting to a subsequent day if, prior to the Special Meeting, such persons have not received sufficient proxies to approve the proposal described in this Proxy Statement. If such a motion is approved but sufficient proxies are not received by the time set for the resumption of the Special Meeting, this process will be repeated until sufficient proxies to vote in favor of the proposal described in this Proxy Statement have been received or it appears to the persons named on the Proxies that sufficient proxies will not be received. Abstentions and broker non-votes will count in determining if a quorum is present at the Special Meeting. A broker non-vote occurs if a broker or other nominee attending the meeting in person or submitting a proxy does not have discretionary authority to vote on a particular item and has not received voting instructions with respect to that item from a beneficial owner for which it holds shares in street name.

**RATIFICATION OF CERTAIN PERFORMANCE-BASED  
COMPENSATION PROVISIONS OF THE TRAMMELL CROW COMPANY  
LONG-TERM INCENTIVE PLAN**

The Company is proposing that stockholders ratify and approve Section 4A of the Trammell Crow Company Long-Term Incentive Plan (the Plan). If the stockholders vote to ratify and approve Section 4A, certain awards intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), will be fully deductible by the Company. Under Section 162(m) of the Code, the federal income tax deductibility of compensation paid to the Company's Chief Executive Officer and its four other most highly compensated executive officers (the Covered Employees) may be limited to the extent that the compensation **to any such individual** exceeds \$1 million in any one year. However, the Company may deduct compensation in excess of that amount if it qualifies as performance-based compensation, as defined in Section 162(m) of the Code.

A summary description of the Plan is set forth below. You are being asked to ratify and approve the portion of the Plan described under Performance Awards in this summary. The full text of the Plan is set forth in Appendix A to this Supplement.

**The Company is not proposing to increase the number of shares that may be issued under the Plan or make any other changes or amendments to the Plan at the Special Meeting. Stockholders are merely being asked to ratify and approve an existing portion of the Plan to preserve the deductibility of certain performance based Awards issued under the Plan.**

If the stockholders do not vote to ratify and approve Section 4A of the Plan, (1) the Plan will remain in effect, (2) the Company may still grant stock options and stock appreciation rights to the Covered Employees if they have an exercise price equal to or greater than the fair market value of the Common Stock and these awards will continue to qualify for federal income tax deduction under Section 162(m) of the Code, and (3) in addition to stock options and stock appreciation rights as described in item (2) immediately preceding, the Company may continue to grant any other awards under the Plan to Covered Employees only to the extent that the income produced by the award, when aggregated with other compensation, is not expected to produce more than \$1 million of compensation for a Covered Employee in a calendar year that does not qualify as performance-based compensation under Section 162(m) of the Code.

### **Required Vote and Recommendation**

**The affirmative vote of a majority of the votes cast at the Special Meeting will be required to approve the Plan, provided that the total votes cast on the proposal represent over 50% in interest of all shares of our stock entitled to vote on the proposal.**

**The Board of Directors recommends that the stockholders vote FOR the ratification and approval of the provisions of Section 4A of the Trammell Crow Company Long-Term Incentive Plan as described above.**

### **New Plan Benefits**

The future awards that will be made to eligible participants under the Plan are subject to the discretion of the Compensation Committee of the Board of Directors and, therefore, cannot be determined with certainty at this time.

### **SUMMARY DESCRIPTION OF TRAMMELL CROW COMPANY LONG-TERM INCENTIVE PLAN**

#### **General**

The Plan is named the Trammell Crow Company Long-Term Incentive Plan. The purpose of the Plan is to provide an incentive for employees, directors and certain consultants and advisors of the Company or its subsidiaries to remain in the service of the Company or its subsidiaries, to extend to them the opportunity to acquire a proprietary interest in the Company so that they will apply their best efforts for the benefit of the Company and to aid the Company in attracting able persons to enter the service of the Company or its subsidiaries. To accomplish this purpose, the Plan offers an ownership interest in the Company through the distribution of awards ( Awards ) including (i) incentive stock options qualified as such under U.S. federal income tax laws ( Incentive Options ), (ii) stock options that do not qualify as incentive stock options ( Nonstatutory Options ), (iii) stock appreciation rights ( SARs ), (iv) restricted stock awards ( Restricted Stock Awards ), and (v) performance units ( Performance Units ). See Types of Awards.

No awards may be made under the Plan after the date that is ten years from the date of stockholder approval of the last amendment to the Plan which involved an increase in authorized shares of Common Stock subject to the Plan.

The Plan, in part, is intended to qualify under the provisions of Section 422 of the Internal Revenue Code of 1986, as amended (the Code ). The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ).

#### **Administration of the Plan**

The Board of Directors has appointed the Compensation Committee (the Committee ) to administer the Plan. The Committee has broad discretion to administer the Plan, interpret its provisions, and adopt policies for implementing the Plan. This discretion includes the ability to select the recipient of an Award, determine the type and amount of each Award, establish the terms of each Award, accelerate vesting or exercisability of an Award, extend the exercise period for an Award, determine whether performance conditions have been satisfied, waive conditions and provisions of an Award, permit the transfer of an Award to family trusts and other persons and otherwise modify or amend any Award under the Plan.

### Persons Who May Participate in the Plan

Any person (a Participant ) may participate in the Plan if they are (i) an employee of the Company or any of its subsidiaries, including officers and directors of the Company who are also employees of the Company or of any of its subsidiaries, (ii) a non-employee director of the Company, or (iii) any other person that the Committee designates as eligible for an Award (other than Incentive Options) because the person performs bona fide consulting or advisory services for the Company or any of its subsidiaries (other than services in connection with the offer and sale of securities in a capital-raising transaction).

A Participant under the Plan will be eligible to receive Nonstatutory Options, SARs, Restricted Stock Awards and Performance Units. A Participant may also be eligible to receive an Incentive Option if the Participant (i) is an employee of the Company or one of its corporate subsidiaries and (ii) immediately before the time the Incentive Option is granted, the Participant does not own stock possessing more than ten percent of the total combined voting power or value of all classes of stock of the Company or a subsidiary unless, at the time the Incentive Option is granted, the exercise price of the Incentive Option is at least 110% of the fair market value of the Common Stock underlying the Incentive Option and the Incentive Option is not, by its terms, exercisable after the fifth anniversary of the date of grant.

### Types of Awards

*Shares Subject to the Plan.* The maximum aggregate number of shares of Common Stock in respect of which awards may be granted for all purposes under the Plan is 8,634,878. Through May 31, 2006, the Company had issued 2,591,742 shares of restricted stock (net of forfeitures) under the Plan, 960,312 of which had become unrestricted, and 1,631,430 of which were still restricted. As of May 31, 2006, there were outstanding options to acquire an aggregate of 3,426,790 shares of Common Stock under the Plan. The exercise prices for such stock options range from \$9.74 to \$36.00. As of May 31, 2006, the Company had outstanding performance units representing the right to receive, at the election of the grantee, an aggregate of up to 35,608 shares of Common Stock or cash in an amount equal to the fair market value of such shares of Common Stock on the distribution date or dates. At May 31, 2006, the Company had previously issued 1,810,938 shares of Common Stock upon the exercise of non-qualified stock options under the Plan and had issued 9,501 shares of Common Stock upon the exercise of performance units under the Plan. Accounting for such previous exercises and the outstanding awards described in this paragraph, at May 31, 2006, the maximum number of shares that may be subject to future awards under the Plan is 760,299. If any currently outstanding awards are forfeited in the future, the shares underlying such forfeited awards will become eligible for reissuance under the Plan.

If Common Stock subject to any Award is not issued or transferred, or ceases to be issuable or transferable for any reason, including (but not exclusively) because an Award is forfeited, terminated, expires unexercised, is settled in cash in lieu of Common Stock or is exchanged for other Awards, the shares of Common Stock that were subject to that Award will again be available for issue, transfer or exercise pursuant to Awards under the Plan to the extent of such forfeiture, termination, expiration, settlement or exchange. The Common Stock issued under the Plan may be shares originally issued by the Company, shares held by the Company in treasury, shares which have been reacquired by the Company or shares which have been bought on the market for the purposes of the Plan. There are no fees, commissions or other charges applicable to the receipt of Common Stock under the Plan.

*Stock Options.* The Company may grant to Participants (i) Incentive Options (only to eligible Participants) and (ii) Nonstatutory Options. The Committee determines the exercise price of each option granted under the Plan. The exercise price for an Incentive Option must not be less than the fair market value of the Common Stock on the date of grant, and the exercise price of Nonstatutory Options must not be less than 85% of the fair market value of the Common Stock on the date of grant. Stock options may

be exercised as the Committee determines, but not later than ten years from the date of grant in the case of Incentive Options except as provided above with respect to a Participant that owns stock possessing more than ten percent of the total combined voting power or value of all classes of stock of the Company or a subsidiary. At the discretion of the Committee, holders may use shares of Common Stock to pay the exercise price, including shares issuable upon exercise of the option. All options issued under the Plan on or prior to the Record Date have an exercise price equal to the fair market value of Common Stock as of the date of grant for such options.

*SARs.* An SAR may be awarded in connection with or separate from a stock option. An SAR is the right to receive an amount in cash or stock equal to the excess of the fair market value of a share of the Common Stock on the date of exercise over the exercise price specified in the agreement governing the SAR (for SARs not granted in connection with a stock option) or the exercise price of the related stock option (for SARs granted in connection with a stock option). An SAR granted in connection with a stock option will entitle the holder, upon exercise, to surrender the related stock option or portion thereof relating to the number of shares for which the SAR is exercised. The surrendered stock option or portion will then cease to be exercisable. Such an SAR is exercisable only to the extent that the related stock option is exercisable. An SAR granted independently of a stock option will be exercisable as the Committee determines. The Committee may limit the amount payable upon exercise of any SAR. SARs may be paid in cash, stock or a combination of cash and stock, as the Committee provides in the agreement governing the SAR.

*Restricted Stock.* A Restricted Stock Award is a grant of shares of Common Stock that are nontransferable and subject to risk of forfeiture until specific conditions are met. The restrictions will lapse in accordance with a schedule or other conditions as the Committee determines. During the restriction period, the holder of a Restricted Stock Award may, in the Committee's discretion, have certain rights as a stockholder, including the right to vote the stock subject to the award or receive dividends on that stock. Restricted stock may also be issued upon exercise or settlement of options, SARs or Performance Units.

*Performance Units.* Performance Units are performance-based awards payable in cash, stock or a combination of both. The basis for payment of Performance Units for a given performance period is the achievement of performance objectives determined by the Committee at the beginning of the performance period. At or before the beginning of each performance period, the Committee will establish the contingent value of each Performance Unit, for that performance period, which may vary depending on the degree to which performance objectives are met. Performance objectives may be based on any performance measure or combination of measures as selected by the Committee. A performance period is any period, as selected by the Committee, of up to ten fiscal years of the Company.

*Performance Awards.* The Company may grant awards subject to performance goals that consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria. Performance awards to Covered Employees are intended to constitute performance-based compensation within the meaning of Section 162(m) of the Code and to comply with the exemption from the deduction prohibitions of Section 162(m) of the Code. During any calendar year in which the Plan is in effect, (i) the Company may not grant performance awards in the form of stock options, stock appreciation rights or restricted stock relating to more than 500,000 shares of Common Stock to any one participant in the Plan, subject to certain customary adjustments, and (ii) the maximum compensation that may be earned under the Plan from performance awards granted as performance units by any one participant is \$5,000,000.

The business criteria that the Company will use in establishing performance goals for awards intended to comply with the exemption from the deduction prohibitions of Section 162(m) of the Code will include one or more of the following: (1) earnings per share; (2) revenue targets; (3) cash flow targets; (4) cash flow return targets; (5) return on net assets, return on assets, return on investment, return on capital, or return on equity; (6) an economic value added formula; (7) operating margin or contribution



margin; (8) net income, pretax earnings, pretax earnings before interest, depreciation and amortization; pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; operating income; pretax earnings before interest depreciation and/or amortization; (9) total shareholder return; (10) debt reduction; and (11) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Company's Compensation Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of competitor companies, including the group selected by the Company for purposes of the stock performance graph contained in the proxy statement for the Company's annual meetings of stockholders.

#### **Other Provisions**

*Tax Withholding.* At the Committee's discretion and subject to conditions that the Committee may impose, a participant's tax withholding with respect to an award may be satisfied by the withholding of shares of Common Stock issuable pursuant to the award or the delivery of previously owned shares of Common Stock in either case based on the fair market value of the shares.

*Merger, Recapitalization or Change of Control.* If any change is made to the Company's capitalization, such as a stock split, stock combination, stock dividend, exchange of shares or other recapitalization, merger or otherwise, which results in an increase or decrease in the number of outstanding shares of Common Stock, appropriate adjustments will be made by the Committee in the shares subject to an Award under the Plan. In general, upon a change in control of the Company, if approved by the Compensation Committee of the Board of Directors, (a) all outstanding stock options and stock appreciation rights will immediately vest and become exercisable by the holder, (b) the restriction period on all awards of restricted stock will immediately be accelerated and the restrictions will expire, (c) the target payout opportunity attainable under all performance units will be deemed to be fully earned for all performance periods and the holder will be paid (in cash within 30 days after the change in control for cash-based performance units and in stock upon the change in control for stock-based performance units) a pro rata portion of all associated targeted payout opportunities based on the number of complete and partial calendar months elapsed as of the date of the change in control. In the event that a change in control involves a merger or consolidation in which the Company is not the surviving entity or in which all of the outstanding shares of capital stock of the Company are exchanged for shares of capital stock in another entity, or in the event a change in control involves a sale of substantially all of the assets of the Company, and in connection with the change in control securities, cash or property are issuable or deliverable in exchange for capital stock of the Company, then the holders of awards granted under the Plan will be entitled to receive (in a form appropriate for each particular form of award) the amount of securities, cash or property to which they would be entitled as if their particular award were in the form of capital stock of the Company. In addition, under employment agreements with Robert E. Sulentic, William F. Concannon, James R. Groch, Derek R. McClain, John A. Stirek, T. Christopher Roth, Michael J. Lafitte, Matthew S. Khourie and Diane Paddison, the Company has agreed that all awards held by these executive officers will automatically vest in full upon the occurrence of a change in control. The Committee has discretion to determine whether an Award under the Plan will have change-of-control features. The Committee also has discretion to vary the change-of-control features as it deems appropriate.

*Amendment.* Without stockholder approval, the Board of Directors may at any time and from time to time with respect to any shares which, at the time, are not subject to Awards suspend, discontinue, revise, or amend the Plan in any respect whatsoever, and may amend any provision of the Plan or any Award Agreement to make the Plan or the Award Agreement, or both, comply with Section 16(b) of the Exchange Act of 1934 (the Exchange Act) and the exemptions therefrom, the Code, ERISA, or any other law, rule or regulation that may affect the Plan. The Board of Directors may also amend, modify, suspend or terminate the Plan for the purpose of meeting or addressing any changes in other legal requirements applicable to the Company or the Plan or for any other purpose permitted by law. Subject to certain limitations, the Plan may not be amended without stockholder approval to increase materially the aggregate number of shares of Common Stock that may be issued under the Plan.

**EXECUTIVE COMPENSATION**

The following table sets forth certain information for the years ended December 31, 2003, 2004 and 2005, concerning the cash and non-cash compensation earned by, or awarded to, all individuals serving as the Chief Executive Officer of the Company during the 2005 fiscal year and each of the other six most highly compensated executive officers of the Company whose annual salary and bonus for the year ended December 31, 2005, exceeded \$100,000 (the Named Executive Officers).

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation (\$)(1)	Long-Term Compensation Awards		Payouts LTIP Payouts (\$)	All Other Compensation (\$)(3)
		Salary(\$)	Bonus(\$)		Restricted Stock Awards\$(2)	Securities Underlying Options (#)		
Robert E. Sulentic Chairman, Chief Executive Officer and President	2005	440,000	940,000(4)	20,000	935,388(5)			7,797
	2004	400,000	960,000	20,000	2,085,000(6)			7,500
	2003	400,000	600,000	15,000				7,406
William F. Concannon(7) Vice Chairman	2005	330,000	875,000	20,000	597,615(8)			107,938(9)
	2004	310,000	685,000	20,000				157,176(10)
	2003	310,000	300,000	15,551(11)	825,000(12)			158,030(13)
James R. Groch Chief Investment Officer and President, Funds and Investment Management	2005	330,000	950,000	20,000	727,524(14)			6,972
	2004	270,000	705,000	20,000				6,738
	2003	270,000	380,000	15,000	825,000(12)			6,588
Matthew S. Khourie President, Development and Investment - Central Operations	2005	310,000	800,000	20,000	415,728(15)			6,946
	2004	235,000	305,000	10,000	98,480(16)			1,805,926(17)
	2003	200,000	86,080	7,500	607,100(18)			30,000(19)
Michael J. Lafitte President, Global Services	2005	350,000	950,000	20,000	623,592(20)			7,350
	2004	270,000	705,000	20,000				94,250(21)
	2003	270,000	380,000	15,000	825,000(12)			227,194(22)
T. Christopher Roth President, Development and Investment - Eastern Operations	2005	310,000	800,000	20,000	415,728(15)			8,141(23)
	2004	270,000	680,000	20,000				7,922(24)
	2003	270,000	325,000	15,000	825,000(12)			16,952(25)
John A. Stirek President, Development and Investment - Western Operations	2005	310,000	800,000	20,000	415,728(15)			7,266
	2004	270,000	680,000	20,000				69,238(26)
	2003	270,000	325,000	142,912(27)	825,000(12)			159,318(28)

(1) Reflects \$15,000 payments paid to each Named Executive Officer in 2003, and \$20,000 in 2004 and 2005 (except that Mr. Khourie received \$10,000 in 2004 and \$7,500 in 2003), in lieu of the Company providing certain customary executive perquisites. Does not reflect the Company's payment of legal fees for counsel to nine of the Company's executive officers, including all of the Named Executive Officers, incurred in connection with the negotiation of employment agreements. The amount of these legal fees was \$47,783 in 2003, \$10,321 in 2004 and \$788 in 2005. These legal fees represent fees for group representation of the Company's executive officers and it is not practicable to specify which portions of these legal fees were incurred with respect to any particular Named Executive Officer.

(2) The number and value of the aggregate restricted stock holdings at December 31, 2005 for each Named Executive Officer is 189,753 and \$4,867,164 for Mr. Sulentic, 85,398 and \$2,190,459 for Mr. Concannon, 90,919 and \$2,332,072 for Mr. Groch, 67,668 and \$1,735,684 for Mr. Khourie, 86,502 and \$2,218,776 for Mr. Lafitte, 77,668 and \$1,992,184 for Mr. Roth, and 77,668 and \$1,992,184 for Mr. Stirek (based on a value per share of Common Stock equal to \$25.65, the price per share of Common Stock for the last trade reported by the New York Stock Exchange on December 31, 2005). While the Company

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does not anticipate paying dividends in the foreseeable future, in the event dividends are paid on the Company's Common Stock, dividends will also be paid on outstanding shares of restricted stock.

(3) Reflects a contribution by the Company to the 401(k) Plan (as hereinafter defined) for the benefit of each of the Named Executive Officers in the amounts of \$6,300 for 2005, \$6,150 for 2004 and \$6,000 for 2003. Additionally, the Company maintains a single group term life insurance policy for all of its active employees (approximately 6,500 at

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March 31, 2005), under which each Named Executive Officer has a death benefit equal to twice his base salary. The Company pays a single premium for the policy. Although it is not possible to determine what portion of the premium might be attributable to the Named Executive Officers individually, the income deemed to be received by the Named Executive Officers under Federal income tax regulations as a result of this benefit is as follows: for 2005, \$1,638 for Mr. Concannon, \$672 for Mr. Groch, \$646 for Mr. Khourie, \$1,050 for Mr. Lafitte, \$1,481 for Mr. Roth, \$966 for Mr. Stirek, and \$1,497 for Mr. Sulentic; for 2004, \$1,026 for Mr. Concannon, \$588 for Mr. Groch, \$588 for Mr. Lafitte, \$300 for Mr. Khourie, \$1,352 for Mr. Roth, \$588 for Mr. Stirek, and \$1,350 for Mr. Sulentic; and for 2003, \$1,026 for Mr. Concannon, \$588 for Mr. Groch, \$588 for Mr. Lafitte, \$257 for Mr. Khourie, \$867 for Mr. McClain, \$1,352 for Mr. Roth, \$468 for Mr. Stirek, and \$1,406 for Mr. Sulentic.

- (4) See Compensation Committee Report on Executive Compensation Chief Executive Officer Pay on page 16.
- (5) Represents the value on the date of grant of 39,753 shares of restricted stock awarded on May 18, 2005. The restrictions lapse with respect to such shares on May 18, 2009.
- (6) Represents the value on the date of grant of 150,000 shares of restricted stock awarded on April 8, 2004. The restrictions lapsed with respect to 60,000 shares on April 8, 2006, and will lapse with respect to 30,000 shares on April 8 of each of 2007, 2008 and 2009.
- (7) Does not include compensation received for service at the request of the Company as a director of Savills in the amount of (i) £22,217 in 2004 (approximately \$42,568 at the December 31, 2004, average currency exchange rate of \$1.916/£), and (ii) £22,500 in 2003 (approximately \$40,019 at the December 31, 2003, average currency exchange rate of \$1.7786/£). Mr. Concannon stopped receiving this compensation in October 2004.
- (8) Represents the value on the date of grant of 25,398 shares of restricted stock awarded on May 18, 2005. The restrictions lapse with respect to such shares on May 18, 2009.
- (9) Includes \$100,000 in relocation payments.
- (10) Includes \$150,000 in relocation payments.
- (11) Includes a \$551 tax gross-up payment related to moving expenses.
- (12) Represents the value on the date of grant of 100,000 shares of restricted stock awarded on March 5, 2003. The restrictions lapsed with respect to 40,000 shares on March 5, 2005, and with respect to 20,000 shares on March 5, 2006, and the restrictions will lapse with respect to 20,000 shares on March 5 of each of 2007 and 2008.
- (13) Includes \$150,000 in relocation payments, a \$218 payment for taxable moving expenses and a \$786 payment for non-taxable moving expenses.
- (14) Represents the value on the date of grant of 30,919 shares of restricted stock awarded on May 18, 2005. The restrictions lapse with respect to such shares on May 18, 2009.
- (15) Represents the value on the date of grant of 17,668 shares of restricted stock awarded on May 18, 2005. The restrictions lapse with respect to such shares on May 18, 2009.
- (16) Represents the value on the date of grant of 8,000 shares of restricted stock awarded on May 19, 2004. The restrictions lapsed with respect to 3,200 shares on May 19, 2006, and the restrictions will lapse with respect to 1,600 shares on May 19 of each of 2007, 2008 and 2009.
- (17) Includes a \$1,805,926 bonus paid with respect to the financial performance of certain real estate development transactions.
- (18) Represents the value on the date of grant of 50,000 shares of restricted stock awarded on March 5, 2003, and 20,000 shares of restricted stock awarded on May 21, 2003. The restrictions lapsed with respect to 20,000 shares on March 5, 2005, with respect to 10,000 shares on March 5, 2006, with respect to 8,000 shares on May 21, 2005, and with respect to 4,000 shares on May 21, 2006. The restrictions will lapse with respect to 10,000 shares on March 5 of each of 2007 and 2008, and with respect to 4,000 shares on May 21 of each of 2007 and 2008.
- (19) Includes a \$30,000 bonus paid with respect to the financial performance of certain real estate development transactions.

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- (20) Represents the value on the date of grant of 26,502 shares of restricted stock awarded on May 18, 2005. The restrictions lapse with respect to such shares on May 18, 2009.
- (21) Includes a \$17,717 bonus paid with respect to the financial performance of certain real estate development transactions and a \$69,795 bonus paid with respect to the performance of certain services contracts.
- (22) Includes a \$172,461 bonus paid with respect to the financial performance of certain real estate development transactions and a \$48,145 bonus paid with respect to the performance of certain services contracts.
- (23) Includes a \$360 payment for taxable parking expenses.
- (24) Includes a \$420 payment for taxable parking expenses.
- (25) Includes a \$9,600 bonus paid with respect to the financial performance of certain real estate development transactions.
- (26) Includes \$62,500 in relocation payments.
- (27) Includes relocation loan forgiveness income to Mr. Stirek during 2003 in the amount of \$125,000 plus \$1,897 imputed interest and a \$1,015 tax gross-up payment relating to moving expenses.
- (28) Includes \$150,875 in relocation payments, a \$1,347 payment for taxable moving expenses and a \$628 payment for non-taxable moving expenses.

**Aggregated Option Exercises in Last Fiscal Year  
and Fiscal Year-End Option Values**

Shown below is certain information with respect to option exercises during the fiscal year ended December 31, 2005 by the Named Executive Officers, and the number and value of unexercised options held by the Named Executive Officers as of December 31, 2005.

Name	Shares Acquired on Exercise During 2005(#)	Value Realized During 2005(\$)	Number of Shares Underlying Unexercised Options at December 31, 2005(#)		Value of Unexercised In the Money Options at December 31, 2005\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert E. Sulentic			432,185	33,333	5,361,002	391,663
William F. Concannon			369,040	19,500	4,821,616	229,125
James R. Groch			244,515	16,250	3,040,924	190,938
Matthew S. Khourie			86,037	4,375	981,885	51,406
Michael J. Lafitte	40,000	620,891	128,025	11,250	1,009,228	132,188
T. Christopher Roth			214,151	14,375	2,644,037	168,906
John A. Stirek			218,890	14,375	2,678,130	168,906

(1) Based on a value per share of Common Stock equal to **\$25.65**, the price per share of Common Stock for the last trade reported by the New York Stock Exchange on December 31, 2005.

#### Director Compensation

The Company's employee directors do not receive compensation solely in their capacity as directors of the Company. The Company's non employee directors are paid an annual cash retainer of \$30,000 for their service on the Board of Directors and \$5,000 per year for service as Lead Director or as the Chairman of a committee of the Board of Directors. Each non employee director also receives \$1,500 for every meeting of the Board of Directors (or committee on which such director serves) attended by such director, and \$250 for each time the Board of Directors (or committee on which such director serves) takes action by written consent. In addition, each incumbent non employee director receives annual equity grants under the Plan equal in value to 150% of the annual cash retainer for non employee directors. All of such awards are fully vested at the time of grant. Each new non employee director receives, at the time they are put on the Board, a one time equity grant equal in value to the annual cash retainer for non-employee directors, subject to whatever vesting requirements, if any, that the Board may determine. In addition, all directors are reimbursed for out of pocket expenses incurred in connection with their attendance at meetings of the Board of Directors and committees thereof. Mr. Williams also participates in the Company's healthcare benefit plan and pays the same amount as the Company's active employees for participation in the plan.

#### Assumed Option Plan

In connection with the formation of the Company in 1997 as the successor to Trammell Crow Company, a Texas close corporation (the Predecessor Company), the Company agreed to assume the Trammell Crow Company 1997 Stock Option Plan (the Assumed Option Plan), which had been adopted by the Predecessor Company. On August 1, 1997, the Predecessor Company granted to certain of its employees nonqualified stock options to acquire an aggregate of 1,626 shares of its common stock, which constitutes all shares authorized under the Assumed Option Plan. In connection with the formation of the Company, the Company assumed the Predecessor Company's obligations with respect to all such options, and the Company became obligated to issue up to an aggregate of 2,423,769 shares of Common Stock at a purchase price of \$3.85 per share upon the exercise of such options. All of such options vested upon the closing of the Company's initial public offering in November 1997 and became exercisable 30

days thereafter. The options expire on August 1, 2007, and are not contingent on continued employment with the Company. As of May 31, 2006, 2,091,033 shares of Common Stock had been issued upon the exercise of options pursuant to the Assumed Option Plan 83,519 shares issuable upon the exercise of options had been forfeited to satisfy tax withholding obligations, and 249,217 shares were the subject of outstanding awards under the Assumed Option Plan. No additional options will be granted under the Assumed Option Plan.

#### **Employee Stock Purchase Plan**

The Company maintains the Stock Purchase Plan to encourage employees to become and remain stockholders of the Company and to provide employees an opportunity to do so through payroll deductions. Purchases of stock under the Stock Purchase Plan are intended to qualify under the provisions of Sections 421 and 423 of the Code.

All regular full-time or part-time employees of the Company or any of its parent or subsidiary corporations (other than certain international employees) who are customarily employed at least 20 hours per week and at least 5 months per year are eligible to participate in the Stock Purchase Plan in an amount up to 10% of their annual compensation not to exceed 250 shares of common stock in any option period (which occur twice in each calendar year) or \$25,000 worth of common stock in any calendar year, subject to other limitations imposed by Section 423(b) of the Code. No employee may purchase stock pursuant to the Stock Purchase Plan if after the purchase the employee would own 5% or more of the voting power or value of all classes of stock of the Company or its subsidiaries. The purchase price per share at which shares of Common Stock are sold under the Stock Purchase Plan is an amount equal to 85% of the fair market value of Common Stock on the date of exercise. Employees may not sell stock purchased through the Stock Purchase Plan for a period of twelve months from the date of purchase. At May 31, 2006, 6,690 employees of the Company and its subsidiaries were eligible to participate in the Stock Purchase Plan. A total of 3,000,000 shares of Common Stock have been reserved for issuance and may be subject to outstanding awards under the Stock Purchase Plan. As of May 31, 2006, 1,138 eligible employees of the Company and its subsidiaries had elected to participate in the Stock Purchase Plan. Through May 31, 2006, participants had purchased an aggregate of 2,131,606 shares of Common Stock under the Stock Purchase Plan at a weighted average purchase price of \$11.97 per share, and 868,394 shares were available for future awards under the Stock Purchase Plan.

#### **401(k) Plan**

The Company sponsors a retirement plan called the Trammell Crow Company Retirement Savings Plan (the 401(k) Plan ). As of May 31, 2006, the total assets held by the 401(k) Plan were valued at approximately \$234,000,000. Prudential Bank and Trust FSB is the trustee for the assets held under the Company's 401(k) Plan (other than certain life insurance policies held under a trust for which Robert A. James and Derek R. McClain are the trustees). Employees (including members of management) are eligible to make voluntary contributions under the 401(k) Plan which in some instances may range up to 100% of their annual compensation, subject to the applicable limitations in the Code. The Company is permitted to make a discretionary contribution to the 401(k) Plan each fiscal quarter which is allocated among participants as a matching contribution based on their contributions under the 401(k) Plan. The Company's current policy is to match up to the lesser of (i) 50% of all contributions up to 6% of an employee's compensation and (ii) \$7,500 per year. The 401(k) Plan permits employees to direct investments of their accounts in Common Stock and among a selection of mutual funds. At May 31, 2006, approximately 3.3% of the 401(k) Plan assets consisted of Common Stock. The 401(k) Plan is intended to qualify as a profit sharing plan under Sections 401(a) and 401(k) of the Code.

## Employment Agreements

We have entered into employment agreements with each of the Named Executive Officers. Following is a summary of certain material terms of these employment agreements.

*Robert E. Sulentic.* Mr. Sulentic's employment agreement became effective October 17, 2003, with the initial term ending December 31, 2006. The agreement was amended on October 17, 2005 to extend the term until December 31, 2007. The term automatically renews for additional one-year terms each December 31 unless either we or Mr. Sulentic provides a notice of termination. The Employment Agreement provides that Mr. Sulentic will receive an annual base salary in accordance with our customary payroll practices for executive officers, subject to increase at any time by the Board of Directors, or decrease in the same manner and to the same extent that the annual base salary of other senior executives are decreased. Mr. Sulentic is eligible to receive annual bonus payments as the Board of Directors or the Compensation Committee of the Board of Directors may specify in its sole discretion, and is entitled to participate in our compensation, retirement, health and welfare benefit plans applicable to our executive officers. Mr. Sulentic is entitled to certain termination payments in the event that, prior to a change in control, he is terminated by us without cause or he terminates his employment with good reason.

If we experience a change in control and Mr. Sulentic's employment is terminated on or within two years thereafter by us without cause, by Mr. Sulentic for good reason, or upon our election not to renew Mr. Sulentic's employment, Mr. Sulentic is entitled to receive the following compensation in addition to awarded but unpaid bonuses and accrued base salary, benefits and investment plan participation amounts: (i) cash payments in the amounts of three times (a) Mr. Sulentic's highest annual base salary for the preceding 12 months, and (b) one-half of Mr. Sulentic's mean annual bonus for the preceding three years plus one-half of Mr. Sulentic's current annual bonus target; (ii) cash payments in the amounts of (a) the unvested portion of any matching contribution account under our 401(k) Plan, and (b) three times our matching contribution under our 401(k) Plan for the calendar year prior to the year in which the termination occurs; (iii) continuing coverage under our health plan for three years, with the active employee cost to be paid by Mr. Sulentic; (iv) a pro rated bonus payment based on the average percentage of annual cash incentive bonuses paid to our other senior executives, payable when such incentive bonuses are paid to other senior executives; (v) expenses for enrollment in an outplacement program for up to 12 months; and (vi) continued vesting of all awards granted after a change in control under the Plan for a period of two years. Mr. Sulentic also may terminate his employment no later than the seventh calendar month following a change in control and receive the compensation and benefits described above in this paragraph. Upon a change in control, all awards held by Mr. Sulentic pursuant to our equity incentive plans will automatically vest and become exercisable. The employment agreement provides that Mr. Sulentic may not compete with us or solicit our employees, or interfere with certain of our business relationships, during his employment with us and for 15 months after termination in the event the termination is by us for cause, by Mr. Sulentic without good reason, or due to a non-renewal election by Mr. Sulentic within two years after a change in control.

*William F. Concannon.* Mr. Concannon's employment agreement was amended and restated on October 17, 2005, and the term of Mr. Concannon's employment agreement was extended from March 31, 2006 to December 31, 2007. The term automatically renews for additional one-year terms each December 31 unless either the Company or Mr. Concannon provides a notice of termination. The employment agreement provides that Mr. Concannon will receive an annual base salary payable in accordance with our customary payroll practices for executive officers, subject to increase at any time by the Board of Directors, and subject to decrease in the same manner and to the same extent that the annual base salary of other senior executives is decreased. Mr. Concannon is eligible to receive annual bonus payments as the Board of Directors or the Compensation Committee of the Board of Directors may specify in its sole discretion, and is entitled to participate in our compensation, retirement, health and welfare benefit plans applicable to our executive officers. Mr. Concannon is entitled to certain



termination payments in the event that, prior to a change in control, he is terminated by us without cause or he terminates his employment with good reason.

If we experience a change in control and Mr. Concannon's employment is terminated on or within two years thereafter by us without cause, by Mr. Concannon for good reason or upon our election not to renew Mr. Concannon's employment, then Mr. Concannon is entitled to receive the following compensation in addition to awarded but unpaid bonuses and accrued base salary, benefits and investment plan participation amounts: (i) cash payments in the amounts of two and one-half times (a) Mr. Concannon's highest annual base salary for the preceding 12 months, and (b) one-half of Mr. Concannon's mean annual bonus for the preceding three years plus one-half of Mr. Concannon's current annual bonus target; (ii) continuing coverage under our health plan for two and one-half years, with the active employee cost to be paid by Mr. Concannon; (iii) a pro-rated bonus payment based on the average percentage of annual cash incentive bonuses paid to our other senior executives, payable when such incentive bonuses are paid to other senior executives; (iv) expenses for enrollment in an outplacement program for up to 12 months; and (v) continued vesting of all equity awards granted under the Plan for a period of 18 months after termination. Upon a change in control, all awards held by Mr. Concannon pursuant to our equity incentive plans will automatically vest and become exercisable. The employment agreement provides that Mr. Concannon may not compete with us or solicit our employees, or interfere with certain of our business relationships, during his employment with us and for 12 months after termination in the event the termination is by us for cause, by Mr. Concannon without good reason or due to a non-renewal election by Mr. Concannon within two years after a change in control.

*James R. Groch.* Mr. Groch's employment agreement became effective October 17, 2003, with an initial term ending on December 31, 2006. The agreement was amended on October 17, 2005 to extend the term until December 31, 2007. The term automatically renews for additional one-year terms each December 31 unless either we or Mr. Groch provides a notice of termination. The Employment Agreement provides that Mr. Groch will receive an annual base salary payable in accordance with our customary payroll practices for executive officers, subject to increase at any time by the Board of Directors, and subject to decrease in the same manner and to the same extent that the annual base salary of other senior executives is decreased. Mr. Groch is eligible to receive annual bonus payments as the Board of Directors or the Compensation Committee of the Board of Directors may specify in its sole discretion, and is entitled to participate in our compensation, retirement, health and welfare benefit plans applicable to our executive officers. Mr. Groch is entitled to certain termination payments in the event that, prior to a change in control, he is terminated by us without cause or he terminates his employment with good reason. If we experience a change in control and Mr. Groch's employment is terminated on or within two years thereafter by us without cause, by Mr. Groch for good reason or upon our election not to renew Mr. Groch's employment, Mr. Groch is entitled to receive the following compensation in addition to awarded but unpaid bonuses and accrued base salary, benefits and investment plan participation amounts: (i) cash payments in the amounts of two and one-half times (a) Mr. Groch's highest annual base salary for the preceding 12 months, and (b) one-half of Mr. Groch's mean annual bonus for the preceding three years plus one-half of Mr. Groch's current annual bonus target; (ii) cash payments in the amounts of (a) the unvested portion of any matching contribution account under our 401(k) Plan, and (b) two and one-half times our matching contribution under our 401(k) Plan for the calendar year prior to the year in which the termination occurs; (iii) continuing coverage under our health plan for two and one-half years, with the active employee cost to be paid by Mr. Groch; (iv) a pro-rated bonus payment based on the average percentage of annual cash incentive bonuses paid to our other senior executives, payable when such incentive bonuses are paid to other senior executives; (v) expenses for enrollment in an outplacement program for up to 12 months; and (vi) continued vesting of all awards granted after a change in control under the Plan for a period of 18 months. Mr. Groch also may terminate his employment no later than the seventh calendar month following a change in control and receive the compensation and benefits described above in this paragraph. Upon a change in control, all awards held by Mr. Groch pursuant to our equity incentive plans will automatically vest and become exercisable.

The employment agreement provides that Mr. Groch may not compete with us or solicit our employees, or interfere with certain of our business relationships, during his employment with us and for 12 months after termination in the event the termination is by us for cause, by Mr. Groch without good reason, or due to a non-renewal election by Mr. Groch within two years after a change in control.

*Matthew S. Khourie.* Mr. Khourie's employment agreement became effective September 28, 2004, with an initial term ending on December 31, 2006. The agreement was amended on October 17, 2005 to extend the term until December 31, 2007. The term automatically renews for additional one-year terms each December 31 unless either we or Mr. Khourie provides a notice of termination. The Employment Agreement provides that Mr. Khourie will receive an annual base salary payable in accordance with our customary payroll practices for executive officers, subject to increase at any time by the Board of Directors, and subject to decrease in the same manner and to the same extent that the annual base salary of other senior executives is decreased. Mr. Khourie is eligible to receive annual bonus payments as the Board of Directors or the Compensation Committee of the Board of Directors may specify in its sole discretion, and is entitled to participate in our compensation, retirement, health and welfare benefit plans applicable to our executive officers. Mr. Khourie is entitled to certain termination payments in the event that, prior to a change in control, he is terminated by us without cause or he terminates his employment with good reason. If we experience a change in control and Mr. Khourie's employment is terminated on or within two years thereafter by us without cause, by Mr. Khourie for good reason or upon our election not to renew Mr. Khourie's employment, Mr. Khourie is entitled to receive the following compensation in addition to awarded but unpaid bonuses and accrued base salary, benefits and investment plan participation amounts: (i) cash payments in the amounts of two and one-half times (a) Mr. Khourie's highest annual base salary for the preceding 12 months, and (b) one-half of Mr. Khourie's mean annual bonus for the preceding three years plus one-half of Mr. Khourie's current annual bonus target; (ii) cash payments in the amounts of (a) the unvested portion of any matching contribution account under our 401(k) Plan, and (b) two and one-half times our matching contribution under our 401(k) Plan for the calendar year prior to the year in which the termination occurs; (iii) continuing coverage under our health plan for two and one-half years, with the active employee cost to be paid by Mr. Khourie; (iv) a pro rated bonus payment based on the average percentage of annual cash incentive bonuses paid to our other senior executives, payable when such incentive bonuses are paid to other senior executives; (v) expenses for enrollment in an outplacement program for up to 12 months; and (vi) continued vesting of all awards granted after a change in control under the Plan for a period of 18 months. Upon a change in control, all awards held by Mr. Khourie pursuant to our equity incentive plans will automatically vest and become exercisable.

The employment agreement provides that Mr. Khourie may not compete with us or solicit our employees, or interfere with certain of our business relationships, during his employment with us and for 12 months after termination in the event the termination is by us for cause, by Mr. Khourie without good reason, or due to a non-renewal election by Mr. Khourie within two years after a change in control.

*Michael J. Lafitte.* Mr. Lafitte's employment agreement was amended and restated on October 17, 2005, and the term of Mr. Lafitte's employment agreement was extended from December 31, 2006 to December 31, 2007. The employment agreement has terms substantially similar to the employment agreement between us and Mr. Concannon described above.

*T. Christopher Roth.* Mr. Roth's employment agreement became effective April 6, 2004, with an initial term ending on December 31, 2006. The agreement was amended on October 17, 2005 to extend the term until December 31, 2007. The employment agreement has terms substantially similar to the employment agreement between us and Mr. Khourie described above.

*John A. Stirek.* Mr. Stirek's employment agreement became effective March 2, 2004, with an initial term ending on December 31, 2006. The agreement was amended on October 17, 2005 to extend

the term until December 31, 2007. The employment agreement has terms substantially similar to the employment agreement between us and Mr. Khourie described above.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

### **Role of the Compensation Committee**

The Compensation Committee of the Board of Directors (the "Committee") is comprised of Mr. Curtis F. Feeny (the Committee Chairman), Mr. James R. Erwin and Dr. Rowland T. Moriarty. Each of Mr. Feeny, Mr. Erwin and Dr. Moriarty is a non employee director of the Company and has been found by the Board of Directors to be independent.

The Committee serves the purposes and carries out the duties established for it in the Compensation Committee Charter adopted by the Board of Directors. These purposes and duties include approving the compensation for the non-employee members of the Board of Directors and the annual salaries, bonuses and long term incentive awards for the Company's executive officers, including the Chief Executive Officer. The Committee also administers the Long-Term Incentive Plan and, subject to the provisions of such plan, determines grants under such plan for all consultants, directors and employees, including executive officers. It has been the Committee's regular practice to engage outside compensation consultants to advise it with respect to a variety of matters considered by the Committee. Certain matters considered by the Committee are resolved subject to review and approval by the full Board of Directors.

The Committee held four meetings during the Company's fiscal year ended December 31, 2005. At those meetings the Committee (i) reviewed the Company's compensation practices for directors and employees, (ii) established compensation levels for the Company's senior executives, (iii) granted performance unit awards and restricted stock to non-employee directors, certain senior executives and other key employees of the Company and its subsidiaries, (iv) considered and approved the terms of employment agreements for certain of the Company's senior executives and approved the extension of the terms for all executive employment agreements, (v) reviewed the performance of the Company's senior executives in light of their established individual performance criteria, (vi) evaluated and updated, as it determined appropriate, the Committee's charter and regular business work plan, (vii) evaluated the Committee's performance and its work processes, (viii) considered other matters related to the role that compensation and related topics play in pursuing the strategic objectives established by the Board of Directors, and (ix) conducted regular sessions without management present.

### **Principles of Executive Compensation**

The Company's executive compensation philosophy is designed to (a) establish competitive levels of compensation driven by individual performance criteria that support the Company's annual and long term performance goals, (b) reward above average performance, (c) recognize individual initiative and achievement, (d) assist the Company in attracting and retaining talented executives, and (d) align the interests of executives with the long term interests of the Company's stockholders. The Company believes that furtherance of these objectives is best accomplished by providing senior executives with compensation packages that consist of a combination of base salary, annual incentive bonus and grants of equity awards under the Long-Term Incentive Plan. The Company's base salary component is designed to be comparable to median base salaries paid by other real estate companies, other service companies comparable in size to the Company and other organizations with whom the Company competes for the services of the professionals that execute the Company's business. The Company emphasizes performance related incentive compensation (such as cash bonuses and equity grants) to reward executives for favorable individual performance, favorable Company performance (including financial performance) and the creation of stockholder value. This balance is intended to reflect each executive's

position, experience and ability to affect the Company's performance, and to provide the executive with strong financial incentives to achieve key business and individual performance objectives.

The Committee takes into account various quantitative indicators of corporate and individual performance in determining the level of compensation for each senior executive (such as growth in earnings and the achievement of personal or business unit objectives). These quantitative measures may vary from employee to employee and from year to year depending on the strategic objectives the Company wishes to emphasize at the time the measures are established. For instance, while Company earnings are generally a primary driver of executive compensation, the Committee may establish performance objectives that focus on other quantitative criteria intended to assure that the Company is positioned to grow and perform in the longer run, although the costs of pursuing these objectives may have a negative impact on the Company's short term financial performance. The Committee also recognizes the importance of individual achievements that may be difficult to quantify, and accordingly recognizes qualitative factors, such as demonstrated leadership and overall contributions to the Company.

From time to time the Company determines competitive levels of compensation for executive positions based on information drawn from compensation surveys, proxy statements for comparable organizations and other information provided by the Committee's compensation consultants. The compensation surveys, proxy statements and other information used are for other real estate companies, other service companies comparable in size to the Company and other organizations with whom the Company competes for the services of the professionals that execute the Company's business.

It should be noted that the value of any individual executive's compensation package will vary significantly based on performance. While the expected value of an executive's compensation package may be competitive, actual payments made to executives in a given year may be higher or lower than competitive market rates because of performance.

#### **Description of the Executive Compensation Program**

The compensation of executive officers is periodically reviewed to ensure an appropriate mix of base salary, annual incentive and long term incentive to provide competitive total direct compensation opportunities consistent with the pay philosophy articulated above. A description of each of the principal elements of the Company's 2005 executive compensation program follows.

##### *Base Salary*

The Company believes that it is crucial to provide competitive salaries in order to attract and retain talented executive officers. The objective of the Company's base salary program is to provide executive officers with salaries that are comparable to the market median. Given that the Company competes with other organizations that have different management structures and different business mixes, establishing the appropriate market median is a complex and inherently imprecise undertaking. Base salaries for individual executives are set at levels considered appropriate in light of their position, level of responsibility within the Company, tenure and performance. Base salaries are reviewed by the Committee from time to time and are subject to adjustment based on evaluations of an executive's past and expected future contributions to the Company, changes in competitive pay levels and profitability of the Company.

##### *Annual Cash Bonus*

The Company's annual cash bonus program assists the Company in rewarding and motivating key employees. Under the Company's current annual cash incentive policies, the aggregate amount available for bonus payments to all senior executives is determined by the level of the Company's pre-tax earnings. The portion of this aggregate amount paid to each individual executive depends upon the extent

to which his or her performance objectives are achieved for the relevant performance period, and how that executive's performance compares to the performance of his or her peers at the Company.

Cash bonus awards for the Company's senior executives are targeted at levels which, when combined with the executive's base salary, provide the executive with annual cash compensation that is consistent with market rates. The Company's Chief Executive Officer was assigned a 2005 bonus target of 200% of his annual salary. As a percentage of salary, 2005 bonus targets for other senior executives ranged from 125% to 175%. While these amounts are established as bonus targets, the Committee has discretion to award senior executives bonus amounts that are less than or in excess of the bonus targets, depending on an assessment of the executive's performance and the overall performance and profitability of the Company.

With respect to each fiscal year, each senior executive is assigned performance objectives that are consistent with the Company's strategic objectives established by the Board of Directors. These objectives may relate to the executive's personal performance or performance of the executive's business unit or the Company as a whole. Following the end of the fiscal year, the executive's actual performance is measured against the performance objectives established for that year.

#### *Equity Incentive Compensation*

The Company believes that certain of its senior executives should have an ongoing stake in the long term success of the Company's business. The Company also believes that these senior executives should have a sizeable portion of their total potential compensation based upon the value of the Company's stock, since stock-related compensation aligns the executive's economic interests with that of the Company's stockholders. The Committee periodically reviews the Company's practices with respect to equity-based compensation, and has revised those practices from time to time as it deems appropriate to aid the Company in the pursuit of its strategic objectives.

The Long-Term Incentive Plan authorizes the granting of incentive and nonqualified stock options, stock appreciation rights and restricted stock awards to directors, executives and other key employees and consultants of the Company and its subsidiaries. To align the interests of senior officers with the interests of stockholders, the Committee's policy regarding such awards from and since 2003 has been to make restricted stock grants. Under this program, the Committee determines the number of shares of restricted stock to be granted to each of its executives based upon such executive's position, ability to affect Company performance, tenure and the achievement of performance objectives established for the executive and/or the executive's business unit. The Committee also considers the extent to which the executive has received equity grants in the recent past. To encourage retention, shares granted to executives under this plan are subject to vesting restrictions.

In 2005, the Committee awarded a total of 217,536 shares of restricted stock to executive officers as part of its annual incentive plan. Mr. Sulentic received a grant of 39,753 shares. All such shares vest on the fourth anniversary of the date of grant.

The Committee will review annually the size and form of equity incentives for senior executives to ensure that its equity incentive compensation program is consistent with the Company's business strategy and prevailing market conditions.

#### **Chief Executive Officer Pay**

The Committee reviews the compensation of the Chief Executive Officer, who is responsible for the strategic and financial performance of the Company, and the Committee's recommendation with respect to the Chief Executive Officer's compensation is subject to approval by the Board of Directors.

As noted before, Mr. Sulentic was assigned a 2005 bonus target of \$940,000 (200% of his 2005 annual salary). Given the level of the Company's 2005 earnings, the aggregate amount available for bonus payments to all senior executives, including the Chief Executive Officer, was sufficient to generally allow payment of bonuses that materially exceeded full bonus targets if performance warranted it. After considering Mr. Sulentic's performance in 2005, which the Board of Directors assessed to be very favorable, the Committee determined that his performance would make it appropriate to award an annual cash incentive bonus of \$1,450,000. In coming to this determination, the Committee did not apply a strictly quantitative analysis against a set of quantitative objectives. Rather, the Committee considered a variety of quantitative and qualitative factors to measure Mr. Sulentic's performance as the Company's Chief Executive Officer. The Committee recognized Mr. Sulentic's work in establishing strategic initiatives for the Company and the Company's success in implementing those initiatives. The objective matters considered by the Committee included (i) the Company's 2005 earnings and share price performance, (ii) the Company's continued success on customer service and customer satisfaction initiatives, (iii) the growth and retention of the Company's professional ranks in a manner that supports the Company's strategic objectives, (iv) progress on the establishment of certain investment funds sponsored by the Company, (v) the Company's growth in certain identified markets, and (vi) the Company's continued progress on other operational and strategic initiatives throughout 2005. The qualitative matters considered by the Committee included the example Mr. Sulentic provides to his leadership team and the rest of the Company's employees, as well as his business ethics and integrity.

When informed of the Committee's determination, Mr. Sulentic told the Committee that he believed the acceptance of a lesser annual incentive bonus would make it possible to provide larger rewards for other senior officers (including non executives) who had performed admirably for the Company in 2005, while still constituting a fair reward to him for favorable performance. He noted his belief that it was in the long term interest of the Company and himself to accept an annual incentive bonus that was less than that originally determined by the Committee. After further discussion, in light of Mr. Sulentic's request, the Committee awarded him a bonus of \$940,000.

Based on information available to the Committee, the Committee believes that the base salary and other compensation paid to Mr. Sulentic for his service as the Company's Chief Executive Officer in 2005 was reasonable to the Company.

#### **\$1 Million Pay Deductibility Cap**

Section 162(m) of the Code generally imposes a \$1 million per person annual limit on the amount the Company may deduct as compensation expense for its Chief Executive Officer and its four other highest paid officers. To the extent readily determinable, and as one of the factors in considering compensation matters, the Committee considers the anticipated tax treatment to the Company and to its executives of various payments and benefits. Some types of compensation payments and their deductibility (e.g., the spread on exercise of non qualified options) depend upon the timing of an executive's vesting or exercise of previously granted rights. Further, interpretations of and changes in the tax laws and other factors beyond the Committee's control also affect the deductibility of compensation. For these and other reasons, the Committee will not necessarily limit executive compensation to that deductible under Section 162(m) of the Code. Therefore the Committee, subject to the factors provided above, has the discretion to grant awards which result in non deductible compensation.

The Compensation Committee of the Board of Directors with respect to the 2005 calendar year was:

Curtis F. Feeny, Chairman  
James R. Erwin  
Rowland T. Moriarty

**COMPENSATION COMMITTEE INTERLOCKS  
AND INSIDER PARTICIPATION**

The Compensation Committee of the Board of Directors currently consists of Messrs. Erwin and Feeny and Dr. Moriarty. None of such persons are officers or employees or former officers of the Company.

**PERFORMANCE GRAPH**

The Performance Graph shown below was prepared by the Company for use in this Proxy Statement. Note that historic stock price performance is not necessarily indicative of future stock performance. The graph was prepared based upon the following assumptions:

1. \$100 was invested in the Company's Common Stock, the NYSE Market Index and the Company's Peer Group (as defined below) on December 31, 2000.
2. Peer Group investment is weighted based on the market capitalization of each individual company within the Peer Group at the beginning of the comparison period.
3. Dividends are reinvested on the ex-dividend dates.

The companies that comprise the Company's Peer Group for purposes of stockholder return comparisons are as follows: CB Richard Ellis Group, Inc. (beginning with its initial public offering in June 2004), Grubb & Ellis Company, Jones Lang LaSalle Incorporated and Insignia Financial Group, Inc. (until its merger with CB Richard Ellis Group, Inc. in August 2003).

**COMPARISON OF CUMULATIVE TOTAL RETURN OF ONE OR MORE  
COMPANIES, PEER GROUPS, INDUSTRY INDEXES AND/OR BROAD MARKETS**

COMPANY/INDEX/MARKET	FISCAL YEAR ENDING					
	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005
Trammell Crow	100.00	86.67	66.67	98.15	134.15	190.00
Peer Group Index	100.00	97.45	71.12	109.80	229.36	374.96
NYSE Market Index	100.00	91.09	74.41	96.39	108.85	117.84



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS,  
DIRECTORS AND MANAGEMENT**

The following table and the notes thereto set forth certain information regarding the beneficial ownership of the Common Stock as of May 31, 2006, by (a) each current director of the Company; (b) each of the Named Executive Officers; (c) all executive officers and directors of the Company as a group; and (d) each other person known to the Company to own beneficially more than five percent of the Common Stock outstanding on the Record Date.

Unless otherwise indicated, all stockholders set forth below have the same principal business address as the Company. The number of shares beneficially owned by a person includes shares of Common Stock that are subject to stock options that are either currently exercisable or exercisable within 60 days after May 31, 2006. These shares are also deemed outstanding for the purpose of computing the percentage of outstanding shares owned by the person. These shares are not deemed outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, to the Company's knowledge, each stockholder has sole voting and dispositive power with respect to the securities beneficially owned by that stockholder. On May 31, 2006, there were 36,344,295 shares of Common Stock outstanding.

Name	Number of Shares Owned	Percentage of Shares Beneficially Owned
Third Avenue Management LLC 622 Third Avenue, 32nd Floor New York, New York 10017-2023	6,642,282(1)	18.3%
Robert E. Sulentic	902,576(2)	2.5%
William F. Concannon	706,498(3)	1.9%
J. McDonald Williams	531,090(4)	1.5%
James R. Groch	463,260(5)	1.3%
Matthew S. Khourie	401,002(6)	1.1%
T. Christopher Roth	297,214(7)	*
John A. Stirek	295,052(8)	*
Michael J. Lafitte	158,502(9)	*
Rowland T. Moriarty		