

TRAMMELL CROW CO  
Form 10-Q  
August 09, 2006

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2006**

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **1-13531**

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## Trammell Crow Company

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**2001 Ross Avenue**  
**Suite 3400**  
**Dallas, Texas**  
(Address of principal executive offices)

**75-2721454**  
(IRS Employer  
Identification No.)

**75201**  
(Zip Code)

**(214) 863-3000**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name, former address and former  
fiscal year, if changed since last report)

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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

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to such filing requirements for the past 90 days. Yes  No

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  Accelerated filer  Non-accelerated filer

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

There were 36,066,775 shares of the registrant's common stock outstanding as of July 31, 2006.

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**TRAMMELL CROW COMPANY AND SUBSIDIARIES  
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## PART I FINANCIAL INFORMATION

ITEM 1. *Financial Statements*

## TRAMMELL CROW COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	June 30, 2006 (Unaudited)	December 31, 2005 (Note 1)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 37,586	\$ 76,919
Restricted cash	3,406	1,416
Accounts receivable, net of allowance for doubtful accounts of \$2,720 in 2006 and \$3,235 in 2005	115,875	127,784
Receivables from affiliates	2,236	2,146
Notes and other receivables	25,359	16,303
Deferred income taxes	3,860	3,935
Real estate under development	196,894	120,697
Real estate and other assets held for sale	19,589	39,543
Marketable securities	1,961	542
Other current assets	36,200	27,393
Total current assets	442,966	416,678
Furniture and equipment, net	19,885	19,787
Deferred income taxes	13,631	16,270
Real estate under development	117,486	108,849
Real estate held for investment	112,010	88,787
Investments in unconsolidated subsidiaries	190,465	175,411
Goodwill, net	75,245	75,239
Receivables from affiliates	7,021	7,458
Marketable securities	17,388	18,089
Other assets	27,224	21,599
	\$ 1,023,321	\$ 948,167
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities		
Accounts payable	\$ 33,387	\$ 31,698
Accrued expenses	121,254	155,597
Income taxes payable	2,798	16,313
Current portion of long-term debt	2,664	1,302
Current portion of notes payable on real estate	200,099	124,682
Liabilities related to real estate and other assets held for sale	12,506	26,930
Other current liabilities	6,752	5,948
Total current liabilities	379,460	362,470
Long-term debt, less current portion	85,041	35,034
Notes payable on real estate, less current portion	122,968	106,216
Other liabilities	15,285	13,448
Total liabilities	602,754	517,168
Minority interest	35,491	29,528
Stockholders' equity		
Preferred stock; \$0.01 par value; 30,000,000 shares authorized; none issued or outstanding		
Common stock; \$0.01 par value; 100,000,000 shares authorized; 37,903,058 shares issued and 35,994,810 shares outstanding in 2006 and 37,903,058 shares issued and 36,040,317 shares outstanding in 2005	379	379
Paid-in capital	182,821	205,084
Retained earnings	250,241	240,887
Accumulated other comprehensive income	4,161	1,713
Less: Treasury stock	(52,526 )	(32,776 )
Unearned stock compensation, net		(13,816 )
Total stockholders' equity	385,076	401,471
	\$ 1,023,321	\$ 948,167

See accompanying notes.

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**TRAMMELL CROW COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except share and per share data)  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2006	2005	2006	2005
<b>REVENUES</b>				
<i>User Services:</i>				
Facilities management	\$ 66,166	\$ 59,391	\$ 131,200	\$ 114,528
Corporate advisory services	51,824	40,116	97,657	64,789
Project management services	33,783	31,963	63,462	57,287
	151,773	131,470	292,319	236,604
<i>Investor Services:</i>				
Property management	32,939	34,468	66,791	68,555
Brokerage	40,751	33,676	71,511	61,456
Construction management	2,998	2,959	6,010	5,174
	76,688	71,103	144,312	135,185
Development and construction	11,524	8,510	20,374	16,347
	239,985	211,083	457,005	388,136
Gain on disposition of real estate	2,168	906	3,238	2,474
<b>TOTAL REVENUES</b>	242,153	211,989	460,243	390,610
<b>COSTS AND EXPENSES</b>				
Salaries, wages and benefits	145,261	132,730	291,351	258,441
Commissions	42,069	34,298	76,208	56,956
General and administrative	43,292	35,963	80,393	65,987
Depreciation and amortization	2,951	2,526	5,651	4,925
Interest	2,580	1,669	4,078	2,349
<b>TOTAL EXPENSES</b>	236,153	207,186	457,681	388,658
Operating income	6,000	4,803	2,562	1,952
Interest and other income	1,081	481	1,950	1,402
Income from continuing operations before income taxes, minority interest and income from investments in unconsolidated subsidiaries	7,081	5,284	4,512	3,354
Income tax expense	(2,782)	(1,947)	(1,780)	(1,210)
Minority interest, net of income tax expense of \$233, \$607, \$86 and \$1,834	363	1,263	132	3,251
Income from investments in unconsolidated subsidiaries, net of income tax expense of \$2,571, \$1,599, \$3,955 and \$2,576	3,939	2,984	6,106	4,567
Income from continuing operations	8,601	7,584	8,970	9,962
Income from discontinued operations, net of income tax expense of \$137, \$401, \$1,610 and \$201	181	680	2,486	355
Income before cumulative effect of a change in accounting principle	8,782	8,264	11,456	10,317
Cumulative effect of a change in accounting principle, net of income tax expense of \$646			1,011	
Net income	\$ 8,782	\$ 8,264	\$ 12,467	\$ 10,317
<b>Basic earnings per share:</b>				
Income from continuing operations	\$ 0.24	\$ 0.23	\$ 0.26	\$ 0.30
Income from discontinued operations	0.01	0.02	0.07	0.01
Cumulative effect of a change in accounting principle	0.00	0.00	0.03	0.00
Net income	\$ 0.25	\$ 0.25	\$ 0.36	\$ 0.31
Basic weighted-average common shares outstanding:	34,519,683	33,422,946	34,443,884	33,555,988
<b>Diluted earnings per share:</b>				
Income from continuing operations	\$ 0.24	\$ 0.21	\$ 0.24	\$ 0.28
Income from discontinued operations	0.00	0.02	0.07	0.01
Cumulative effect of a change in accounting principle	0.00	0.00	0.03	0.00
Net income	\$ 0.24	\$ 0.23	\$ 0.34	\$ 0.29
Diluted weighted-average common shares outstanding:	36,753,346	36,053,250	36,829,966	36,097,902

See accompanying notes.



**TRAMMELL CROW COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**Six Months Ended June 30, 2006 (Unaudited) and Year Ended December 31, 2005 (Note 1)**  
**(in thousands, except share data)**

	Common Shares		Common Stock Par Value	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Unearned Stock Compensation	Total
Balance at January 1, 2005	Issued 37,902,998	Treasury 2,297,991	\$ 379	\$ 196,314	\$ 190,252	\$ 2,043	\$ (36,921)	\$ (11,117)	\$ 340,950
Net income					59,407				59,407
Stock-based compensation	60	(1,405,392)		8,770	(8,772)		24,195	(2,699)	21,494
Stock repurchase		970,142					(20,050)		(20,050)
Foreign currency translation adjustment, net of tax						(475)			(475)
Net unrealized holding gains/(losses) on available for sale securities, net of tax						145			145
Balance at December 31, 2005	37,903,058	1,862,741	379	205,084	240,887	1,713	(32,776)	(13,816)	401,471
Net income					12,467				12,467
Cumulative effect of a change in accounting principle				(15,473)				13,816	(1,657)
Stock-based compensation		(1,441,993)		(6,790)	(3,113)				