SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

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

Date of report (date of earliest event reported): April 30, 2003

CBRE HOLDING, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**000-32983**	**94-3391143**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

355 S. Grand Avenue, Suite 3100, Los Angeles, California	**90071**
(Address of Principal Executive Office)	**(Zip Code)**

(213) 613-3226
Registrant's telephone number, including area code

N/A
(Former Name or Former Address, if Changed Since Last Report)

Item 9. Regulation FD Disclosure

This filing on Form 8-K, including the exhibits hereto, is being made in part to comply with the requirements of Regulation FD under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Unless the context indicates otherwise, as used herein, the following terms have the following meanings: (1) the terms "we," "our" and "us" refer to CB Richard Ellis Services, Inc. and its subsidiaries, (2) the term "CBRE Holding" refers to CBRE Holding, Inc., (3) the term "Insignia" refers to Insignia Financial Group, Inc. and its subsidiaries, (4) the term "2001 merger" refers to the merger of Blum CB Corp., a subsidiary of CBRE Holding, with and into us and (5) the term "Insignia acquisition" refers to our acquisition of Insignia as described under the caption "The Insignia Acquisition and Related Transactions." Unless otherwise indicated, information presented "on a pro forma basis" gives effect to the Insignia acquisition and the related transactions.

Set forth below is information that is being made available to certain individuals in connection with the Insignia acquisition. The exhibits hereto contain historical financial information concerning Insignia and pro forma financial information related to our company after giving effect to the Insignia acquisition and the related transactions. CBRE Holding may be required to file other financial information with the Securities and Exchange Commission on Form 8-K in connection with the Insignia acquisition and will satisfy such obligations when and if they arise. This Form 8-K provides general descriptions of various documents. You may request complete copies of these documents by contacting us at 355 South Grand Avenue, Suite 3100, Los Angeles, California 90071, Attention: Jeffrey Seery.

This filing on Form 8-K and the exhibits hereto include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. The words "anticipate," "believe," "could," "should," "propose," "continue," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and similar terms and phrases are used in this filing and the exhibits hereto to identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding our future financial condition, prospects, developments and business strategies included in this Item 9 and the "Summary Historical Pro Forma Financial Data," "Unaudited Pro Forma Financial Information," and "Insignia Financial Group, Inc. Selected Historical Financial Data and Results of Operations" filed herewith. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to future prospects, developments and business strategies.

These forward-looking statements are made based on management's expectations and beliefs concerning future events and are subject to uncertainties and factors relating to our operations and the business environment, all of which are difficult to predict and many of which are beyond our control. These uncertainties and factors could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements.

The following factors are among those that may cause actual results to differ materially from the forward-looking statements:

- changes in general economic and business conditions;
- the failure of properties managed by us to perform as anticipated;
- our ability to successfully integrate our businesses with those of other businesses we acquire;
- our ability to achieve expected cost savings in connection with the Insignia acquisition;
- the ability of Insignia to sell selected real estate investment assets before the closing of the Insignia acquisition, our ability to sell those assets thereafter and the terms and conditions of any such sales;
- competition;

- changes in social, political and economic conditions in the foreign countries in which we operate;
- foreign currency fluctuations;
- a continuation in the economic downturn in the California and New York real estate markets;
- the success of our co-investment activities;

- risks associated with our subsidiaries being general partners of numerous general and limited partnerships;
- the success of our joint venture activities;
- our ability to retain our senior management and attract and retain qualified and experienced employees;
- our ability to comply with the laws and regulations applicable to real estate brokerage and property management activities;
- whether or not we are required to divest businesses to comply with applicable competition statutes and regulations in connection with the Insignia acquisition;
- control by our majority shareholders;
- significant variability in our results of operations among quarters;
- our substantial leverage and debt service obligations;
- our ability to incur additional indebtedness; and
- our ability to generate a sufficient amount of cash to service our existing and future indebtedness.

OVERVIEW

Our Company

We are one of the world's largest commercial real estate services firms in terms of revenue, offering a full range of services to commercial real estate occupiers, owners, lenders and investors. On February 17, 2003, we entered into an agreement to acquire Insignia, another leading U.S. and international provider of commercial real estate services. Through our acquisition of Insignia, we expect to solidify our position as a market leader in the commercial real estate services industry. In 2002, on a pro forma basis, we and Insignia provided commercial real estate services through a combined total of 250 offices in 47 countries. We provide our services under the CB Richard Ellis brand name on a local, national and international basis. During 2002, on a pro forma basis, we and Insignia advised on approximately 29,050 commercial lease transactions involving aggregate rents of approximately $33.0 billion and approximately 6,160 commercial sales transactions with an aggregate value of approximately $49.0 billion. Also during 2002, on a pro forma basis, we and Insignia managed approximately 668.5 million square feet of property, provided investment management services for approximately $12.9 billion in assets, originated approximately $9.0 billion in loans, serviced approximately $58.9 billion in loans through a joint venture, engaged in approximately 40,800 valuation, appraisal and advisory assignments and serviced over 1,400 clients with proprietary research. In 2002, on a pro forma basis, we and Insignia generated revenues and Adjusted EBITDA (as defined in "Summary Historical and Pro Forma Financial Data," filed as Exhibit 99.1 hereto) of $1.74 billion and $207.4 million, respectively.

We report our commercial real estate operations through three geographically-organized segments: (1) the Americas, (2) Europe, the Middle East and Africa (EMEA) and (3) Asia Pacific. The Americas consists of operations in the United States, Canada, Mexico and South America. EMEA mainly consists of operations in Europe, and Asia Pacific consists of operations in Asia, Australia and New Zealand. We have worldwide capabilities to assist buyers in the purchase and sellers in the disposition of commercial property, to assist tenants in finding available space and owners in finding qualified tenants, to provide valuations and appraisals for real estate property, to assist in the arrangement of financing for commercial real estate, to provide commercial loan servicing, to provide research and consulting services, to help institutional investors manage commercial real estate portfolios, to provide property and facilities management services and to serve as the outsource service provider to corporations seeking to be relieved of the responsibility for managing their real estate operations.

Business Overview

Americas

The Americas is our largest business segment in terms of revenue, earnings and cash flow. It includes the following major lines of businesses:

- *Our brokerage services line of business* provides sales, leasing and consulting services relating to commercial real estate. This line of business is built upon relationships that we establish with clients. We believe that the CB Richard Ellis brand provides us with a competitive operating advantage.
- *Our investment properties line of business* provides similar brokerage services primarily for commercial, multi-housing and hotel real estate property marketed for sale to institutional and private investors.
- *Our corporate services line of business* focuses on building relationships with large corporate clients. The objective is to establish long-term relationships with clients that could benefit from utilizing corporate services' broad array of services and/or global presence. These clients are offered the opportunity to be relieved of the responsibility of managing their commercial real estate activities at a lower cost than they could achieve by managing these activities themselves. Corporate services includes research and consulting, structured finance, project management, lease administration and transaction management.

- *Our commercial mortgage line of business* provides commercial loan origination and loan servicing through our wholly owned subsidiary, L.J. Melody & Company. The commercial mortgage business line focuses on the origination of commercial mortgages without incurring principal risk. As part of its activities, L.J. Melody has established correspondent relationships and conduit arrangements with investment banking firms, national banks, credit companies, insurance companies, pension funds and government agencies.
- *Our valuation line of business* provides valuation, appraisal and market research services. These services include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions. We believe that our valuation business line is one of the largest in its industry domestically.
- *Our investment management line of business* provides investment management services through our wholly owned subsidiary, CBRE Investors, L.L.C. CBRE Investors' clients include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate. CBRE Investors sponsors funds and investment programs that span the risk/return spectrum. In higher yield strategies, CBRE Investors "co-invests" with its clients/partners.
- *Our asset services line of business* provides value-added asset and related services for income-producing properties owned by local, regional and institutional investors. Asset services includes property management, construction management, marketing, leasing and accounting and financial services for investor owned properties, including office, industrial and retail properties. Asset services markets its services primarily to long-term institutional owners of large commercial real estate assets. Asset services' contractual relationships put us in a position to provide other services for the owner, including refinancing, appraisal and lease and sales brokerage services.
- *Our facilities management line of business* specializes in the administration, management, maintenance and project management of properties that are occupied by large corporations and institutions.

EMEA

On a pro forma basis, our EMEA division will have offices in 27 countries, with its largest operations located in the United Kingdom, France, Spain, the Netherlands and Germany. Operations within the various countries typically provide, at a minimum, the following services: brokerage, investment properties, corporate services, valuation/appraisal services, asset services and facilities management. Our operations in some countries also provide financial and investment management services. These services are provided to a wide range of clients and cover office, retail, leisure, industrial, logistics, biotechnology, telecommunications and residential property assets.

We are one of the leading real estate services companies in the United Kingdom. We provide a broad range of commercial property real estate services to investment, commercial and corporate clients located in London. We also have four regional offices in Birmingham, Manchester, Edinburgh and Glasgow. In France, on a pro forma basis, we will be a key market leader in Paris and provide a complete range of services to the commercial property sector, as well as some services to the residential property market. In Spain, on a pro forma basis, we will provide extensive coverage operating through our offices in Madrid, Barcelona, Valencia, Malaga, Marbella and Palma de Mallorca. Our Netherlands business is based in Amsterdam, while our German operations are located in Frankfurt, Munich, Berlin and Hamburg. Our operations in these countries generally provide a full range of services to the commercial property sector, along with some residential property services.

Asia Pacific

On a pro forma basis, our Asia Pacific division will have offices in 11 countries. We believe we are one of only a few companies that can provide a full range of real estate services to large corporations throughout the region, including brokerage, investment management (in Japan only), corporate services, valuation/appraisal

services, asset services and facilities management. We believe that the CB Richard Ellis brand name is recognized throughout this region as one of the leading worldwide commercial real estate services firms. In Asia, our principal operations are located in China (including Hong Kong), Singapore, South Korea and Japan. The Pacific region includes Australia and New Zealand, with principal offices located in Brisbane, Melbourne, Perth, Sydney, Auckland and Wellington.

Competitive Environment

The market for our commercial real estate business is both highly fragmented and competitive. Thousands of local commercial real estate brokerage firms and hundreds of regional commercial real estate brokerage firms have offices throughout the world. Most of our competitors in the brokerage and asset services lines of business are local or regional firms that are substantially smaller than we are on an overall basis, but in some cases may be larger locally. In addition, there are several national and, in some cases, international real estate brokerage firms with whom we compete. We believe we have a variety of competitive advantages that have helped to establish our strong, global leadership position within the commercial real estate services industry. These advantages include the following:

- *Global Brand Name and Presence.* We are one of the largest commercial real estate services providers in the world in terms of revenue. Together with our predecessors, we have been in existence for 97 years. We believe that, on a pro forma basis, we are among the leading commercial real estate services firms in several major U.S. markets, including New York, Los Angeles, Chicago, Houston, Dallas/Fort Worth and Phoenix, as well as in many other important real estate markets around the world, including Hong Kong, London and Paris. We believe that our extensive global reach combined with our localized knowledge enables us to provide world-class service to our numerous multi-regional and multi-national clients. Furthermore, as a result of our global brand recognition and geographic reach, we believe that large corporations, institutional owners and users of real estate recognize us as a pre-eminent provider of high-quality, professional, multi-functional real estate services.
- *Market Leader and Full Service Provider.* We provide a full range of real estate services to meet the needs of our clients. We believe that our combination of significant local market presence, strong client relationships and scalable, diversified line of business platforms differentiates us from our competitors and provides us with a competitive advantage.
- *Strong Relationships with Established Customers.* We have long-standing relationships with a number of major real estate investors, and our broad national and international presence has enabled us to develop extensive relationships with many leading corporations. Our clients represent over 60% of the Fortune 100.
- *Recurring Revenue Stream.* We believe we are well positioned to generate recurring revenue through the turnover of leases and properties for which we have previously acted as transaction manager. Our years of strong local market presence have allowed us to develop significant repeat client relationships, which are responsible for a large part of our business.
- *Attractive Business Model.* Our business model features a diversified revenue base, a variable cost structure and low capital requirements.
  - — *Diversified Revenue Base.* Our global operations, multiple service lines and extensive customer relationships provide us with a diversified revenue base. On a pro forma basis, approximately 29.0% of our pro forma 2002 revenue was generated outside the United States.
  - — *Variable Cost Structure.* Our sales and leasing producers are generally paid on a commission and bonus basis, which correlates with our revenue performance. This flexible cost structure allows us to maintain our operating margins in a variety of economic conditions.

  - — *Low Capital Requirements.* Our business model is structured to provide high value-added services with low capital intensity. On a pro forma basis, our capital expenditures in 2002 were approximately 1.4% of our pro forma 2002 revenue.
- *Empowered Resources.* Our proprietary data network gives our professionals instant access to local and global market knowledge to meet our clients' needs. It also enables our professionals to build cross-functional teams to work collaboratively on projects. With real-time access to state-of-the-art information systems, our professionals are empowered to support clients in achieving their business goals.
- *Strong Senior Management with a Significant Equity Stake.* Our senior management team consists of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry. Our senior management team will beneficially own approximately 3.0% of CBRE Holding's outstanding common stock after the Insignia acquisition and the related transactions.

Our Strategy

Our goal is to be the world's leading commercial real estate services firm offering unparalleled breadth and quality of services across the globe. To achieve this goal, we intend to:

Increase Market Share by Capitalizing on Breadth of Services, Global Presence and Continued Cross-Selling. We intend to continue to increase our domestic and international market share by further penetrating the local markets where we currently operate and by capitalizing on our worldwide platform to meet the global needs of our clients. In addition, we intend to increase our revenue per client by continuing to encourage our employees in one business unit to market the services of other business units to their clients, a practice referred to as "cross-selling." We emphasize cross-selling to our employees through education and incentive programs.

Capitalize on Increased Corporate Outsourcing to Increase Market Share. We believe that major corporations are increasingly outsourcing their real estate activities and that we are one of the few companies with the geographic reach and the service offerings to handle these large and complex outsourcing opportunities. We believe that corporate outsourcing will contribute significantly to our revenue growth in future years.

Grow Our Investment Management Business. We intend to continue to grow our assets under management because this provides us with an attractive revenue source through management fees and the cross-selling of our other services for portfolio investment companies. Historically, we have generated significant revenues through the provision of services on an arm's length basis to funds managed by one of our subsidiaries, CBRE Investors, and we expect to continue this practice in the future.

Continue to Focus on Efficiency Improvements and the Reduction of Costs. We remain focused on improving efficiencies and cost saving opportunities in our core businesses in order to maximize our operating margins and cash flow from our revenue base. Efficiency improvements from information technology enhancements and process redesign should enable us to augment the scalability of our resources and human capital. We reduced our operating, administrative and other cost and expense from $551.5 million in 2000 to $493.9 million in 2002.

The Insignia Acquisition and Related Transactions

On February 17, 2003, we entered into a merger agreement pursuant to which we agreed to acquire Insignia for $11.00 cash per share of common stock, plus the potential for up to $1.00 of additional cash consideration per share as described below. We believe that the Insignia acquisition will significantly increase our scale, business line and regional diversity as well as strengthen our leadership position in the commercial real estate services industry worldwide. In addition, we believe that the Insignia acquisition will provide significant cost-saving opportunities for us.

We have undergone a substantial review of our and Insignia's combined operations in order to identify areas of overlap. During 2002, Insignia incurred approximately $34.0 million of costs related to (1) the compensation of senior executive management personnel who will not join CBRE Holding after the Insignia acquisition, (2) administrative and support costs associated with those executives and (3) human resources, legal, accounting and other administrative functions that overlap with ours. We expect to eliminate these costs as part of a detailed integration plan developed in connection with the Insignia acquisition. We expect to achieve the majority of these cost savings at or prior to the closing of the Insignia acquisition. However, we cannot assure you as to when or if these expected cost savings will be realized. As we continue to implement our integration plan, a portion of the costs that we expect to save may relate to the elimination of certain of our own personnel. See "Risk Factors—Risks Relating to Our Business—We cannot assure you as to when or if we will be able to achieve all of our expected cost savings in connection with the Insignia acquisition" in this Item 9.

Approximately $13.4 million of the $34.0 million of costs incurred by Insignia during 2002 that we expect to eliminate in connection with the Insignia acquisition relate to amounts paid by Insignia to senior executive management personnel who will not join CBRE Holding as a result of the duplication of roles within the two companies. This $13.4 million includes (1) approximately $6.3 million related to compensation paid by Insignia to these senior executives during 2002 and (2) approximately $7.1 million of administrative and support costs incurred by Insignia during 2002 related to these senior executives.

In addition, approximately $20.6 million of the costs incurred by Insignia during 2002 that we expect to eliminate relate to costs associated with field support activities, including human resources, legal, accounting and other administrative functions, which overlap with comparable functions that we perform centrally.

To partially finance the Insignia acquisition, the Blum funds have agreed to make a cash contribution to CBRE Holding at the closing of the Insignia acquisition in the aggregate amount of $100.0 million, in consideration for which CBRE Holding will issue to them an aggregate of 6,250,000 shares of its Class B common stock. In addition, the Blum funds have committed to provide up to $45.0 million of additional common or preferred stock or debt securities financing to CBRE Holding or one of its subsidiaries at the closing of the Insignia acquisition under certain conditions. For a more detailed description of the financing to be provided by the Blum funds, see the information included under the caption "The Insignia Acquisition and Related Transactions" in this Item 9.

The merger agreement related to the Insignia acquisition permits Insignia to sell some of its real estate investment assets, which we refer to in this Form 8-K as the "designated real estate assets," prior to the closing of the Insignia acquisition. To the extent that Insignia receives net proceeds in connection with any sales of the designated real estate assets or distributions of cash related to these assets prior to the closing of the Insignia acquisition, the Blum funds' common or preferred stock or debt securities investment of up to $45.0 million will be reduced on a dollar-for-dollar basis, although the equity contribution to us by the Blum funds of $100.0 million will not be affected by these sales. If the net proceeds received by Insignia as a result of any sales of the designated real estate assets prior to the closing of the Insignia acquisition exceed the sum of $45.0 million plus any additional investments by Insignia in the designated real estate assets prior to the closing of the Insignia acquisition, subject to specified requirements in the merger agreement, the amount of consideration paid to holders of Insignia's common stock and holders of Insignia options and warrants will be increased by this excess amount, up to an additional $1.00 per share of Insignia common stock. In addition, in connection with any sale of the designated real estate assets, we may agree to amend the merger agreement to provide for the payment of additional consideration to Insignia's stockholders even if the sale of the designated real estate assets does not meet all of the criteria specified in the merger agreement and we are not otherwise obligated to pay any or all of such additional consideration, although in no circumstances will the additional consideration exceed $1.00 per share or total consideration of $12.00 per share. Although Insignia is permitted to sell the designated real estate assets prior to the closing of the Insignia acquisition, it has not entered into any definitive agreement regarding the sale of these assets as of

the date of this Form 8-K and may be unable to complete any of these sales prior to the closing of the Insignia acquisition. To the extent that the designated real estate assets have not been sold prior to the closing of the Insignia acquisition, at such closing Insignia will transfer, to the extent permitted, the designated real estate assets to the subsidiary of CBRE Holding issuing the additional common or preferred stock or debt securities to the Blum funds.

For additional information regarding the Insignia acquisition, please read the description included under the caption "The Insignia Acquisition and Related Transactions."

Our Sponsors

The Blum funds, which consist of Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P. and Blum Strategic Partners II GmbH & Co. KG, are affiliates of Blum Capital Partners, L.P. Affiliates of Blum Capital Partners make private equity and strategic block investments and currently manage over $2.3 billion of capital in the United States. Blum Capital Partners' portfolio currently includes investments in approximately 15 companies. Blum Capital Partners was founded in 1975. The Blum funds became the majority stockholders of CBRE Holding as a result of the 2001 merger.

Freeman Spogli is a private investment firm that invests with management in companies positioned for strong growth. Since 1983, the firm has invested over $1.8 billion in 34 companies with enterprise values of more than $12.0 billion. Freeman Spogli currently has 12 portfolio companies. Freeman Spogli became one of our major investors as a result of our acquisition of Koll Real Estate Services in 1997.

Recent Developments

On March 14, 2003, Insignia completed the sale of its residential real estate services subsidiaries, Insignia Douglas Elliman LLC and Insignia Residential Group LLC, to Montauk Battery Realty, LLC for $66.8 million in cash, $0.5 million in cash held in escrow, up to $0.5 million in cash to be held in escrow upon receipt of pending commissions and the assumption of an existing earn-out obligation of Insignia of up to $4.0 million. All escrowed amounts will be made available to satisfy any indemnity claims against Insignia by Montauk Battery Realty, and will otherwise be released from escrow on March 14, 2004. The cash proceeds received by Insignia from this sale will not affect the consideration to be paid in the Insignia acquisition. Insignia has used the net cash proceeds from this sale to reduce its outstanding indebtedness.

THE INSIGNIA ACQUISITION AND RELATED TRANSACTIONS

General. Upon the terms and subject to the conditions set forth in a merger agreement dated February 17, 2003 among us, CBRE Holding, Apple Acquisition Corp. and Insignia, pursuant to which we intend to acquire Insignia, each share of Insignia's outstanding common stock will be converted in the acquisition into the right to receive $11.00 in cash, subject to adjustment as described below. Also in connection with the acquisition, each share of Insignia's outstanding Series A preferred stock and Series B preferred stock will be cancelled and converted into the right to receive a cash payment of $100.00, plus accrued and unpaid dividends. The merger agreement relating to the Insignia acquisition further provides for the termination of all of Insignia's vested and unvested options and warrants to acquire Insignia common stock in consideration of a cash payment to the holder of each option or warrant of the excess, if any, of the consideration to be paid per share of common stock in the Insignia acquisition over the exercise price of the option or warrant. As a result of this acquisition, we will own all of the outstanding capital stock of Insignia.

Asset Sales and Transfers. Pursuant to the merger agreement relating to the Insignia acquisition, Insignia has the right, but not the obligation, to market for sale to third parties specified real estate investment assets that we refer to in this Form 8-K as the "designated real estate assets." The designated real estate assets consist of Insignia subsidiaries and joint ventures that hold minority investments in office, retail, industrial, apartment and hotel properties, minority investments in office development projects and

a related parcel of undeveloped land, wholly owned or consolidated investments in Norman, Oklahoma, New York City and the U.S. Virgin Islands, and investments in two private equity funds that invest primarily in mortgage-backed debt securities. If Insignia continues to own any of the designated real estate assets at the time that all the conditions to the closing of the Insignia acquisition have occurred, subject to the receipt of any necessary third party consents, our parent company, CBRE Holding, can require Insignia to sell and transfer the designated real estate assets to CBRE Holding or one of its subsidiaries immediately prior to the closing of the Insignia acquisition for consideration and other terms as determined by CBRE Holding. See the information included under the caption "Risk Factors—Risks Relating to Our Business—We are controlled by the Blum funds, whose interests may be different from yours" in this Item 9.

If, at or prior to the closing of the Insignia acquisition, Insignia receives net proceeds from the sale of the designated real estate assets and other cash distributions from the designated real estate assets that, in the aggregate, exceed a threshold amount described below, the amount of these excess net proceeds and cash distributions will increase the consideration paid to holders of Insignia common stock, as well as the amount of consideration paid to holders of options and warrants to acquire Insignia common stock, provided that in no event will the amount paid per share of Insignia common stock as a result of the acquisition exceed $12.00 per share. The "threshold amount" generally is $45.0 million plus the aggregate amount of all cash, property and other assets contributed by Insignia to the designated real estate assets between the signing of the merger agreement and the closing of the Insignia acquisition. In addition, in connection with any sale of the designated real estate assets, we may agree to amend the merger agreement to change the definition of "threshold amount," the method for calculating net proceeds or otherwise to provide for the payment of additional consideration to Insignia's stockholders even if a sale of the designated real estate assets does not meet all of the criteria currently specified in the merger agreement and we are not otherwise obligated to pay any or all of such additional consideration, although in no circumstances will the additional consideration exceed $1.00 per share or total consideration of $12.00 per share.

Equity Financing. To partially finance the transactions contemplated by the merger agreement, we, CBRE Holding and Apple Acquisition entered into a subscription agreement with the Blum funds. Upon the terms and subject to the conditions set forth in this agreement, the Blum funds have agreed to make a cash contribution to CBRE Holding at the closing of the acquisition in the aggregate amount of $100.0 million, in consideration for which CBRE Holding will issue to them an aggregate of 6,250,000 shares of its Class B common stock. Upon receipt of this cash contribution, CBRE Holding will contribute this amount to us and we will contribute it to Apple Acquisition, in each case immediately prior to the Insignia acquisition.

In addition, pursuant to a letter agreement, the Blum funds have committed to provide up to $45.0 million of additional financing to CBRE Holding or a designated, special purpose wholly owned subsidiary of CBRE Holding at the closing of the Insignia acquisition to fund the purchase of the designated real estate assets to the extent such assets have not previously been sold. In consideration for this contribution, the Blum funds will receive common or preferred stock or debt securities of CBRE Holding or this subsidiary on terms that are mutually agreeable to CBRE Holding and the Blum funds. The amount of the contribution to be made by the Blum funds pursuant to this letter agreement generally will be reduced by an amount equal to the net cash proceeds received by Insignia at or prior to the closing of the Insignia acquisition from the sale of the designated real estate assets and the other cash distributions received by Insignia from the designated real estate assets at or prior to the closing of the Insignia acquisition. To the extent that the designated real estate assets have not been sold prior to the closing of the Insignia acquisition, subject to the receipt of any necessary third party consents, at such closing Insignia will transfer the designated real estate assets to the subsidiary of CBRE Holding issuing the common or preferred stock or debt securities to the Blum funds.

The Blum funds currently beneficially own approximately 64.2% of CBRE Holding's outstanding shares of Class B common stock and approximately 56.5% of CBRE Holding's outstanding shares of Class A and Class B common stock. As a result of the financings described above, after the Insignia acquisition, the Blum funds will beneficially own up to approximately 76.0% of CBRE Holding's outstanding shares of Class B common stock and up to approximately69.7% of CBRE Holding's total outstanding shares of Class A and Class B common stock.

CBRE Holding's existing 16% senior notes due 2011 and our existing 11¼% senior subordinated notes due 2011 will remain outstanding after the Insignia acquisition.

Conditions to the Insignia Acquisition. The obligations of CBRE Holding, Apple Acquisition, Insignia and us to complete the acquisition are subject to satisfaction or waiver of each of the following conditions:

- the holders of a majority of the outstanding shares of common stock of Insignia must adopt the merger agreement and approve the acquisition and the other transactions contemplated by the merger agreement;
- the applicable waiting periods or required approvals under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and any similar foreign competition laws that apply must have expired or been earlier terminated or received; and
- no governmental entity may have enacted any law or taken any other action that restrains, enjoins or otherwise prohibits the acquisition or makes it illegal.

The obligation of Insignia to complete the acquisition is also subject to the satisfaction or waiver of each of the following additional conditions:

- CBRE Holding, we and Apple Acquisition must have performed in all material respects all of our and their respective obligations under the merger agreement required to be performed at or before the effective time of the acquisition;

- the representations and warranties made by CBRE Holding, us and Apple Acquisition generally must be materially true and correct (this condition will be satisfied as long as all failures of such representations and warranties to be true and correct would not prevent or materially impair the ability of CBRE Holding, us and Apple Acquisition to consummate the acquisition and the other transactions contemplated by the merger agreement); and
- Insignia must have received a certificate signed by the chief executive officer or president of CBRE Holding, us and Apple Acquisition as to compliance with the conditions specified in the two immediately preceding bullet points.

The obligations of CBRE Holding, Apple Acquisition and us to complete the acquisition are also subject to the satisfaction or waiver of each of the following additional conditions:

- Insignia must have performed in all material respects all of its obligations under the merger agreement required to be performed at or before the effective time of the acquisition;
- the representations and warranties of Insignia generally must be materially true and correct (this condition will be satisfied as long as the failure of Insignia's representations and warranties to be true and correct would not reasonably be expected to have a material adverse affect (as defined in the merger agreement) on Insignia and would not result in damages to CBRE Holding, us or the surviving corporation of the merger of more than $20.0 million);
- Apple Acquisition must have received a certificate signed by Insignia's chief executive officer or chief financial officer as to compliance with the conditions specified in the two immediately preceding bullet points; and
- all consents, approvals, authorizations and filings specified in the merger agreement (consisting of trade regulatory filings and approvals in the United States, France and the United Kingdom) must have been obtained or made.

DESCRIPTION OF SENIOR SECURED CREDIT FACILITIES

In connection with the 2001 merger, we entered into a credit agreement for which Credit Suisse First Boston, or CSFB, serves as the administrative agent and collateral

agent. The credit agreement will be amended and restated upon the consummation of the Insignia acquisition. Our senior secured credit facilities, after giving effect to the contemplated amendment and restatement, will consist of the following:

- tranche A term facility of $50.0 million (which was fully drawn in connection with the 2001 merger and $38.8 million of which was outstanding on December 31, 2002);
- tranche B term facility of $260.0 million ($185.0 million of which was drawn in connection with the 2001 merger, $75.0 million of which will be drawn in connection with the Insignia acquisition and $182.2 million of which was outstanding on December 31, 2002); and
- a revolving line of credit of $90.0 million, including revolving credit loans, letters of credit and a swingline loan subfacility.

The senior secured credit facilities are jointly and severally guaranteed by CBRE Holding and certain of our subsidiaries, including future domestic subsidiaries. The senior secured credit facilities are secured (or, in the case of Insignia and its subsidiaries, will be secured) by a pledge of all of the equity interests of us and our significant domestic subsidiaries, including CB Richard Ellis, Inc., CBRE Investors, L.L.C., Insignia and L.J. Melody & Company, and 65% of the voting stock of our foreign subsidiaries that are held directly by us or our domestic subsidiaries. Additionally, these lenders generally have a lien on substantially all of our accounts receivable, cash, general intangibles, investment property and future acquired property.

The tranche A term facility matures on July 20, 2007 and amortizes in equal quarterly installments in an annual amount of $7.5 million through June 30, 2003 and $8.75 million thereafter. The tranche B term facility matures on July 18, 2008 and will amortize in equal quarterly installments in an annual amount equal to 1.0% of the tranche B facility principal amount of $260.0 million, with the balance payable on the maturity date. The revolving line of credit terminates on July 20, 2007.

Borrowings under the senior secured credit facilities bear interest at varying rates based, at our option, on either LIBOR plus3.00% to 3.75% or the alternate base rate plus 2.00% to 2.75%, in the case of tranche A and the revolving facility (in each case determined by reference to our ratio of total debt less available cash to EBITDA), and LIBOR plus 4.25% or the alternate base rate plus 3.25%, in the case of tranche B. The alternate base rate is the higher of (1) CSFB's prime rate or (2) the effective rate for federal funds plus 0.50%.

We are required to pay to the lenders under our senior secured credit facilities a commitment fee on the unused portion of the revolving credit facility and a letter of credit fee on each letter of credit outstanding. We are also required to apply certain proceeds of sales of assets, issuances of equity, incurrences of debt and excess cash flow to the prepayment of the term loans.

The amended and restated credit agreement for our senior secured credit facilities will contain customary restrictive covenants, including, among others, limitations on the ability of us, our subsidiaries and CBRE Holding to:

- pay dividends on, redeem and repurchase, capital stock;
- prepay, redeem and repurchase debt;
- incur liens;
- enter into sale/leaseback transactions;
- make loans and investments;

- incur indebtedness;
- enter into mergers, acquisitions and asset sales;
- enter into transactions with affiliates;
- change lines of business; and
- make capital expenditures.

In addition, the amended and restated credit agreement will contain covenants that require us to maintain specified financial ratios, which we expect will include the following ratios:

- total debt less available cash to EBITDA;
- total senior secured debt less available cash to EBITDA;
- EBITDA to interest expense plus expense associated with dividends paid to CBRE Holding to pay amounts due under the 16% senior notes due 2011; and
- EBITDA less capital expenditures and co-investments to interest expense plus expense associated with dividends paid to CBRE Holding to pay amounts due under the 16% senior notes due 2011.

The amended and restated credit agreement will also include customary events of default, including nonpayment of principal, interest, fees or reimbursement obligations with respect to letters of credit, violation of covenants, inaccuracy of representations and warranties in any material respect, cross default and cross-acceleration to certain other indebtedness and agreements, bankruptcy and insolvency events, material judgments and liabilities, defaults or judgments under ERISA and change of control. The occurrence of any of the events of default could result in acceleration of our obligations under the amended and restated credit agreement and foreclosure on the collateral securing the obligations, which could have material adverse results for holders of the exchange and outstanding notes.

This summary of the material provisions of the amended and restated credit agreement is qualified in its entirety by reference to all of the provisions of the amended and restated credit agreement.

RISK FACTORS

Risks Relating to Our Business

The success of our business is significantly related to general economic conditions and, accordingly, our business could be harmed in the event of an economic slowdown or recession.

During 2001 and 2002, we continued to be adversely affected by the slowdown in the global economy, which negatively impacted the commercial real estate market. This caused a decline in leasing activities within the United States, which was only partially offset by improved overall revenues in Europe and Asia.

Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent outbreak of hostilities, as well as the conflict with Iraq and the risk of conflict with North Korea, the economic climate in the United States and abroad remains uncertain, which may have a further adverse effect on commercial real estate market conditions and, in turn, our operating results.

Periods of economic slowdown or recession in the United States and in other countries, rising interest rates, a declining demand for real estate or the public perception that any of these events may occur, can harm many segments of our business. These economic conditions could result in a general decline in rents, which in turn would reduce revenue from property management fees and brokerage commissions derived from property sales and leases. In addition, these conditions could lead to a decline in sales prices as well as a decline in demand for funds invested in commercial real estate and related assets. A further or continued economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by the commercial mortgage banking business. If the brokerage and mortgage banking businesses are negatively impacted, it is likely that the other lines of business would also suffer due to the relationship among the various business lines. Further, as a result of our debt level, the terms of our existing debt instruments and the terms of the debt instruments to be entered into in connection with the Insignia acquisition and the related transactions, our exposure to adverse general economic conditions is heightened.

If the properties that we manage fail to perform, then our financial condition and results of operations could be harmed.

The revenue we generate from our asset services and facilities management lines of business is generally a percentage of aggregate rent collections from properties, although many management agreements provide for a specified minimum management fee. Accordingly, our success partially depends upon the performance of the properties we manage. The performance of these properties will depend upon the following factors, among others, many of which are partially or completely outside of our control:

- our ability to attract and retain creditworthy tenants;
- the magnitude of defaults by tenants under their respective leases;
- our ability to control operating expenses;
- governmental regulations, local rent control or stabilization ordinances which are in, or may be put into, effect;
- various uninsurable risks;
- financial conditions prevailing generally and in the areas in which these properties are located;
- the nature and extent of competitive properties; and
- the real estate market generally.

Our growth has depended significantly upon acquisitions, which may not be available in the future, may result in integration problems and may not perform as we expected.

A significant component of our growth has occurred through acquisitions. Any future growth through acquisitions will be partially dependent upon the continued availability of suitable acquisition candidates at favorable prices and upon advantageous terms and conditions. However, future acquisitions may not be available at advantageous prices or upon favorable terms and conditions. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations and that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect.

We have had, and may continue to experience, difficulties in integrating operations and accounting systems acquired from other companies. These difficulties include the diversion of management's attention from other business concerns and the potential loss of our key employees or those of the acquired operations. We believe that most acquisitions will initially have an adverse impact on operating and net income. We may experience these difficulties in integrating Insignia's business into our existing business segments. In addition, we generally believe that, as a result of acquisitions, there will be significant costs related to integrating information technology, accounting and management services and rationalizing personnel levels. In connection with the Insignia acquisition, we anticipate recording a significant charge during 2003 relating to integration costs. Accordingly, we may not be able to effectively manage acquired businesses and some acquisitions may not have an overall benefit.

We have several different accounting systems as a result of acquisitions we have made. Insignia's accounting systems are also different from ours. If we are unable to fully integrate the accounting and other systems of the businesses we own, we may not be able to effectively manage our acquired businesses. Moreover, the integration process itself may be disruptive to business as it requires coordination of geographically diverse organizations and implementation of new accounting and information technology systems.

We cannot assure you as to when or if we will be able to achieve all of our expected cost savings in connection with the Insignia acquisition.

Our decision to pursue the Insignia acquisition was based in part on our belief that there are significant cost-saving opportunities for us. After performing a detailed review of our and Insignia's operations to identify areas of overlap, we have formulated a detailed integration plan in order to achieve these expected cost savings. We expect to implement the majority of these cost saving measures upon the closing of the Insignia acquisition.

We cannot assure you as to when or if the cost savings we expect to achieve in connection with the Insignia acquisition will be realized. A variety of risks could cause us not to achieve the benefits of the expected cost savings, including, among others, the following:

- higher than expected severance costs related to staff reductions;
- higher than expected lease termination payments in respect of closing redundant facilities;
- delays in the anticipated timing of activities related to the integration plan;
- unanticipated increases in corporate overhead; and
- other unexpected costs associated with operating the combined business.

If we fail to realize the expected benefits of the cost savings for these or other reasons, the results of operations of the combined company, as well as our liquidity, could be adversely affected.

If Insignia is unable to sell the designated real estate assets prior to the consummation of the Insignia acquisition, CBRE Holding, a subsidiary of CBRE Holding and/or current subsidiaries of Insignia will continue to hold these assets, which may adversely impact our results of operations and our business.

The merger agreement related to the Insignia acquisition permits Insignia to sell some of its real estate investment assets, which we refer to in this Form 8-K as the "designated real estate assets," prior to the closing of the Insignia acquisition. Insignia has indicated to us that it is attempting to sell some or all of the designated real estate assets prior to the closing of the Insignia acquisition. However, Insignia has not entered into any definitive agreements for such sales and may not be able to sell any of these designated real estate assets prior to the closing of the Insignia acquisition. To the extent Insignia is unable to sell any or all of the designated real estate assets prior to the closing of the Insignia acquisition, we intend to transfer the unsold designated real estate assets to either CBRE Holding or a special purpose, wholly owned subsidiary of CBRE Holding at the closing of the Insignia acquisition. Effecting that transfer will require the prior written approval of certain third parties, however, and we cannot assure you that these approvals will be obtained prior to the closing of the Insignia acquisition or at all. To the extent that these third parties, which consist of lenders, joint venture partners and other entities, decline to consent to the transfer of the unsold designated real estate assets, the affected designated real estate assets will continue to be owned by subsidiaries of Insignia after the completion of the Insignia acquisition.

The ownership of any of the designated real estate assets by CBRE Holding, a subsidiary of CBRE Holding or, if necessary third party consents have not been obtained, by subsidiaries of Insignia, after the Insignia acquisition could have adverse consequences to us and our business, including, among others, the following:

- *Guarantees by, and Letters of Credit Support from, us or our Subsidiaries.* Insignia and its subsidiaries have guaranteed, or provided letter of credit support for, a limited amount of obligations of some of the entities that hold direct or indirect interests in the designated real estate assets. Insignia and its subsidiaries are not able to control the actions of all of these entities. As of March 31, 2003, the aggregate amount of outstanding letter of credit support provided by Insignia or its subsidiaries for the designated real estate assets was approximately $10.4 million. Insignia had also guaranteed an aggregate of approximately $1.3 million of repayment obligations with respect to the designated real estate assets as of March 31, 2003. In addition, substantially all of the designated real estate assets have incurred non-recourse indebtedness that is secured by the related assets. A number of these non-recourse loans contain exceptions to the general non-recourse nature of the financing with respect to actions, including fraud, theft, misapplication of rents and environmental liabilities. In some cases, Insignia and its subsidiaries have also provided guarantees with respect to liability resulting from these non-recourse exceptions. Accordingly, if the entities holding direct or indirect interests in the designated real estate assets default in their obligations or engage in conduct that would make the financing recourse in nature, the Insignia entities guaranteeing these obligations would be required to make payments on those guarantees.
- *Ongoing Funding Requirements.* After the consummation of the Insignia acquisition, many of the entities holding direct or indirect interests in the designated real estate assets may be required to make capital contributions in respect of these assets. As of March 31, 2003, the aggregate amount of these potential future commitments was approximately $2.3 million. In addition to required future capital contributions, some of the designated real estate assets may request additional capital from the Insignia subsidiaries holding investments in those assets and their failure to provide it could have adverse consequences to the Insignia subsidiaries' interests in these investments. The entities holding the designated real estate assets, as well as any subsidiary to which the designated real estate assets are transferred, are generally holding companies that do not conduct any business activities or otherwise have access to resources that would allow them to fund these capital contributions. Accordingly, the entities holding the designated real estate assets will be dependent on us to provide the funds used to make these contributions. Although our and CBRE Holding's debt instruments contain restrictions that will limit our and CBRE Holding's ability to provide capital to the entities holding direct or indirect interests in the designated real estate assets, we and CBRE Holding may provide this capital in some instances.

In connection with any sale of the designated real estate assets by Insignia prior to the closing of the Insignia acquisition, we may agree to increase the amount of consideration payable to Insignia's stockholders even if we are not required to do so under the Insignia merger agreement.

The amount of consideration payable to Insignia's common stockholders pursuant to the terms of the Insignia merger agreement will generally be increased by up to $1.00 per share in the event that Insignia receives net proceeds of more than $45.0 million from the sale of designated real estate assets and distributions of cash related to these assets prior to the closing of the Insignia acquisition. Under the terms of the Insignia merger agreement, specified expenses, liabilities and obligations are subtracted when calculating the net proceeds from the sale of the designated real estate assets and distributions of cash related to these assets. The excluded expenses, liabilities and obligations include, among other things, any liabilities or obligations that Insignia or its subsidiaries retain with respect to the designated real estate assets after they are sold. In connection with any sale of the designated real estate assets prior to the completion of the Insignia acquisition, we may agree to amend the Insignia merger agreement to provide for the payment of additional consideration to Insignia's stockholders even if the sale of the designated real estate assets does not meet all of the criteria specified in the Insignia merger agreement and we are not otherwise obligated to pay any or all of such additional consideration. For example, we may agree to modify the requirement that Insignia receive more than $45.0 million of net proceeds from sales of designated real estate investments assets and distributions of cash related to these assets before additional consideration will be payable to Insignia stockholders and/or the requirement that certain expenses, liabilities and obligations be subtracted for purposes of calculating net proceeds. Under no circumstances, however, will the additional consideration paid to Insignia's common stockholders exceed $1.00 per share or total consideration of $12.00 per share.

In connection with any sale of the designated real estate assets, we may agree to retain contingent liabilities associated with such assets after they are sold.

In connection with the sale of some or all of the designated real estate assets by Insignia prior to the closing of the Insignia acquisition or any sales of such assets by us or CBRE Holding thereafter, we may agree to retain certain contingent liabilities and obligations with respect to the designated real estate assets after they have been sold. These liabilities and obligations may include guarantees of, or letter of credit support for, limited obligations of some of the entities that hold direct or indirect interests in the designated real estate assets. Although we would expect to obtain security or indemnification from the buyer of any designated real estate assets for any liabilities incurred under such retained guarantees or letters of credit, we cannot assure you that we will be able to obtain such security or indemnification or that we would be able to collect on such security or indemnification if provided. Additionally, in connection with any sale of the designated real estate assets, Insignia, as well as CBRE Holding or any subsidiary of CBRE Holding to which the designated real estate assets are transferred, may agree to indemnify any buyer of all or some of the designated real estate assets against losses incurred as a result of a breach of the seller's representations or warranties contained in any purchase agreement or for certain other contingent liabilities or obligations related to designated real estate assets that are sold.

We have numerous significant competitors, some of which may have greater financial resources than we do.

We compete across a variety of business disciplines within the commercial real estate industry, including investment management, tenant representation, corporate services, construction and development management, property management, agency leasing, valuation and mortgage banking. In general, with respect to each of our business disciplines, we cannot assure you that we will be able to continue to compete effectively, maintain our current fee arrangements or margin levels or not encounter increased competition. Each of the business disciplines in which we compete is highly competitive on an international, national, regional and local level. Although we are one of the largest real estate services firms in the world in terms of revenue, our relative competitive position varies significantly across product and service categories and geographic areas. Depending on the product or service, we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms. Many of our

competitors are local or regional firms, which are substantially smaller than we are; however, they may be substantially larger on a local or regional basis. We are also subject to competition from other large national and multi-national firms.

Our international operations subject us to social, political and economic risks of doing business in foreign countries.

We conduct a substantial portion of our business and employ a substantial number of employees outside of the United States. In 2002, we generated approximately 27% of our revenue from operations outside the United States. In 2002, Insignia generated approximately 31% of its revenue, excluding revenue related to its residential real estate services subsidiaries, from operations outside the United States. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

- difficulties and costs of staffing and managing international operations;
- currency restrictions, which may prevent the transfer of capital and profits to the United States;
- unexpected changes in regulatory requirements;
- potentially adverse tax consequences;
- the responsibility of complying with multiple and potentially conflicting laws;
- the impact of regional or country-specific business cycles and economic instability;
- the geographic, time zone, language and cultural differences among personnel in different areas of the world;

- greater difficulty in collecting accounts receivable in some geographic regions such as Asia, where many countries have underdeveloped insolvency laws and clients are often slow to pay, and in some European countries, where clients also tend to delay payments;
- political instability; and
- foreign ownership restrictions with respect to operations in countries such as China.

We have committed additional resources to expand our worldwide sales and marketing activities, to globalize our service offerings and products in selected markets and to develop local sales and support channels. If we are unable to successfully implement these plans, to maintain adequate long-term strategies that successfully manage the risks associated with our global business or to adequately manage operational fluctuations, our business, financial condition or results of operations could be harmed.

In addition, our international operations and, specifically, the ability of our non-U.S. subsidiaries to dividend or otherwise transfer cash among our subsidiaries, including transfers of cash to pay interest and principal on our debt, may be affected by limitations on imports, currency exchange control regulations, transfer pricing regulations and potentially adverse tax consequences, among other things.

Our revenue and earnings may be adversely affected by foreign currency fluctuations.

Our revenue from non-U.S. operations has been primarily denominated in the local currency where the associated revenue was earned. During the fiscal year ended December 31, 2002, approximately 27% of our business was transacted in currencies of foreign countries, the majority of which included the Euro, the British Pound Sterling, the Hong Kong dollar, the Singapore dollar and the Australian dollar. During 2002, approximately 31% of Insignia's revenues, excluding revenues related to its residential real estate services subsidiaries, were generated by its foreign subsidiaries, a substantial number of which transact their business in currencies of foreign countries. Thus, we may experience fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates.

We have made significant acquisitions of non-U.S. companies and may acquire additional foreign companies in the future. As we increase our foreign operations, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, operating results and financial condition. Due to the constantly changing currency exposures to which we will be subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

From time to time, our management uses currency hedging instruments, including foreign currency forward and option contracts and borrows in foreign currencies. Economic risks associated with these hedging instruments include unexpected fluctuations in inflation rates, which impact cash flow relative to paying down debt, and unexpected changes in the underlying net asset position. These hedging activities also may not be effective.

A significant portion of our operations and those of Insignia are concentrated in California and New York, and our business could be harmed if the economic downturn continues in the California or New York real estate markets.

For the year ended December 31, 2002, on a pro forma basis, a significant amount of our and Insignia's sales and lease revenue, including revenue from investment property sales, was generated from transactions originating in the State of California. In addition, for the year ended December 31, 2002, on a pro forma basis, a significant amount of our and Insignia's sales and lease revenue, including revenue from investment property sales but excluding revenue from real estate principal investment activities and residential real estate services, was generated from transactions originating in the greater New York metropolitan area. As a result of the geographic concentration in California and New York, a continuation of the economic downturn in the California and New York commercial real estate markets and in the local economies in San Diego, Los Angeles, Orange County or the greater New York metropolitan area could further harm our results of operations.

Our co-investment activities subject us to real estate investment risks which could cause fluctuations in earnings and cash flow.

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. As of December 31, 2002, we had committed an additional $22.6 million to fund future co-investments. As of December 31, 2002, Insignia had committed an additional $2.3 million to fund future co-investments. Participation in real estate transactions through co-investment activity could increase fluctuations in earnings and cash flow. Other risks associated with these activities include, but are not limited to, the following:

- losses from investments;
- difficulties associated with international co-investments described in "—Our international operations subject us to social, political and economic risks of doing business in foreign countries" and "—Our revenue and earnings may be adversely affected by foreign currency fluctuations;" and
- potential lack of control over the disposition of any co-investments and the timing of the recognition of gains, losses or potential incentive participation fees.

We may incur liabilities related to our subsidiaries being general partners of numerous general and limited partnerships.

We have subsidiaries that are general partners in numerous general and limited partnerships that invest in or manage real estate assets in connection with our co-investments, including several partnerships involved in the acquisition, rehabilitation, subdivision and sale of multi-tenant industrial business parks. Any subsidiary that is a

general partner is potentially liable to our partners and for the obligations of the partnership, including those obligations related to environmental contamination of properties owned or managed by the partnership. If our exposure as a general partner is not limited, or if the exposure as a general partner expands in the future, any resulting losses may harm our business, financial condition or results of operations.

Our joint venture activities involve unique risks that are often outside of our control which, if realized, could harm our business.

We have utilized joint ventures for large commercial investments, initiatives in Internet-related technology and local brokerage partnerships. In the future, we may acquire interests in additional limited and general partnerships and other joint ventures formed to own or develop real property or interests in real property. We have acquired and may continue to acquire minority interests in joint ventures. Additionally, we may also acquire interests as a passive investor without rights to actively participate in management of the joint ventures. Investments in joint ventures involve additional risks, including, but not limited to, the following:

- the other participants may become bankrupt or have economic or other business interests or goals that are inconsistent with ours; and
- we may not have the right or power to direct the management and policies of the joint ventures and other participants may take action contrary to our instructions or requests and against our policies and objectives.

If a joint venture participant acts contrary to our interest, it could harm our business, results of operations and financial condition.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees.

Our continued success is highly dependent upon the efforts of our executive officers and other key employees. The only members of senior management that are parties to employment agreements are Raymond E. Wirta, our Chief Executive Officer; Brett White, our President; and Kenneth J. Kay, our Chief Financial Officer. In addition, in connection with the Insignia acquisition, we have only entered into or expect to enter into employment agreements with Stephen Siegel, Mitchell Rudin and Alan Froggatt, who are expected to be our Chairman, Global Brokerage; President, U.S. Brokerage Services; and Chief Executive Officer, EMEA, respectively, upon consummation of the Insignia acquisition. If any of our key employees leave and we are unable to quickly hire and integrate a qualified replacement, our business, financial condition and results of operations

may suffer. In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified personnel in all areas of our business, including brokerage and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

If we fail to comply with laws and regulations applicable to real estate brokerage and mortgage transactions and other segments of our business, we may incur significant financial penalties.

Due to the broad geographic scope of our operations and the numerous forms of real estate services performed, we are subject to numerous federal, state and local laws and regulations specific to the services performed. For example, the brokerage of real estate sales and leasing transactions requires us to maintain brokerage licenses in each state in which we operate. If we fail to maintain our licenses or conduct brokerage activities without a license, we may be required to pay fines or return commissions received or have licenses suspended. In addition, because the size and scope of real estate sales transactions have increased significantly during the past several years, both the difficulty of ensuring compliance with the numerous state licensing regimes and the possible loss resulting from non-compliance have increased. Furthermore, the laws and regulations applicable to our business, both in the United States and in foreign countries, also may change in ways that materially increase the costs of compliance.

We may have liabilities in connection with real estate brokerage and property management activities.

As a licensed real estate broker, we and our licensed employees are subject to statutory due diligence, disclosure and standard-of-care obligations. Failure to fulfill these obligations could subject us or our employees to litigation from parties who purchased, sold or leased properties we or they brokered or managed. We could become subject to claims by participants in real estate sales claiming that we did not fulfill our statutory obligations as a broker.

In addition, in our property management business, we hire and supervise third-party contractors to provide construction and engineering services for our managed properties. While our role is limited to that of a supervisor, we may be subjected to claims for construction defects or other similar actions. Adverse outcomes of property management litigation could negatively impact our business, financial condition or results of operations.

In connection with the Insignia acquisition, we may be required to sell some of our or Insignia's businesses in France and the United Kingdom, which may adversely affect our cash flow, profitability, results of operations and competitive position in those markets.

We currently operate businesses in France and the United Kingdom, among other countries. In connection with the Insignia acquisition, we are acquiring Insignia's real estate services businesses in those countries which overlap with some of our existing operations. The consummation of the Insignia acquisition is subject to clearance by various foreign antitrust authorities. It is possible that one or more antitrust authorities in France or the United Kingdom will disagree with our view that the Insignia acquisition will not have any anticompetitive effects and, therefore, we cannot assure you that we will not be required to sell some portion of our or Insignia's businesses in those countries, either before or after the consummation of the Insignia acquisition, to comply with applicable competition statutes and regulations. If we are required to sell some portion of these businesses, our cash flow, profitability and results of operations may be adversely affected and we may not be able to compete favorably in those markets.

We are controlled by the Blum funds, whose interests may be different from yours.

We are a wholly owned subsidiary of CBRE Holding. Blum Strategic Partners, L.P., which was known as RCBA Strategic Partners, L.P. at the time of the 2001 merger, Blum Strategic Partners II, L.P. and Blum Strategic Partners II GmbH & Co. KG together own approximately 56.5% of CBRE Holding's outstanding Class A and Class B common stock, taken together. In connection with the equity financing contemplated by the Insignia acquisition, the Blum funds and their affiliates will acquire additional shares of CBRE Holding Class B common stock, which will result in them owning, in the aggregate, up to 69.7% of CBRE Holding's outstanding Class A and Class B common stock, taken together, after the Insignia acquisition. In addition, the Blum funds entered into a securityholders' agreement with the other holders of Class B common stock and some of the holders of Class A common stock. The Class A and Class B common stock subject to the voting provisions of the securityholders' agreement represents as of the date of this Form 8-K approximately 96.0% of the voting power of CBRE Holding's outstanding Class A and Class B common stock, taken together, and after the Insignia acquisition the percentage of the total Class A and Class B common stock of CBRE Holding subject to these voting provisions may represent up to 97.0% of the voting power of CBRE Holding. As a result of the percentage of CBRE Holding's voting power owned by the Blum funds and the other parties to the securityholders' agreement and the rights granted to the Blum funds pursuant to the securityholders' agreement, CBRE Holding is controlled by the Blum funds, which control has, among other things, the effects indicated below.

- *General Voting:* Subject to exceptions in the securityholders' agreement, the Blum funds control the outcome of all votes of holders of CBRE Holding's Class A and Class B common stock, taken together.
- *Board of Directors:* The Blum funds have the right to designate a majority of the members of CBRE Holding's board of directors.

- *Change of Control:* The Blum funds generally are able to prevent any transaction that would result in a change of control of CBRE Holding. Subject to exceptions in the securityholders' agreement, the Blum funds are also able to cause a change of control.

We cannot assure you that the interests of the Blum funds will not conflict with yours.

Our results of operations vary significantly among quarters, which makes comparison of our quarterly results difficult.

A significant portion of our revenue is seasonal. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two quarters and higher in the third and fourth quarters of each year. The concentration of earnings and cash flow in the fourth quarter is due to an industry-wide focus on completing transactions toward the fiscal year-end, while incurring constant, non-variable expenses throughout the year. This has historically resulted in lower profits or a loss in the first and second quarters, with profits growing (or losses decreasing) in each subsequent quarter.

Risks Relating to Our Substantial Indebtedness

Our substantial leverage and debt service obligations could harm our ability to operate our business, remain in compliance with debt covenants and make payments on our debt.

We are highly leveraged and after the closing of the Insignia acquisition and the related transactions will have significant debt service obligations. For the year ended December 31, 2002, after giving effect to the Insignia acquisition and the related transactions, on a pro forma basis, our annual interest expense would have been $94.4 million. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

Our substantial debt could have other important consequences, which include, but are not limited to, the following:

- We could be required to use a substantial portion, if not all, of our free cash flow from operations to pay principal and interest on our debt.
- Our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, strategic acquisitions, investments, joint ventures and other general corporate requirements.

- Our interest expense could increase if interest rates increase, because all of our debt under the amended and restated credit agreement governing our senior secured credit facilities, including $296.0 million in term loans and a revolving credit facility of up to $90.0 million, will bear interest at floating rates, generally between LIBOR plus 3.00% to 4.25% or the alternate base rate plus 2.00% to 3.25%. The alternate base rate is the higher of (1) Credit Suisse First Boston's prime rate and (2) the Federal Funds Effective Rate plus 0.50%.
- Our substantial leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged.
- Our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the real estate services industry.

- Our failure to comply with the financial and other restrictive covenants in the documents governing our indebtedness, which, among others, require us to maintain specified financial ratios and limit our ability to incur additional debt and sell assets, could result in an event of default that, if not cured or waived, could harm our business or prospects and could result in our filing for bankruptcy.

We cannot be certain that our earnings will be sufficient to allow us to pay principal and interest on our debt and meet our other obligations. If we do not have sufficient earnings, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities, none of which we can guarantee we will be able to do.

We will be able to incur more indebtedness, which may intensify the risks associated with our substantial leverage, including our ability to service our indebtedness.

The amended and restated credit agreement governing the senior secured credit facilities and the indentures relating to our 11¼% senior subordinated notes due 2011 and the 16% senior notes due 2011 issued by CBRE Holding will permit us, subject to specified conditions, to incur a significant amount of additional indebtedness, including additional indebtedness under our $90.0 million revolving credit facility. If we incur additional debt above the levels in effect upon the closing of the Insignia acquisition and the related transactions, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

Servicing our indebtedness requires a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

We expect to obtain from our operations the cash necessary to make payments on the senior secured credit facilities, our 11¼% senior subordinated notes due 2011, the 16% senior notes due 2011 issued by CBRE Holding, and to fund our working capital, strategic acquisitions, investments, joint ventures and other general corporate requirements. Our ability to generate cash from our operations is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. As a result, we cannot assure you that our business will generate sufficient cash flow from operations, that we will realize currently anticipated cost savings, revenue growth and operating improvements on schedule or at all or that future borrowings will be available to us under our revolving credit facility, in each case, in amounts sufficient to enable us to service our debt and to fund our other liquidity needs. If we cannot service our debt, we will have to take actions such as reducing or delaying strategic acquisitions, investments and joint ventures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, the terms of our and CBRE Holding's existing or future debt instruments, including the senior secured credit facilities and the indentures for our 11¼% senior subordinated notes due 2011 and the 16% senior notes due 2011 issued by CBRE Holding, may restrict us from adopting any of these alternatives.

Our and CBRE Holding's debt instruments impose significant operating and financial restrictions on us and CBRE Holding, and in the event of a default, all of our and CBRE Holding's borrowings would become immediately due and payable.

The indentures governing our 11¼% senior subordinated notes due 2011 and the 16% senior notes due 2011 issued by CBRE Holding impose, and the terms of any future debt may impose, operating and other restrictions on CBRE Holding and on us and many of our subsidiaries. These restrictions affect, and in many respects limit or prohibit, the ability of CBRE Holding and of us and our restricted subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or distributions on capital stock or redeem or repurchase capital stock;

- repurchase equity interests;
- make investments;
- create restrictions on the payment of dividends or other amounts to us;
- sell stock of subsidiaries;
- transfer or sell assets;
- create liens;
- enter into transactions with affiliates;
- enter into sale/leaseback transactions; and
- enter into mergers or consolidations.

In addition, the amended and restated credit agreement governing our senior secured credit facilities will include other and more restrictive covenants and will prohibit us from prepaying most of our other debt while debt under our senior secured credit facilities is outstanding. The amended and restated credit agreement governing our senior secured credit facilities will also require us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control.

The restrictions contained in our and CBRE Holding's debt instruments could:

- limit CBRE Holding's and our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect CBRE Holding's and our ability to finance ongoing operations, strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these restrictive covenants or the inability to comply with the required financial ratios could result in a default under our and CBRE Holding's debt instruments. If any such default occurs, the lenders under the senior secured credit facilities and the holders of our 11¼% senior subordinated notes due 2011 and the 16% senior notes due 2011 issued by CBRE Holding, pursuant to the respective indentures, may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. The lenders under our senior secured credit facilities also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under the senior secured credit facilities will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash. If the debt under the senior secured credit facilities, our 11¼% senior subordinated notes due 2011 and the 16% senior notes due 2011 were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full our debt.

We conduct a substantial portion of our operations through our subsidiaries and may be limited in our ability to access funds from these subsidiaries to service our debt.

We conduct a substantial portion of our operations through our subsidiaries and depend to a large degree upon dividends and other intercompany transfers of funds from our subsidiaries to meet our debt service and other obligations. In addition, the ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, applicable corporate and other laws, transfer pricing regulations, limitations on imports, currency exchange control regulations, potentially adverse tax consequences and agreements of our subsidiaries. Although the indentures governing our 11¼% senior subordinated notes due 2011 and the 16% senior notes due 2011 issued by CBRE Holding limit the ability of our subsidiaries to enter into consensual restrictions on their ability to pay dividends and make other payments, the limitations are subject to a number of significant

qualifications and exceptions. If we are unable to access the cash flow of our subsidiaries, we may have difficulty meeting our debt obligations.

If we fail to meet our payment or other obligations under the senior secured credit facilities, the lenders under the senior secured credit facilities could foreclose on, and acquire control of, substantially all of our assets.

In connection with the incurrence of indebtedness under our senior secured credit facilities, the lenders under our senior secured credit facilities received a pledge of all of our equity interests and those of CBRE Holding's significant domestic subsidiaries, including us, CBRE Investors, L.L.C. and L.J. Melody & Company, and 65% of the voting stock of CBRE Holding's foreign subsidiaries that is held directly by CBRE Holding or its domestic subsidiaries. Additionally, these lenders generally have a lien on substantially all of our accounts receivable, cash, general intangibles, investment property and future acquired material property. Upon the closing of the Insignia acquisition and the related transactions the lenders will also have a lien on substantially all of Insignia's accounts receivable, cash, general intangibles, investment property and future acquired material property, other than certain of its real estate investment assets. As a result of these pledges and liens, if we fail to meet our payment or other obligations under the senior secured credit facilities, the lenders under the senior secured credit facilities would be entitled to foreclose on substantially all of our assets and liquidate these assets.

PRELIMINARY RESULTS FOR THE FIRST QUARTER OF 2003

In accordance with the interim guidance set forth in Release Nos. 33-8216 and 34-47583 issued by the Securities and Exchange Commission on March 27, 2003, the following information, which is intended to be furnished under "Item 12. Results of Operations and Financial Condition," is instead being furnished under "Item 9. Regulation FD Disclosure." Such information shall not be deemed "filed" for purposes of the Exchange Act.

CBRE Holding's Preliminary Results for the First Quarter of 2003

CBRE Holding's preliminary unaudited consolidated revenue was $263.7 million for the first quarter of 2003, an increase of $39.7 million or 17.7% over the corresponding period in 2002. CBRE Holding's preliminary unaudited consolidated operating income was $10.8 million, an increase of $7.4 million or 212.5% over the corresponding period in 2002. The increase in revenue and operating income was primarily attributable to higher worldwide sales transaction revenues, particularly investment properties, while operating expenses reflected our continued cost containment efforts.

Insignia's Preliminary Results for the First Quarter of 2003

Insignia's preliminary unaudited consolidated revenue was $133.5 million for the first quarter of 2003, representing an increase of $9.4 million or 8% over the corresponding period in 2002. Substantially all of the revenue increase in 2003 was attributed to Insignia's service operations in the United States and the United Kingdom. Conversely, Insignia incurred a preliminary unaudited consolidated operating loss of approximately $10.0 million for the first quarter of 2003, compared to operating income of $97,000 for the corresponding period in 2002. The operating loss for the first quarter of 2003 was impacted by approximately $2.0 million of merger related expenses incurred for legal advice and other services in connection with the potential acquisition of Insignia by CBRE Holding. Insignia's results for the first quarter of 2002 have been restated to exclude the operations of Insignia's residential real estate services subsidiaries, Insignia Douglas Elliman LLC and Insignia Residential Group LLC, which were sold on March 14, 2003. See the information under the caption "Recent Developments" in this Item 9. The operating results of these businesses for the period from January 1, 2003 to March 14, 2003 and the first quarter of 2002 will be reported by Insignia as discontinued operations for financial reporting purposes.

In the United States, service income of Insignia in 2003 declined by $5.1 million from $3.6 million for the first quarter of 2002 to a loss of $1.5 million for the corresponding period in 2003. The largest factor affecting service income was a change in the bonus plan for the New York consulting group that caused the acceleration of annual bonus compensation on a ratable basis across the year, thereby increasing expense by over $3.0 million in the first quarter of 2003, as compared to the corresponding period in 2002. In prior periods, bonuses payable to the consulting group were earned and expensed based solely on the consulting group's performance, which was nominal for the first quarter of 2002. Other contractual bonuses to certain key producers contributed a further $1.0 million to the quarter over quarter decline. In Europe, service income declined by $2.9 million from $3.2 million in the first quarter of 2002 to $282,000 for the corresponding period in 2003, primarily as a result of lower earnings in France, Spain and Germany compared to the corresponding period in 2002.

The preliminary unaudited consolidated financial results for the first quarter of 2003 for CBRE Holding and Insignia are not final, and, as such, CBRE Holding and Insignia have not concluded their internal certification process nor have their respective auditors completed their review of such results. These preliminary unaudited consolidated operating results disclosed above could change and such changes could be material.

SIGNATURES

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

CBRE HOLDING, INC.

By: /s/ KENNETH J. KAY

Name: Kenneth J. Kay
Title: Chief Financial Officer

Date: April 30, 2003

EXHIBIT INDEX

Exhibit No.	Description

99.1	Summary Historical and Pro Forma Financial Data
99.2	Unaudited Pro Forma Financial Information
99.3	Insignia Financial Group, Inc. Selected Historical Financial Data and Results of Operations
99.4	Consolidated Financial Statements of Insignia Financial Group, Inc.

Exhibit 99.1

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

CB Richard Ellis Services

The following table is a summary of our historical consolidated financial data as of and for the periods presented, as well as pro forma financial data giving effect to the Insignia acquisition and the related transactions as of and for the period presented. The pro forma statement of operations data do not purport to represent what the results of operations of CB Richard Ellis Services, Inc. would have been if the Insignia acquisition and the related transactions had occurred as of the date indicated or what its results will be for future periods. The results include the activities of the following acquired businesses since their respective dates of acquisition: REI, Ltd. from April 17, 1998; and CB Hillier Parker Limited from July 7, 1998.

	Twelve Months Ended December 31,					Pro Forma for the Twelve Months Ended December 31, 2002
	1998	1999	2000	2001 (1)	2002 (2)	
	(Dollars in thousands)					
Statement of Operations Data:						
Revenue	$ 1,034,503	$ 1,213,039	$ 1,323,604	$ 1,170,762	$ 1,170,277	$ 1,744,162
Operating income	78,476	76,899	107,285	49,058	106,477	129,342
Interest expense, net	27,993	37,438	39,146	38,962	46,043	76,013
Net income (loss)	24,557	23,282	33,388	(11,299)	27,306	22,137
Other Data:						
Net cash provided by (used in) operating activities	$ 76,005	$ 70,340	$ 80,859	$ (29,206)	$ 64,373	—
Net cash used in investing activities	(222,911)	(23,096)	(32,469)	(118,651)	(24,130)	—
Net cash provided by (used in) financing activities	119,438	(37,721)	(53,523)	185,487	(17,453)	—
Ratio of earnings to fixed charges	2.17x	1.79x	2.16x	1.18x	1.86x	—
EBITDA, excluding nonrecurring charges (3)	127,246	117,369	150,484	115,481	131,127	$ 173,374
Adjusted EBITDA (3)	—	—	—	—	—	207,374
Pro forma cash interest expense	—	—	—	—	—	77,248
Ratio of Adjusted EBITDA to pro forma cash interest	—	—	—	—	—	2.7x
Ratio of pro forma long-term debt (including current portion) to Adjusted EBITDA	—	—	—	—	—	3.6x

	As of December 31,					Pro Forma as of December 31, 2002
	1998	1999	2000	2001	2002	
	(Dollars in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 19,551	$ 27,844	$ 20,854	$ 57,447	$ 79,574	$ 199,893
Total assets	856,892	929,483	963,105	1,273,360	1,284,953	1,934,494
Long-term debt (including current portion)	388,896	364,637	314,164	472,630	459,981	751,870
Total liabilities	660,175	715,874	724,018	997,449	976,745	1,526,286
Total stockholders' equity	190,842	209,737	235,339	271,615	302,593	402,593

(1) The 2001 data provided has been derived by combining our activity for the period January 1, 2001 through July 20, 2001 (the date of the 2001 merger) with the activity of CBRE Holding (excluding CBRE Holding's parent stand-alone activity) for the period from February 20, 2001 (inception) through December 31, 2001.

(2) The 2002 data provided has been derived by excluding CBRE Holding's parent-only stand-alone activity for the period.

(3) EBITDA, excluding nonrecurring charges, represents earnings before interest expense, income taxes, depreciation and amortization of intangible assets relating to acquisitions and nonrecurring charges. Adjusted EBITDA represents pro forma EBITDA, excluding non-recurring charges, plus expected cost savings that we currently expect to achieve in connection with the Insignia acquisition. A description of these expected cost savings is provided under the caption "The Insignia Acquisition and Related Transactions" in Item 9. We cannot assure you, however, when or if any expected cost savings will be realized. We believe that the presentation of EBITDA, excluding nonrecurring charges, and Adjusted EBITDA will enhance an investor's understanding of our operating performance. EBITDA is also a measure used by our senior management to evaluate the performance of our various lines of business and for other required or discretionary purposes, such as our use of EBITDA as a significant component when measuring performance under our employee incentive programs. Additionally, many of our debt covenants are based upon a measurement similar to EBITDA, excluding nonrecurring charges. EBITDA, excluding nonrecurring charges, and Adjusted EBITDA should not be considered as alternatives to (i) operating income determined in accordance with accounting principles generally accepted in the United States or (ii) operating cash flow determined in accordance with accounting principles generally accepted in the United States. Our calculation of EBITDA, excluding nonrecurring charges, and Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA, excluding nonrecurring charges, and Adjusted EBITDA are calculated as follows:

	Twelve Months Ended December 31,					Pro Forma for the Twelve Months Ended December 31, 2002
	1998	1999	2000	2001	2002	
	(Dollars in thousands)					
Operating income (loss)	$ 78,476	$ 76,899	$ 107,285	$ 49,058	$ 106,477	$ 129,342
Add:						
Depreciation and amortization	32,185	40,470	43,199	37,854	24,614	43,996
EBITDA	110,661	117,369	150,484	86,912	131,091	173,338
Add:						
Nonrecurring charges	16,585	—	—	28,569	36	36
EBITDA, excluding nonrecurring charges	$ 127,246	$ 117,369	$ 150,484	$ 115,481	$ 131,127	173,374

Add:							
Expected cost savings (*)	—	—	—	—	—		34,000
Adjusted EBITDA	—	—	—	—	—	$	207,374

(*) We have undergone a substantial review of our and Insignia's combined operations in order to identify areas of overlap. During 2002, Insignia incurred approximately $34.0 million of costs related to (1) the compensation of senior executive management personnel who will not join CBRE Holding after the Insignia acquisition, (2) administrative and support costs associated with those executives and (3) human resources, accounting and other administrative functions that overlap with ours. We expect to eliminate these costs as part of a detailed integration plan developed in connection with the Insignia acquisition. We expect to achieve the majority of these cost savings upon the closing of the Insignia acquisition. However, we cannot assure you as to when or if these expected cost savings will be realized. As we continue to implement our integration plan, a portion of the costs that we expect to save may relate to the elimination of certain of our own personnel. See "Risk Factors—Risks Relating to Our Business—We cannot assure you as to when or if we will be able to achieve all of our expected cost savings in connection with the Insignia acquisition" in Item 9.

CBRE Holding

The following table is a summary of the historical consolidated financial data of CBRE Holding as of and for the period presented, as well as pro forma financial data giving effect to the Insignia acquisition and the related transactions as of and for the period presented. The pro forma statement of operations data do not purport to represent what CBRE Holding's results of operations would have been if the Insignia acquisition and the related transactions had occurred as of the date indicated or what its results will be for future periods.

	Twelve Months Ended December 31, 2002	Pro Forma for the Twelve Months Ended December 31, 2002
	(Dollars in thousands)	
Statement of Operations Data:		
Revenue	$ 1,170,277	$ 1,744,162
Operating income	106,062	128,927
Interest expense, net	57,229	87,199
Net income	18,727	13,558
Other Data:		
EBITDA, excluding nonrecurring charges (1)	$ 130,712	$ 172,959
Adjusted EBITDA (1)	—	206,959

	December 31, 2002	Pro Forma as of December 31, 2002
	(Dollars in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 79,701	$ 200,020
Total assets	1,324,876	1,974,417
Long-term debt (including current portion)	521,844	813,733
Total liabilities	1,067,920	1,617,461
Total stockholders' equity	251,341	351,341

(1) EBITDA, excluding nonrecurring charges, represents earnings before interest expense, income taxes, depreciation and amortization of intangible assets relating to acquisitions and nonrecurring charges. Adjusted EBITDA represents pro forma EBITDA, excluding non-recurring charges, plus expected cost savings that we currently expect to achieve in connection with the Insignia acquisition. A description of these expected cost savings is provided under the caption "The Insignia Acquisition and Related Transactions" in Item 9. We cannot assure you, however, when or if any expected cost savings will be realized. We believe that the presentation of EBITDA, excluding nonrecurring charges, and Adjusted EBITDA will enhance a reader's understanding of CBRE Holding's operating performance. EBITDA is also

a measure used by our senior management to evaluate the performance of our various lines of business and for other required or discretionary purposes, such as our use of EBITDA as a significant component when measuring performance under our employee incentive programs. Additionally, many of CBRE Holding's debt covenants are based upon a measurement similar to EBITDA, excluding nonrecurring charges. EBITDA, excluding nonrecurring charges, and Adjusted EBITDA should not be considered as alternatives to (i) operating income determined in accordance with accounting principles generally accepted in the United States or (ii) operating cash flow determined in accordance with accounting principles generally accepted in the United States. CBRE Holding's calculation of EBITDA, excluding nonrecurring charges, and Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA, excluding nonrecurring charges, and Adjusted EBITDA are calculated as follows:

	Twelve Months Ended December 31, 2002	Pro Forma for the Twelve Months Ended December 31, 2002
	(Dollars in thousands)	
Operating income (loss)	$ 106,062	$ 128,927
Add:		
Depreciation and amortization	24,614	43,996
EBITDA	130,676	172,923
Add:		
Nonrecurring charges	36	36
EBITDA, excluding nonrecurring charges	$ 130,712	172,959
Add:		
Expected cost savings(*)	—	34,000

Adjusted EBITDA	—	$ 206,959

(*) We have undergone a substantial review of our and Insignia's combined operations in order to identify areas of overlap. During 2002, Insignia incurred approximately $34.0 million of costs related to (1) the compensation of senior executive management personnel who will not join CBRE Holding after the Insignia acquisition, (2) administrative and support costs associated with those executives and (3) human resources, accounting and other administrative functions that overlap with ours. We expect to eliminate these costs as part of a detailed integration plan developed in connection with the Insignia acquisition. We expect to achieve the majority of these cost savings upon the closing of the Insignia acquisition. However, we cannot assure you as to when or if these expected cost savings will be realized. As we continue to implement our integration plan, a portion of the costs that we expect to save may relate to the elimination of certain of our own personnel. See "Risk Factors—Risks Relating to Our Business—We cannot assure you as to when or if we will be able to achieve all of our expected cost savings in connection with the Insignia acquisition" in Item 9.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is based on the historical financial statements of CBRE Holding and Insignia included elsewhere in this Form 8-K. The unaudited pro forma combined balance sheet as of December 31, 2002 gives effect to the Insignia acquisition and the related transactions as if they had occurred on December 31, 2002. The unaudited pro forma combined statement of operations for the twelve months ended December 31, 2002 gives effect to the Insignia acquisition and the related transactions as if they had occurred on January 1, 2002. The pro forma amounts presented also give effect to (1) the sale by Insignia of its residential real estate services subsidiaries, Insignia Douglas Elliman LLC and Insignia Residential Group LLC, which we refer to in this Form 8-K as the "residential real estate services subsidiaries," to Montauk Battery Realty, LLC on March 14, 2003 for net proceeds of $64.8 million in cash, after transaction costs, and (2) the assumed sale of Insignia's real estate investment assets, which we refer to in this Form 8-K as the "designated real estate assets," prior to the closing of the Insignia acquisition in a sale transaction for cash consideration of $45.0 million net of expenses. All of the aforementioned transactions are collectively referred to in this Form 8-K as the "pro forma transactions."

If the sale of the designated real estate assets is not completed by the date of the closing of the Insignia acquisition, the pro forma effects will differ from the unaudited pro forma financial information presented below. For a description of these differences, see note (a) to the unaudited pro forma combined balance sheet as of December 31, 2002.

The Blum funds have committed to fund up to $45.0 million of additional common or preferred stock or debt securities to CBRE Holding or a subsidiary of CBRE Holding, which will be substituted for the anticipated cash proceeds from the sale of the designated real estate assets, to the extent such assets have not been sold prior to the closing of the Insignia acquisition for net proceeds of at least $45.0 million.

This unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what CBRE Holding's results of operations or financial position would actually have been had the Insignia acquisition and the related transactions in fact occurred on the dates specified, nor does the information purport to project CBRE Holding's results of operations or financial position for any future period or at any future date. All pro forma adjustments are based on preliminary estimates and assumptions and are subject to revision upon completion of the Insignia acquisition and the related transactions.

Once we have determined the final purchase price to be paid in connection with the Insignia acquisition, completed the valuation studies necessary to finalize the required purchase price allocations and identified any changes necessary to conform Insignia's financial presentation to ours, the unaudited pro forma financial information will be subject to adjustment. Such adjustments will likely result in changes to the unaudited pro forma combined balance sheet and the unaudited pro forma combined statement of operations to reflect, among other things, the final allocation of the purchase price. There can be no assurance that such changes will not be material. Upon consummation of the Insignia acquisition and the related transactions, we intend to sell any remaining designated real estate assets. There currently is no agreement in place for the sale of the designated real estate assets and there can be no assurance that a sale will be completed on favorable terms or at all. If such a sale transaction is completed but does not conform to our assumptions regarding the terms thereof, such a transaction could materially change the unaudited pro forma financial information presented in this Form 8-K.

This unaudited pro forma financial information does not give effect to $34.0 million of costs incurred by Insignia during 2002 related to (1) the compensation of senior executive management personnel who will not join CBRE Holding after the Insignia acquisition, (2) administrative and support costs associated with those

executives and (3) human resources, accounting and other administrative functions that overlap with ours. We expect to eliminate these costs as part of a detailed integration plan developed in connection with the Insignia acquisition. However, we cannot assure you as to when or if these expected cost savings will be realized. As we continue to implement our integration plan, a portion of the costs that we expect to save may relate to the elimination of certain of our own personnel. For a more detailed description of these expected cost savings, see the caption "The Insignia Acquisition and Related Transactions" in Item 9. For a more detailed description of the risks related to these expected cost savings, see "Risk Factors—Risks Relating to Our Business—We cannot assure you as to when of if we will be able to achieve all of our expected cost savings in connection with the Insignia acquisition" in Item 9.

CBRE HOLDING, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET

As of December 31, 2002
(in thousands, except per share data)

	Historical		Pro Forma Adjustments		
	CBRE Holding	Insignia	Dispositions (a)	Insignia Acquisition	Pro Forma Combined
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 79,701	$ 111,513	$ 41,119	$ (32,313) (b)	$ 200,020
Restricted cash	—	21,518	(4,023)	—	17,495
Receivables, less allowance for doubtful accounts	166,213	155,321	(4,233)	—	317,301
Warehouse receivable	63,140	—	—	—	63,140
Prepaid expenses	9,748	21,312	(3,024)	—	28,036
Deferred tax assets, net	18,723	—	—	—	18,723
Other current assets	8,415	12,851	(7,865)	—	13,401
Total current assets	345,940	322,515	21,974	(32,313)	658,116
Property and equipment, net	66,634	55,614	(12,681)	—	109,567
Goodwill	577,137	289,561	(34,117)	(107,091) (c)(d)	725,490
Other intangible assets, net of accumulated amortization	91,082	17,611	(11,999)	47,062 (e)	143,756
Cash surrender value of insurance policies, deferred compensation plan	63,642	—	—	—	63,642
Investments in and advances to unconsolidated subsidiaries	50,208	1,314	—	—	51,522
Real estate investments, net	—	134,135	(134,135)	—	—
Deferred tax assets, net	36,376	47,609	(4,027)	(24,069) (f)	55,889
Other assets	93,857	4,480	—	68,098 (g)	166,435
Total assets	$ 1,324,876	$ 872,839	$ (174,985)	$ (48,313)	$ 1,974,417
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities:					

Accounts payable and accrued expenses	$ 102,415	$ 44,518	$ (19,890)	$ 35,027 (h)	$ 162,070
Compensation and employee benefits payable	63,734	77,765	(931)	—	140,568
Accrued bonus and profit sharing	103,858	52,324	(4,723)	—	151,459
Income taxes payable	15,451	7,175	—	—	22,626
Short-term borrowings:					
Warehouse line of credit	63,140	—	—	—	63,140
Other	47,925	—	—	—	47,925
Total short-term borrowings	111,065	—	—	—	111,065
Current maturities of long-term debt	10,711	17,301	(412)	750 (i)	28,350
Total current liabilities	407,234	199,083	(25,956)	35,777	616,138
Long-term Debt:					
Senior secured term loans	211,000	—	—	74,250 (i)	285,250
% senior notes	—	—	—	200,000 (i)	200,000
11 ¼% senior subordinated notes, net of unamortized discount of $3,057	225,943	—	—	—	225,943

(continued on next page)

CBRE HOLDING, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEET

As of December 31, 2002
(in thousands, except per share data)

	Historical		Pro Forma Adjustments		
	CBRE Holding	Insignia	Asset Dispositions (a)	Insignia Acquisition	Pro Forma Combined
LIABILITIES & STOCKHOLDERS' EQUITY (continued)					
16% senior notes, net of unamortized discount of $5,107	$ 61,863	$ —	$ —	$ —	$ 61,863
Notes payable	—	110,000	(67,000)	(43,000) (i)	—
Real estate mortgage notes	—	66,383	(66,383)	—	—
Other long-term debt	12,327	—	—	—	12,327
Total long-term debt	511,133	176,383	(133,383)	231,250	785,383
Deferred compensation liability	106,252	21,192	—	—	127,444
Deferred tax liabilities	—	15,795	(949)	(14,846) (f)	—
Other liabilities	43,301	45,057	(233)	371 (j)	88,496
Total liabilities	1,067,920	457,510	(160,521)	252,552	1,617,461
Minority Interest	5,615	—	—	—	5,615
Commitments and contingencies					
Stockholders' Equity:					
Preferred Stock, $0.01 par value, 20,000,000 shares authorized, 250,000 Series A shares and 125,000 Series B shares issued and outstanding—actual, no shares issued and outstanding pro forma	—	4	—	(4) (k)	—
Class A common stock; $0.01 par value; 75,000,000 shares authorized; 1,793,254 shares issued and outstanding (including treasury shares)—actual and pro forma	17	—	—	—	17
Class B common stock; $0.01 par value; 25,000,000 shares authorized; 12,624,813 shares issued and outstanding—actual, 18,874,813 shares issued and outstanding pro forma	127	—	—	63 (k)	190
Common Stock, $0.01 par value, 80,000,000 shares authorized, 23,248,242 shares issued and outstanding (net of 1,502,600 treasury shares)—actual, no shares issued and outstanding pro forma	—	232	—	(232) (k)	—
Additional paid-in capital	240,574	437,622	(150,367) (k)	(187,318) (k)	340,511
Notes receivable from sale of stock	(4,800)	(1,193)	—	1,193 (k)	(4,800)
Accumulated earnings (deficit)	36,153	(16,241)	135,903 (k)	(119,662) (k)	36,153
Accumulated other comprehensive loss	(18,998)	(5,095)	—	5,095 (k)	(18,998)
Treasury stock at cost, 110,174 shares	(1,732)	—	—	—	(1,732)
Total stockholders' equity	251,341	415,329	(14,464)	(300,865)	351,341
Total liabilities & stockholders' equity	$ 1,324,876	$ 872,839	$ (174,985)	$ (48,313)	$ 1,974,417

Notes to Unaudited Pro Forma Combined Balance Sheet
as of December 31, 2002

(a) Reflects (1) the sale by Insignia of the residential real estate services subsidiaries for a gross purchase price of $66.8 million in cash, which sale was consummated on March 14, 2003, (2) the subsequent repayment of Insignia's revolving credit facility with the net proceeds from the sale of the residential real estate services subsidiaries and (3) the contemplated sale of the designated real estate assets for cash consideration of $45.0 million, net of selling expenses and the repayment or assumption of related debt, which represents our estimate of the fair value of these net assets. For purposes of the unaudited pro forma combined balance sheet, both of these dispositions were assumed to have occurred immediately prior to the closing of the Insignia acquisition. Accordingly, the differences between the assumed proceeds from actual and contemplated dispositions of the residential real estate services subsidiaries and the designated real estate assets and their historical book value have been recorded as an adjustment to Insignia's historical equity. The assumed cash proceeds from the dispositions have been reflected as if the dispositions had closed as of December 31, 2002, however the proceeds from the sale of the designated real estate assets have not been applied to a particular use for purposes of the unaudited pro forma combined balance sheet. In the event the designated real estate assets are not sold, in whole or in part, prior to the closing of the Insignia acquisition, or if the net proceeds from the sale of the designated real estate assets are less than $45.0 million in the aggregate, the Blum funds have committed to contribute up to $45.0 million in cash of additional common or preferred stock or debt securities financing to CBRE Holding or a subsidiary of CBRE Holding that is expected to purchase the designated real estate assets on or prior to the closing of the Insignia acquisition. For a more detailed description of the Blum funds' additional common or preferred stock or debt securities investment, see the information included under the caption "The Insignia Acquisition and Related Transactions" in Item 9. In the event that the designated real estate assets are not sold prior to the closing of the Insignia acquisition, the impact on the unaudited pro forma combined balance sheet would include the following:

- the elimination of the assumed net sale proceeds of $45.0 million and associated expenses;
- the inclusion of the designated real estate assets in the unaudited pro forma combined balance sheet as property held for sale at estimated fair value;
- the inclusion of up to $66.8 million in real estate mortgage notes;
- the contribution of cash from the Blum funds in an amount up to $45.0 million;
- the issuance by CBRE Holding or one of its subsidiaries of additional common or preferred stock or debt securities to the Blum funds based on the amount of the Blum funds' additional investment; and
- an adjustment to goodwill representing the difference between $45.0 million and the estimated fair value of the net investment in the designated real estate assets.

Cash and cash equivalents of $41.1 million related to asset dispositions consists of the following:

		(in thousands)
Historical cash and cash equivalents related to disposed assets	$	(1,631)
Net proceeds from the sale of the residential real estate services subsidiaries		64,750
Repayment of Insignia's revolving credit facility with the proceeds from the sale of the residential real estate services subsidiaries		(67,000)
Net proceeds from the contemplated sale of the designated real estate assets		45,000
Cash and cash equivalents—asset dispositions	$	41,119

(b) Reflects the net effect of the pro forma transactions on cash and cash equivalents as follows:

		(in thousands)
Sources:		
Additional tranche B term loan borrowings (note (i))	$	75,000
% senior notes due 2010 (note (i))		200,000
Equity contribution from the Blum funds (note (k))		100,000
Total sources	$	375,000
Uses:		
Purchase of public shares of Insignia (24,000,000 shares at $11.00 per share, net of repayment of notes receivable from sale of stock, notes (c) and (k))	$	(262,807)
Purchase of Series A and Series B preferred shares of Insignia (375,000 shares at $100.00 per share, notes (c) and (k))		(37,500)
Settlement of outstanding stock options of Insignia (note (c))		(7,406)
Change of control, severance payments and other (notes (c) and (h))		(24,500)
Payment of transaction costs, net of financing costs (note (c))		(13,300)
Repayment of Insignia's revolving credit facility (note (i))		(28,000)
Repayment of Insignia's subordinated credit facility (note (i))		(15,000)
Payment of financing costs (note (g))		(18,800)
Total uses		(407,313)
Change in cash and cash equivalents	$	(32,313)

We anticipate incurring approximately $144.1 million in costs associated with the pro forma transactions. These costs include change of control payments, employee severance, facilities closure costs, retention payments, integration costs, financing costs and other transaction costs. The payment schedule for, and accounting treatment of, such costs is expected to be as follows:

	Paid By Closing	Paid Over Time	Total Costs
		(in thousands)	
Record as goodwill	$ 37,800	$ 41,300	$ 79,100
Expense as incurred	23,300	15,100	38,400
Record as deferred financing costs/property and equipment	18,800	2,000	20,800
Payout of deferred compensation liability	—	5,800	5,800
Total	$ 79,900	$ 64,200	$ 144,100

The pro forma cash and cash equivalents balance of $200.0 million as of December 31, 2002 is significantly higher than what we would have had historically as of December 31, 2002. This excess cash balance is the result of the assumed borrowing of the entire $75.0 million principal balance of the additional tranche B term loan and the issuance of $200.0 million in aggregate principal amount of the assumed notes for purposes of the accompanying unaudited pro forma combined balance sheet. In addition, we have not assumed the application of the $40.1 million in net proceeds from the asset dispositions for any particular use. Typically our borrowing needs increase during the first and second calendar quarters due to the seasonality of our business. In addition, we anticipate the incurrence of non-recurring expenditures associated with the integration of Insignia's businesses into ours. By closing of the pro forma transactions, we expect that this excess cash will be utilized to fund our seasonal borrowing needs and integration costs associated with the Insignia acquisition, and that additional borrowings may be required under our $90.0 million revolving credit facility.

(c) The Insignia acquisition will be accounted for under the purchase method of accounting. Accordingly, the total purchase price will be allocated to the assets acquired and the liabilities assumed based upon their respective estimated fair values. A preliminary allocation of the purchase price has been made to major categories of assets and liabilities in the unaudited pro forma combined balance sheet based on our preliminary assessment. The final allocation of the purchase price may result in significant differences from the pro forma amounts included herein. The final appraisal and purchase price allocation is expected to be finalized within one year after the closing of the Insignia acquisition.

The following represents the calculation of the Insignia purchase price of the Insignia acquisition and the excess purchase price over the estimated fair value of net assets acquired:

		(in thousands)
Purchase of public shares of Insignia, net (24,000,000 shares at $11.00 per share)	$	262,807
Purchase of Series A and Series B preferred shares of Insignia (375,000 shares at $100.00 per share)		37,500
Settlement of outstanding stock options of Insignia		7,406
Payment of transaction costs, net of financing costs		14,300
Total purchase price		322,013
Less: estimated fair value of net assets acquired (see table below)		(173,660)
Excess purchase price over estimated fair value of net assets acquired	$	148,353

Preliminary allocation of the purchase price to the assets and liabilities of Insignia is comprised of the following:

		(in thousands)
Assets:		
Current assets	$	344,489
Property and equipment		42,933
Other intangible assets		52,674
Other assets		55,092
Deferred tax assets, net		19,513
Total assets	$	514,701
Liabilities:		
Current liabilities	$	166,854
Liabilities incurred in connection with the Insignia acquisition		64,800
Notes payable		43,000
All other liabilities		66,387
Total liabilities		341,041
Estimated fair value of net assets acquired	$	173,660

(d) The adjustments to goodwill are comprised of the following:

		(in thousands)
Insignia historical goodwill	$	(289,561)
Less: Goodwill associated with asset dispositions (note (a))		34,117
Less: Excess purchase price over estimated fair value of net assets acquired		148,353
Net pro forma adjustments to goodwill	$	107,091

(e) The adjustments to other intangible assets are comprised of the following:

		(in thousands)
Fair value of definite life intangible assets	$	27,674
Fair value of Richard Ellis trade name in the United Kingdom		25,000
Write-off of the historical book value of Insignia's intangible assets		(5,612)
Net pro forma adjustments to other intangible assets	$	47,062

Definite life intangible assets are primarily comprised of property management contracts in the United States, the United Kingdom, France and other European operations, which will be amortized over their estimated useful lives of up to six years. The Richard Ellis trade name in the United Kingdom is assumed to have an indefinite life and accordingly will not be amortized. The trade name will be subject to at least an annual review for impairment.

(f) Represents the net adjustment to reflect the tax effect of the pro forma adjustments at applicable statutory rates. Deferred taxes are subject to the final appraisal and purchase price allocation to assets and liabilities other than goodwill. The adjustment also includes the reclassification of $15.8 million of Insignia's deferred tax liabilities as a reduction to deferred tax assets to conform to CBRE Holding's presentation.

(g) The adjustments to other assets are comprised of the following:

		(in thousands)
Fair value of Insignia's net revenue backlog as of December 31, 2002	$	50,000
Fair value of Insignia's below market leases		1,650
Financing costs associated with debt issued in connection with the pro forma transactions		18,800
Write-off of deferred financing costs of Insignia's debt to be repaid		(2,352)
Net pro forma adjustments to other assets	$	68,098

Fair value of Insignia's net revenue backlog as of December 31, 2002 represents the backlog of Insignia's revenue producing transactions acquired by us in the Insignia acquisition. The backlog consists of commissions receivable on leasing transactions, which are expected to be completed by Insignia prior to the Insignia acquisition. Purchase accounting rules under generally accepted accounting principles in the United States require these commissions to be recorded as an intangible asset purchased. This asset will be amortized as cash is received upon final closing of these pipeline transactions.

Financing costs represent our estimate of transaction fees and costs directly attributable to the financings related to the pro forma transactions. Costs will be allocated to each debt instrument based on specific identification or as a percentage of face value, as appropriate. Such costs will be amortized over the term of the appropriate debt instrument.

(h) The adjustments to accounts payable and accrued expenses are comprised of the following:

		(in thousands)
Write-off of Insignia's existing net deferred revenue	$	(6,273)
Accrued severance and other contractual obligations		31,000
Accrued facilities closure costs		9,300
Accrued transaction costs		1,000
Net pro forma adjustment to accounts payable and accrued expenses	$	35,027

CBRE Holding has recorded as a component of the Insignia purchase price the estimated costs associated with an involuntary plan of termination of certain of Insignia's employees. This plan will be implemented concurrently with the closing of the Insignia acquisition. CBRE Holding has also recorded as a component of the Insignia purchase price the estimated cost to exit duplicate facilities of Insignia. These accruals have been recorded in accordance with EITF 95-3.

(i) Reflects the incurrence and repayment of debt as follows:

		(in thousands)
Non-current portion:		
Additional tranche B term loan borrowings	$	74,250
% senior notes due 2010		200,000
Repayment of Insignia's revolving credit facility		(28,000)
Repayment of Insignia's subordinated credit facility		(15,000)
Adjustment to non-current portion of long-term debt	$	231,250
Current portion:		
Current portion of additional tranche B term loan borrowings	$	750
Adjustment to current portion of long-term debt	$	750

The additional tranche B term loan borrowings are expected to bear interest at varying rates based, at our option, on either LIBOR plus 4.25% or the alternate base rate plus 3.25% as determined by a financial ratio to be set forth in the amended and restated credit agreement governing our senior secured credit facilities. The alternate base rate is the higher of Credit Suisse First Boston's prime rate and the effective federal funds rate plus 0.50%. The additional tranche B term loan borrowings will require quarterly principal payments of $187,500, with the remaining outstanding principal due on July 18, 2008.

(j) Represents the write-off of Insignia's historical deferred rent liability, offset by the fair value of Insignia's above market leases.

(k) Represents the elimination of Insignia's historical equity (after adjustments for dispositions) and the issuance of 6,250,000 shares of $0.01 par value Class B common stock of CBRE Holdings to the Blum funds as follows:

		(in thousands)
Elimination of Insignia's equity:		
Insignia's historical preferred stock	$	(4)
Insignia's historical common stock		(232)

Insignia's additional paid-in capital		(287,255)
Repayment of notes receivable from sale of stock		1,193
Insignia's accumulated earnings		(119,662)
Insignia's accumulated other comprehensive loss		5,095
Pro forma adjustments to Insignia's historical equity	$	(400,865)
Issuance of CBRE Holding common stock to the Blum funds:		
Class B shares of common stock	$	63
Additional paid-in capital		99,937
Equity issued to the Blum funds	$	100,000
Net pro forma adjustments to equity	$	(300,865)

The net decrease in additional paid-in capital of $187.3 million is comprised of the elimination of Insignia's additional paid-in capital of $287.2 million, offset by the increase in additional paid-in capital of $99.9 million associated with the equity issued to the Blum funds. The Blum funds have committed to provide $100.0 million in equity to fund a portion of the Insignia acquisition through the purchase of 6,250,000 shares of Class B common stock, $0.01 par value, of CBRE Holding at $16.00 per share. See the information under the caption "The Insignia Acquisition and Related Transactions" in Item 9.

CBRE HOLDING, INC.
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

For the Twelve Months Ended December 31, 2002
(in thousands)

	Historical		Pro Forma Adjustments		
	CBRE Holding	Insignia	Dispositions(a)	Insignia Acquisition	Pro Forma Combined
Revenue	$ 1,170,277	$ 721,223	$ (147,338)	$ —	$ 1,744,162
Costs and expenses:					
Commissions, fees and other incentives	554,942	—	—	—	554,942
Operating, administrative and other	493,949	—	—	—	493,949
Costs and expenses—Insignia	—	669,067	(137,651)	222(b)	531,638
Depreciation and amortization	24,614	24,661	(6,413)	1,134(c)	43,996
Equity income from unconsolidated subsidiaries	(9,326)	(3,482)	3,482	—	(9,326)
Merger-related and other nonrecurring charges	36	—	—	—	36
Operating income	106,062	30,977	(6,756)	(1,356)	128,927
Interest income	3,272	3,951	(44)	—	7,179
Interest expense	60,501	10,992	(2,138)	25,023	94,378
Income before provision for income taxes	48,833	23,936	(4,662)	(26,379)	41,728
Provision for income taxes	30,106	10,719	(2,103)	(10,552)	28,170
Income from continuing operations	$ 18,727	$ 13,217	$ (2,559)	$ (15,827)	$ 13,558

Notes to Unaudited Pro Forma Combined Statements of Operations
for the Twelve Months Ended December 31, 2002

(a) Reflects the elimination of the historical results of (1) the residential real estate services subsidiaries, which were sold to Montauk Battery Realty, LLC on March 14, 2003, and (2) the designated real estate assets, which are anticipated to be sold in connection with the pro forma transactions. For purposes of the unaudited pro forma combined statement of operations, these dispositions were assumed to have occurred prior to January 1, 2002.

(b) This adjustment represents incremental pro forma deferred rent expense resulting from the recalculation of deferred rent expense from the assumed Insignia acquisition closing date of January 1, 2002.

(c) This increase is comprised of pro forma amortization expense related to Insignia's property management contracts established in purchase accounting over their estimated useful lives of up to six years, partially offset by the reversal of Insignia's historical amortization expense. There were no adjustments made to Insignia's historical depreciation expense.

(d) The increase in pro forma interest expense as a result of the pro forma transactions is summarized as follows:

		(in thousands)
Interest on senior notes to be offered at an assumed 11.0% per annum (1)	$	22,000
Interest on $75.0 million in additional tranche B term loan borrowings at LIBOR plus 4.25% (2)		4,573
Additional 0.50% interest rate margin on existing senior secured term loan facilities		1,249
Incremental revolving credit facility loans at LIBOR plus 3.75%		1,092
Amortization of deferred financing costs over the term of each respective debt instrument		2,824
Incremental commitment and administration fees		231
Subtotal		31,969
Less: cash interest expense of Insignia		(5,760)

Less: amortization of deferred financing costs of Insignia	(1,186)
Subtotal	(6,946)
Net increase in interest expense	$ 25,023

(1) If this rate were to be 0.25% higher or lower, cash interest expense would increase or decrease by $500,000 for the twelve months ended December 31, 2002.

(2) If this rate were to be 0.25% higher or lower, cash interest expense would increase or decrease by $187,000 for the twelve months ended December 31, 2002.

Our existing credit facilities include a $50.0 million tranche A term loan facility and a $90.0 million revolving credit facility that each bore interest prior to the Insignia acquisition at LIBOR plus 3.25% and a $185.0 million tranche B term loan facility that bore interest prior to the Insignia acquisition at LIBOR plus 3.75%. For purposes of the calculations above, LIBOR is based on the average three month LIBOR rate for fiscal year 2002. In connection with the Insignia acquisition, the interest rate margin on each of our revolving credit facility, tranche A term loan facility and tranche B term loan facility will increase by 0.50%. The tranche A term loan facility had an outstanding balance of $38.75 million as of December 31, 2002, after four quarterly principal payments made during 2002 totaling $7.5 million in the aggregate. The tranche B term loan facility had an outstanding balance of $182.3 million as of December 31, 2002, after four quarterly principal payments during 2002 totaling $1.875 million in the aggregate. The incremental revolving credit facility loans reflect the difference between Insignia's outstanding revolving credit facility balance as of December 31, 2002 of $95.0 million and the amounts outstanding in excess of $95.0 million during 2002 (the amount that was repaid from the proceeds of the pro forma transactions). Such excess was assumed to be financed under our existing revolving credit facility at LIBOR plus 3.75%. In addition, commitment fees under our revolving credit facility will increase by 0.25%. As a result of the pro forma transactions, pro forma cash interest expense will increase to $87.8 million.

(e) Represents the tax effect of the pro forma adjustments included in notes (a) through (c) above at the respective statutory rates, excluding some items that are permanently non-deductible for tax purposes.

INSIGNIA'S SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth selected historical financial data of Insignia as of and for the years ended December 31, 1998, 1999, 2000, 2001 and 2002. The financial data as of and for the year ended December 31, 2002 have been derived from the consolidated financial statements of Insignia included elsewhere in this Form 8-K, which have been audited by KPMG LLP, independent auditors, whose report thereon appears elsewhere in this Form 8-K. The financial data as of December 31, 2001 and for the years ended December 31, 2000 and 2001 have been derived from the consolidated financial statements of Insignia included elsewhere in this Form 8-K, which have been audited by Ernst & Young LLP, independent auditors, whose report thereon appears elsewhere in this Form 8-K. The financial data as of December 31, 1998, 1999 and 2000, and for the years ended December 31, 1998 and 1999, have been derived from Insignia's consolidated financial statements not included in this Form 8-K. On January 31, 2002, Insignia sold its Realty One single-family home brokerage business and affiliated companies to Real Living, Inc. The selected financial data for 1998, 1999 and 2000 have been restated to report the results of Realty One on a discontinued basis. Certain amounts from prior years have been reclassified to conform to the 2002 presentation.

The selected consolidated financial data set forth below should be read in conjunction with "Insignia's Results of Operations" included elsewhere in this Exhibit 99.3.

	Year Ended December 31,				
	1998	1999	2000	2001	2002
	(Dollars in thousands)				
Statement of Operations Data:					
Total Revenues	$ 402,171	$ 579,430	$ 784,031	$ 752,461	$ 724,705
Service revenues	404,067	574,442	773,542	732,485	711,235
Equity earnings (losses) in unconsolidated ventures	(1,896)	2,284	3,912	13,911	3,482
Income from continuing operations	8,073	7,724	21,229	5,721	13,217
Income (loss) from discontinued operations	2,980	2,574	558	(19,229)	4,918
Income (loss) before cumulative effect of changes in accounting principles	11,053	10,298	21,787	(13,508)	18,135
Cumulative effect of changes in accounting principles	—	—	(30,420)	—	(20,635)
Net income (loss)	11,053	10,298	(8,633)	(13,508)	(2,500)
Per Share Amounts—Assuming Dilution:					
Income from continuing operations	$ 0.37	$ 0.34	$ 0.87	$ 0.20	$ 0.47
Income (loss) from discontinued operation	0.13	0.12	0.02	(0.82)	0.21
Income (loss) before cumulative effect of a change in accounting principle	0.50	0.46	0.89	(0.62)	0.67
Cumulative effect of a change in accounting principle	—	—	(1.24)	—	(0.87)
Net income (loss)	0.50	0.46	(0.35)	(0.62)	(0.20)
Preferred stock dividends	—	—	(890)	(1,000)	(2,173)
Net (loss) income available to common shareholders	11,053	10,298	(9,523)	(14,508)	(4,673)
Other Data:					
Cash provided by operating activities	$ 35,857	$ 57,977	$ 80,370	$ 26,705	$ 12,835
Cash (used in) provided by investing activities	(128,140)	(171,107)	(74,044)	(25,809)	3,857
Cash provided by (used in) financing activities	140,194	121,443	59,021	9,985	(42,543)
EBITDA (1)	40,359	51,503	75,320	50,967	49,432
Net EBITDA (1)	44,741	48,871	78,046	54,458	51,564
Balance Sheet Data:					
Cash and cash equivalents	$ 53,489	$ 61,600	$ 122,196	$ 131,860	$ 111,513
Real estate investments	58,196	76,298	102,170	95,710	134,135
Total assets	595,489	795,313	925,625	918,382	872,839
Total debt	44,438	164,322	176,938	207,241	193,684
Stockholders' equity	383,243	393,069	408,881	399,857	415,329

(1) EBITDA is defined as real estate services revenues less direct expenses and administrative costs. Net EBITDA is defined as income from continuing operations plus depreciation, amortization, gains (losses) on sales of real estate investments, real estate impairments, Internet investment results and income taxes. Net EBITDA deducts all interest expense and includes funds from operations from real estate investments, or "Real Estate FFO." Real Estate FFO is defined as income or loss from real estate operations before depreciation, gains or losses on sales of property and provisions for impairment.

None of EBITDA, Net EBITDA or Real Estate FFO, as defined above, should be construed to represent cash provided by operations pursuant to generally accepted accounting principles in the United States, as none of these terms is defined thereby. Insignia's usage of these terms may differ from other companies' usage of the same or similar terms. As compared to net income, these measures effectively eliminate the impact of non-cash charges for depreciation, amortization of intangible assets and other nonrecurring expenses. Insignia's management believes that presentation of these supplemental measures enhance an investor's understanding of Insignia's operating performance.

The following calculation of EBITDA is consistent with the calculation of EBITDA for CBRE Holding and us used elsewhere in this Form 8-K.

	Year Ended December 31,				
	1998	1999	2000	2001	2002
	(Dollars in thousands)				
Operating income	$ 18,902	$ 25,196	$ 30,209	$ 29,008	$ 30,977
Add: Depreciation and amortization	19,794	28,126	37,086	40,790	24,661
EBITDA	$ 38,696	$ 53,322	$ 67,295	$ 69,798	$ 55,638

INSIGNIA'S RESULTS OF OPERATIONS

The following discussion of Insignia's results of operations was included in Insignia's annual report on Form 10-K for the fiscal year ended December 31, 2002. The definition and calculation of EBITDA for Insignia used below differs from the definition and calculation of EBITDA for CBRE Holding and us used elsewhere in this Form 8-K. Please see Insignia's selected historical financial data under the caption "Insignia's Selected Historical Financial Data" in this Exhibit 99.3 for the calculation for EBITDA for Insignia using a definition consistent with the definition and calculation of EBITDA for CBRE Holding and us used elsewhere in this Form 8-K. The discussion of Insignia's results of operations presented below includes the results of Insignia's residential real estate subsidiaries, which were sold on March 14, 2003.

Historically, Insignia monitored and evaluated its financial performance using three primary measures—EBITDA, Net EBITDA and income from continuing operations.

EBITDA in this section is defined as real estate services revenues less direct expenses and administrative costs. Net EBITDA in this section is defined as income from continuing operations before depreciation, amortization, gains (losses) on sales of real estate investments, real estate impairments, Internet investment results and income taxes. Net EBITDA deducts all interest expense and includes real estate funds from operations, or "Real Estate FFO." Neither EBITDA nor Net EBITDA should be construed to represent cash provided by operations determined pursuant to accounting principles generally accepted in the United States. EBITDA, Net EBITDA and Real Estate FFO are supplemental measures that are not defined by accounting principles generally accepted in the United States, and Insignia's usage of these terms may differ from other companies' usage of the same or similar terms. As compared to net income, these measures effectively eliminate the impact of non-cash charges for depreciation, amortization of intangible assets and other non-recurring expenses. Insignia's management believed presentation of these supplemental measures enhanced a reader's understanding of Insignia's operating performance.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Insignia's 2002 year demonstrated a return to a more normal seasonal pattern of revenues and earnings, with the fourth quarter representing the strongest quarterly period and the first half demonstrating lower revenue generation. Insignia's performance in 2002 was highlighted by a very strong performance in Europe and a significant recovery in the New York residential sales and brokerage unit, Insignia Douglas Elliman. Despite the strong performance for Europe and the residential business, the 2002 year overall was significantly hindered by continued weakness in the U.S. commercial leasing sector. Due to continuing indecision by corporate clients worldwide with respect to leasing decisions, leasing transaction levels and revenues lagged behind the levels experienced in 2000 and 2001, particularly in New York, and the normal timeframe required to complete transactions has lengthened significantly. A soft office lease environment affects Insignia/ESG, the domestic commercial services business, more than it affects Insignia's other businesses.

Insignia's total service revenues for 2002 totaled $711.2 million, representing a decline of 3% from $732.5 million in 2001. The year-over-year revenue decline was offset by $43.1 million of revenues in 2002 produced by Insignia Bourdais, Insignia's French business unit acquired in late December 2001. On a comparable basis—excluding Insignia Bourdais—services revenues of the consolidated group decreased by 9%, or $64.3 million, to $668.2 million. All of the year-over-year decline is attributed to the Insignia's U.S. commercial services business of Insignia/ESG as total U.S. service revenues deteriorated by $100.0 million from the 2001 level caused by continued softness in many key U.S. leasing markets. In Europe, the United Kingdom benefited from a robust investment market, which counteracted a soft London lease environment. Consistent with revenues, consolidated Net EBITDA declined in 2002 by 5% to $51.6 million (down from $54.5 million in 2001). The depth of the Net EBITDA drop was mitigated by (1) Insignia Bourdais EBITDA of $7.9 million, (2) expense containment measures in Insignia/ESG for non-essential costs, (3) a 109%, or $6.4 million, improvement in residential EBITDA, (4) a $3.5 million decrease in interest expense in 2002 due to lower interest rates and lower outstanding debt and (5) a $1.3 million increase in European earnings attributed to foreign currency translation (caused by the weakening of the U.S. dollar versus the pound and euro in 2002).

Income from continuing operations in 2002 totaled $13.2 million ($0.47 per diluted share), up from $5.7 million in 2001 ($0.20 per diluted share). Income improved in 2002 despite the declines in U.S. transactional revenues, aided by the elimination in 2002 of goodwill amortization, as required by new accounting standards, and all Internet investment activities. In 2001, pretax income was lowered by $17.4 million of goodwill amortization and $10.3 million of net losses from Internet investments. The net loss for 2002 included income from discontinued operations of $4.9 million related to the January 2002 sale of Realty One. This income included $265,000 in post-closing adjustments in the first quarter of 2002 and a $4.7 million tax benefit in the third quarter of 2002 attributed to the elimination of a valuation allowance on the capital portion of the loss resulting from the Realty One sale. The capital loss was fully reserved in 2001 because of uncertainty of its deductibility due to loss disallowance rules in the Treasury Regulations and insufficient income of the appropriate character. In the third quarter of 2002, it was determined that the loss would be fully deductible for tax purposes, resulting in the realization of the tax benefit for financial reporting purposes. Insignia's reported net losses for 2002 and 2001 included a $20.6 million loss (net of $9.4 million tax benefit) reported as the cumulative effect of the goodwill accounting change (2002) and a $17.6 million (net of $4.0 million tax benefit) loss on disposal of discontinued Realty One business (2001).

The table below depicts Insignia's operating results, in a format that highlights the above measures, and reconciles them to GAAP net income, for the years ended December 31, 2002, 2001 and 2000, respectively. Operating results for all periods presented reflect the results of Realty One on a discontinued basis for financial reporting purposes. Certain amounts for all periods have been reclassified to conform to the current presentation. Such reclassifications have no effect on reported net income (loss). This information has been derived from Insignia's consolidated statements of operations for the years then ended.

	Year Ended December 31,		
	2000	2001	2002
	(Dollars in thousands)		
Real Estate Services Revenues			
Commercial — United States	$ 497,695	$ 492,778	$ 392,728
Commercial — International	141,752	120,475	184,816
Residential	134,095	119,232	133,691
Total real estate services revenues	773,542	732,485	711,235
Cost and Expenses			
Real estate services	681,867	668,079	647,459
Administrative	16,355	13,439	14,344
EBITDA — Real Estate Services	75,320	50,967	49,432
Real estate FFO (1)	3,877	6,064	2,957
Fund management income	911	2,559	4,047
Development income	1,546	2,736	—
Interest and other income (2)	8,137	5,200	3,998
Interest expense (2)	(11,745)	(12,407)	(8,870)
Other	—	(661)	—
Net EBITDA	78,046	54,458	51,564
Gain on sales of real estate	3,884	10,986	5,501
Real estate impairment	(1,806)	(824)	(3,525)
Depreciation — FF&E	(10,350)	(15,392)	(17,588)
Amortization of intangibles	(23,825)	(24,408)	(5,153)
Depreciation — real estate (3)	(5,125)	(5,755)	(6,863)
	(39,300)	(45,555)	(29,604)
Income from real estate operations	40,824	19,065	23,936

Life insurance proceeds, net	19,100	—	—
Losses from internet activities, net	(35,527)	(10,263)	—
Income from continuing operations before income taxes	24,397	8,802	23,936
Income tax expense	(3168)	(3,081)	(10,719)
Income from continuing operations	21,229	5,721	13,217
Discontinued operations, net of applicable taxes:			
Income (loss) from discontinued operation	558	(1,600)	—
Income (loss) on disposal	—	(17,629)	4,918
Income (loss) before cumulative effect of a change in accounting principle	21,787	(13,508)	18,135
Cumulative effect of a change in accounting principle, net of applicable taxes	(30,420)	—	(20,635)
Net loss	(8,633)	(13,508)	(2,500)
Preferred stock dividends	(890)	(1,000)	(2,173)
Net loss available to common shareholders	$ (9,523)	$ (14,508)	$ (4,673)

The table below provides a summary of EBITDA by operating segment for the years ended December 31, 2000, 2001 and 2002, respectively.

	December 31, 2000			
	Commercial	Residential	Other	Total
	(Dollars in thousands)			
Real Estate Services Revenues	$ 639,447	$ 134,095	$ —	$ 773,542
Cost and Expenses				
Real estate services	559,400	122,467	—	681,867
Administrative	—	—	16,355	16,355
EBITDA	80,047	11,628	(16,355)	75,320
Real estate FFO (1)	3,877	—	—	3,877
Fund management income	911	—	—	911
Development income	1,546	—	—	1,546
Interest and other income (2)	2,316	—	5,821	8,137
Interest expense (2)	(1,032)	(48)	(10,665)	(11,745)
Net EBITDA	$ 87,665	$ 11,580	$ (21,199)	$ 78,046

	December 31, 2001			
	Commercial	Residential	Other	Total
	(Dollars in thousands)			
Real Estate Services Revenues	$ 613,253	$ 119,232	$ —	$ 732,485
Cost and Expenses				
Real estate services	554,744	113,335	—	668,079
Administrative	—	—	13,439	13,439
EBITDA	58,509	5,897	(13,439)	50,967
Real Estate FFO (1)	6,064	—	—	6,064
Fund management income	2,559	—	—	2,559
Development income	2,736	—	—	2,736
Interest and other income (2)	2,084	16	3,100	5,200
Interest expense (2)	(639)	(38)	(11,730)	(12,407)
Other	(661)	—	—	(661)
Net EBITDA	$ 70,652	$ 5,875	$ (22,069)	$ 54,458

	December 31, 2002			
	Commercial	Residential	Other	Total
	(Dollars in thousands)			
Real Estate Services Revenues	$ 577,544	$ 133,691	$ —	$ 711,235
Cost and Expenses				
Real estate services	526,076	121,383	—	647,459
Administrative	—	—	14,344	14,344
EBITDA	51,468	12,308	(14,344)	49,432
Real Estate FFO (1)	2,957	—	—	2,957
Fund management income	4,047	—	—	4,047
Interest and other income (2)	2,300	15	1,683	3,998
Interest expense (2)	(474)	(16)	(8,380)	(8,870)
Net EBITDA	$ 60,298	$ 12,307	$ (21,041)	$ 51,564

(1) Real estate FFO includes income or loss from all real estate operations, including both consolidated property entities and unconsolidated co-investment entities.
(2) Interest and other income and interest expense exclude amounts attributed to consolidated property operations (which are included in Real Estate FFO).
(3) Real estate depreciation represents the depreciation attributed to the three consolidated real estate properties as well as the portion of depreciation expense of real estate owning entities in which Insignia has minority equity ownership.

Commercial Real Estate Services

Insignia's commercial real estate service operations include Insignia/ESG in the United States, Insignia Richard Ellis in the United Kingdom, Insignia Bourdais in France—acquired in December 2001—and other subsidiaries in Germany, Italy, Belgium, the Netherlands, Spain, Asia and Latin America. Commercial real estate services revenues of $577.5 million in 2002 reflected a 6% decline from $613.3 million produced in 2001. Similarly, commercial EBITDA of $51.5 million in 2002 fell 12% below the $58.5 million generated for 2001. These operating declines in 2002 were even more pronounced with consideration for the first year contributions of Insignia Bourdais in France, which exceeded expectations with service revenues of $43.1 million and EBITDA of $7.9 million. Commercial operations are more fully discussed below.

United States

Insignia's U.S. commercial services unit, Insignia/ESG, experienced weak leasing markets nationwide during 2002. U.S. revenues and EBITDA totaled $392.7 million and $25.7 million, respectively, for the 2002 year, representing declines from 2001 of 20% for revenue (from $492.8 million) and 44% for EBITDA (from $45.8 million). The general economic uncertainty and sluggish pace of leasing activity continues to hinder performance. The revenue decline in 2002 was partially mitigated by discipline in controlling expenses, as total variable expenses (excluding employee incentives) decreased by $7.0 million from the 2001 level. Declines in compensation and other employee costs, travel, advertising, office expenses, consulting and information technology expenses contributed to the overall decrease, offset by $7.6 million of uncontrollable expense increases pertaining to occupancy costs, bad debts, legal expenses and liability insurance premiums. The most significant individual increase was in occupancy costs, which increased by $3.0 million over 2001 levels as a result of new leases or renewals at higher rent levels in several U.S. markets, most notably Boston and Insignia's headquarters at 200 Park Avenue in New York City (renegotiated in mid-2001). Corporate insurance, legal expenses and bad debts collectively increased by approximately $4.6 million over 2001 levels.

In early 2003, Insignia/ESG entered into significant employment agreements with seven key members of the New York consulting and brokerage staffs. These contracts require retention bonus payments of $8.4 million in 2003 and a further $3.2 million in 2004. The impact of these payments on Insignia's earnings is expected to approximate $3.5 million in 2003 and $2.7 million per year for 2004 through 2006. A primary portion of the consulting group's compensation is paid through EBITDA based incentive calculations. The consulting group's new contract guarantees the incentive portion of their compensation for 2003 through 2006 to be between $13.5 million and $14.0 million annually. The 2003 year is the first period that the consulting group's incentive is guaranteed. The annual guarantee does not exceed the levels achieved in years 2000, 2001 and 2002.

Europe

European operations continued to exhibit strength in difficult times, despite soft leasing markets outside of Paris, fueled by investment activity and valuation services in the United Kingdom and positive contributions from Insignia Bourdais in France (which was acquired at the end of 2001). European revenues and EBITDA totaled $178.5 million and $29.9 million, respectively, for the 2002 year, up significantly from 2001 results of $116.4 million for revenue and $16.5 million for EBITDA. The strength of European operations in 2002 was attributed to the Insignia Bourdais acquisition and improved performance in the United Kingdom. The other European businesses collectively produced service revenues of $13.7 million and a small EBITDA loss of $570,000 for 2002. These results compare to services revenues of $10.5 million and EBITDA of $564,000 in 2001.

Insignia Richard Ellis in the United Kingdom generated service revenues of $121.7 million and EBITDA of $22.7 million in 2002, representing material improvement over 2001 results of $105.9 million for service revenues and $16.0 million for EBITDA. In the United Kingdom, the main transactional strength in 2002 was in the investment sales market. Institutional investors remained committed to real estate investment in 2002 due to

an expectation of more favorable returns than are currently available from other asset classes. Also, the debt driven market continued to flourish due to historically low interest rates in the United Kingdom. The 2002 year closed with the base interest rate in the United Kingdom at approximately 3.75%, representing the lowest level since 1955 according to a report by the BBC News in February 2003. Further, consulting services—particularly valuation services—remained robust alongside the strength of the investment market. Conversely, leasing activity and associated service lines were weak throughout the United Kingdom in 2002.

Insignia Bourdais in France contributed service revenues of $43.1 million and EBITDA of $7.9 million during 2002. Insignia Bourdais is essentially a tenant representation business. Similar to the United Kingdom, leasing activity in 2002 was relatively poor, compared to 2001 levels, in all of Insignia's other continental European markets, which include the Netherlands, Italy, Germany, Belgium and Spain. The German operation was most severely affected by poor economic conditions and low leasing volumes, producing an EBITDA loss for 2002 of $921,000.

In 2002, Insignia further expanded its capabilities in Spain through the acquisition of a company formed by the former Arthur Andersen consulting team in Spain and committed to invest up to $2.7 million for working capital for the Madrid and Barcelona offices and to recruit additional professional talent. These initiatives are expected to increase Insignia's transaction and consulting services in Spain in 2003 and beyond.

Insignia's European operating results in 2002 have been translated into U.S. dollars at average exchange rates of $1.51 to the pound and $0.95 to the euro. In 2001, European operating results were translated into U.S. dollars at average exchange rates of $1.44 to the pound and $0.90 to the euro. The change in currency translation rates accounts for $1.3 million of the improved European EBITDA performance in 2002.

Asia and Latin America

Insignia's operations in Asia and Latin America launched in 2001 continued to build their service platforms in 2002, although performance in 2002 was substantially constrained by very weak commercial real estate markets in Asia, particularly Hong Kong. Latin American performance improved in 2002 aided by the completion of one of the largest office leases ever in Mexico in the third quarter. These operations incurred an aggregate EBITDA loss of $4.1 million for all of 2002, representing a slight increase over the $3.9 million loss generated for 2001. Total service revenues increased 57% to $6.3 million in 2002, compared to $4.0 million in 2001. Earnings for 2002 worsened despite the revenue surge due primarily to increases in expenses in Asia relating to broker hirings and office expansion.

Residential Real Estate Services

Insignia's residential real estate services consist of co-op and apartment brokerage through Insignia Douglas Elliman and property management services through Insignia Residential Group. Insignia Douglas Elliman experienced a material resurgence in its business during 2002. The New York co-op and condo sales market rallied strongly in 2002 following the elimination of transactional activity in late 2001 following the terrorist attacks on September 11. Residential services revenues aggregated $133.7 million for 2002, an increase of 12% over $119.2 million for 2001, and residential EBITDA increased 109% to $12.3 million, over $5.9 million for 2001. Insignia Douglas Elliman generated revenues and EBITDA of $107.1 million and $11.6 million, respectively, in 2002, representing increases of 15% and 149% over 2001. Insignia Douglas Elliman's gross transaction volume totalled $2.8 billion for 2002, representing a 16% improvement over $2.4 billion produced for 2001. The 2002 year was the most profitable period in the 91-year history of the Douglas Elliman business, which was acquired by Insignia in June 1999.

Insignia Douglas Elliman's year-over-year improvement reflected benefits derived from pent-up demand from the late 2001 period when new contract signings came to a virtual standstill as well as shifts in household investment towards real estate. Demand was particularly robust for apartments selling for less than $1.0 million and remained active for apartments up to $3.0 million; however, there was notably less demand in 2002 for apartments priced at higher levels (over $5.0 million) as the more affluent continue to defer purchase decisions.

The New York City real estate market was severely affected by the events of September 11. However, the severe reduction in contract activity in the fourth quarter of 2001 provided the impetus for the resurgence seen in the first and second quarters of 2002 as buyers and investors fled the relative instability and poor returns of the equity markets and moved capital to the tangible security represented by real estate. This activity continued throughout 2002 with sales volume increasing 18% in unit terms to 3,521 and 16% in dollar terms to $2.8 billion over the prior year.

Insignia Douglas Elliman's 2002 earnings were buoyed by a variety of causal factors including greater transaction volumes, a commission structure more favorable to the company and significantly reduced marketing costs. When compared to 2001 revenue figures, the new commission structure resulted in a net increase in EBITDA of $1.3 million, while the increased efficiency of advertising spending resulted in an EBITDA contribution of $2.4 million dollars over the prior year.

Residential EBITDA for 2002 was reduced by a second quarter $1.0 million charge for the estimated unrecoverable costs of vacating and subleasing excess office space previously used by Insignia Residential Group, as well as a $494,000 third quarter expense for estimated litigation settlements at Insignia Residential Group. The lease charge was determined based on assumptions regarding the probable sublease of the excess space, including passage of an estimated twelve months prior to receiving rents from a subtenant. Aside from these charges, Insignia Residential Group benefited from operating efficiencies achieved from the termination of unprofitable management assignments. As evidence, excluding these charges, Insignia Residential Group generated EBITDA of $2.2 million during 2002. This result would have represented a 77% improvement over the $1.2 million of EBITDA realized for the 2001 year (which did not include similar expenses).

Insignia Douglas Elliman and Insignia Residential Group were sold on March 14, 2003.

Administrative

Administrative expenses increased 7% to $14.3 million in 2002, compared to $13.4 million in 2001. The year-over-year change can be attributed primarily to a $2.5 million increase in third party professional fees stemming from external advice to Insignia's Compensation Committee and newly formed Governance and Nominating Committee in the evaluation of executive compensation programs and matters of governance and internal policy, external counsel advice in meeting the requirements of the Sarbanes-Oxley Act of 2002 and legal advice and other services related to the potential merger with CB Richard Ellis Services, Inc., partially offset by an agreed $1.4 million reimbursement from Insignia's Chairman resulting from completion of the Governance and Nominating Committee's review and policy formulation (of which $700,000 was paid in December 2002 and $691,414 was repaid in February 2003).

Other Items Included in the Determination of Net EBITDA

Interest and other income declined 23% from $5.2 million in 2001 to $4.0 million in 2002. Lower interest rates and average cash balances account for the change.

Interest expense (excluding property interest) decreased 29%, or $3.5 million, to $8.9 million in 2002. Insignia benefited throughout 2002 from lower interest rates on its LIBOR based borrowings and reduced borrowing levels as a result of a $32 million pay-down of debt during the first quarter of 2002 and a subsequent $22 million pay-down in October 2002. The average interest rate on the outstanding balance on the senior revolving credit facility was approximately 4.5% in 2002, compared to an average of over 6% in 2001.

Real Estate FFO from Insignia's property investment portfolio declined 51%, from $6.1 million in 2001 to $3.0 million in 2002. The declines in 2002 are primarily attributable to (1) lost earnings from properties sold over the past year, including, most significantly, the Fresh Meadows apartment complex in Queens, New York, which contributed FFO in 2001 of approximately $1.1 million prior to its sale, (2) lower occupancy levels and (3) losses aggregating $800,000 from development assets that had commenced operations but had not leased to stabilized levels.

Other Items Included in the Determination of Net Income

Gains realized from sales of real estate in 2002 totaled $5.5 million, down 50% from $11.0 million for 2001. The 2002 gains included $1.3 million attributed to the sale of a wholly owned retail property in Dallas. This gain is reported in "other income, net" in Insignia's 2002 consolidated statement of operations included in Insignia's consolidated financial statements included elsewhere in this Form 8-K. Remaining gains totaling approximately $4.2 million were derived from sales of minority owned properties in Insignia's co-investment portfolio. These gains are included in equity earnings in unconsolidated ventures in Insignia's 2002 consolidated statement of operations. Gains realized in 2001 were substantially attributable to the sale of Fresh Meadows, an apartment complex in New York acquired in December 1997 in which Insignia held a 17.5% profits interest. Insignia generated a gain of $10.4 million from the sale of Fresh Meadows. Property sales are difficult to predict and vary considerably from year to year. In addition, as a minority owner, Insignia does not control the sale decision. Comparisons of this type of income do not reflect performance of the investments for the comparative period, but rather the volume of asset sales in the period and the cumulative value change of the investments sold.

During 2002, Insignia recorded impairment against its real estate investments totaling $3.5 million on eight property assets, including a wholly owned land parcel held for development. Insignia re-evaluates each real estate investment on a quarterly basis, taking into account changes in market conditions and prospects. The impairment charge on the land parcel, located in Denver, totaled $560,000 and was determined based on a third party appraisal. Other impairments pertaining to minority owned assets indicated lower values based on increased vacancies, lower rental rates and operating cash flows and overall diminished prospects for recovery of Insignia's full investment upon final disposition.

Depreciation of property and equipment increased 14% to $17.6 million in 2002, from $15.4 million for 2001. The increases are the result of depreciation on late 2001 capital spending in combination with depreciation expense attributed to capital additions totaling approximately $10.4 million during 2002. Such capital expenditures primarily represented leasehold improvements (in connection with addition or relocation of offices), computer purchases and software.

Amortization of intangibles declined from 2001 by 79%, or $19.3 million, to approximately $5.2 million during 2002. The adoption of new accounting standards requiring elimination of amortization of goodwill, effective January 1, 2002, was responsible for $17.4 million of the decrease year-over-year and the remainder of the decrease was attributed to certain property management contracts that fully amortized in 2001 and early 2002. Amortization expense in 2002 includes acquired property management contracts, non-compete agreements and the acquired customer backlog of Insignia Bourdais.

In 2001, Insignia incurred pre-tax net Internet investment losses totaling $10.3 million. The losses represented impairment write-offs of certain third-party Internet-based investments made predominantly in 1999 and 2000. Insignia had no Internet-related activity during 2002, and Insignia's only remaining Internet-related investment not fully impaired and written off totaled approximately $967,000 at December 31, 2002, representing an investment in an e-commerce venture fund.

Income tax expense on continuing operations increased $7.6 million to $10.7 million in 2002 as a result of higher income, compared to 2001. While overall service operations were more robust in 2001 than in 2002, income for 2001 was adversely affected by goodwill amortization of $17.4 million and losses on Internet investments totaling a net $10.3 million.

Net earnings for 2002 was enhanced by income from discontinued operations of $4.9 million. This income included $265,000 recognized in the first quarter of 2002 pertaining to post closing adjustments in conjunction with the Realty One sale and a $4.7 million tax benefit in the third quarter attributed to the elimination of a valuation allowance on the capital portion of the loss, which had been fully reserved in 2001 due to uncertainty of deductibility. Conversely, the net loss for 2002 was adversely affected by a goodwill impairment charge of $20.6 million (net of $9.4 million tax benefit) reported as the cumulative effect of a change in accounting principle. The net loss for 2001 included, in discontinued operations, the $1.6 million Realty One net operating loss and the $17.6 million loss (net of a $4.0 million tax benefit) on disposal of Realty One.

With respect to the goodwill accounting change, Insignia conducted internal analyses in early 2002 that indicated the U.S. commercial operation was not impaired and that goodwill of the Asia operation was in fact impaired. Insignia also determined that there was a possibility of impairment in the European operations and in Insignia Douglas Elliman and engaged third-party valuation consultants to appraise these businesses. Their evaluations indicated no impairment in the European operations and Insignia Douglas Elliman's impairment totaled $26.8 million before taxes. The total impairment charge of $30.0 million before taxes included approximately $3.2 million related to goodwill of Insignia Brooke in Asia. Insignia Douglas Elliman's performance in 2002 far exceeded the estimates used in evaluating that business for impairment at January 1, 2002.

Insignia concluded its annual impairment test as of December 31, 2002 and that test did not demonstrate further goodwill impairment. The estimation of business values for measuring goodwill impairment is highly subjective and selections of different projected income levels and valuation multiples within observed ranges can yield different results.

As a result of the foregoing, Insignia reported a net loss for 2002 of $2.5 million, or $0.20 per diluted share, and a net loss for 2001 of $13.5 million, or $0.62 per diluted share.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Insignia's 2001 year was marked by a slowing worldwide economy, disruption in the markets following the September 11 tragedy and the strategic decision to sell Realty One. Service revenues declined 5% to $732.5 million, and income from continuing operations declined 73% to $5.7 million. The year began following heady 35% services revenue growth in 2000 with most markets, particularly the Manhattan office market, the central London office market and the Manhattan co-op and condominium market, marked by short supply. Insignia's business plan for 2001 at the beginning of the year noted such short supply as the constraining factor that would likely limit volume.

Following a better than normal first quarter, volume began to slow. In retrospect, this was the first sign of a slowing global economy. That condition became the factor most affecting operations during 2001 rather than the short supply originally anticipated. The third quarter was particularly poor. A disproportionate amount of third quarter volume is typically concluded in the post-Labor Day (United States) and post-August holiday (Europe) periods. However, the usually high-volume month of September became the weakest month of the year in the aftermath of September 11. This was particularly the case in New York, which is by far the largest market for Insignia.

The fourth quarter rebounded both as a result of business beginning to return to normal, including the conclusion of many of the largest transactions in progress during the year as well as some additional, unanticipated volume assisting tenants displaced in New York City. As a result, Insignia reported acceptable results for the year, particularly considering the economic conditions and their effect on client decisions. However, such results were well below the record 2000 results.

Commercial Real Estate Services

Revenues from commercial services declined 4%, or $26.2 million, to $613.3 million in 2001. U.S. commercial services revenues declined by $4.9 million to $492.8 million (from $497.7 million in 2000), European services revenues declined by $25.3 million to $116.4 million (from $141.8 million in 2000) and start-up operations in Asia and Mexico added $4.0 million in services revenues. EBITDA from commercial services declined by 27%, or $21.5 million, to $58.5 million (from $80.0 million in 2000). U.S. EBITDA declined $9.3 million to $45.8 million (from $55.2 million in 2000), European EBITDA declined by $9.3 million to $16.6 million (from $25.9 million in 2000) and the start-up Asian and Latin American operations produced EBITDA losses of $3.9 million.

Revenues in commercial services are significantly impacted by SAB 101. The impact is primarily confined to the United States, though a small number of Insignia's European transactions are impacted. SAB 101 required a change as of the beginning of 2000 in the manner in which leasing commissions are recognized as revenue. Leasing is the single largest source of revenue to Insignia. For 2001, leasing commissions accounted for over 70% of U.S. commercial services revenue, more than 60% of worldwide commercial services revenue and more than 50% of Insignia's total revenues.

Insignia represents both tenants and landlords in the leasing of commercial property—office, industrial and retail. The leasing process may last from weeks to years. Once a lease is signed and a commission agreement is in place, Insignia's services are concluded. However, market customs and individual negotiations govern the terms of the commission agreement. Some commissions are earned and payable upon execution of the lease. Some are payable in installments on specific dates. Others are payable in installments on the occurrence of certain events, such as lease execution, occupancy by the tenant or payment of rent for a specified period (typically first month, first six months or first year). In other much rarer instances, installments are paid on a schedule that may require a refund by Insignia if events such as those identified in the preceding sentence fail to occur. Under SAB 101, any commission billable (or refundable) upon a condition other than the passage of time may not be recognized until the billing condition is met or the refund contingency expires. The primary impact of SAB 101 is the recognition of income on affected leases from the date Insignia's performance is complete to the date the tenant satisfies the obligations under his lease that are specified conditions in the commission agreement.

In 2000, application of SAB 101 reduced reported revenues by $59.8 million. In 2001, the application of SAB 101 increased revenues by more than $30.0 million. The impact on 2001 was the result of recognition of previously completed leases closed during the years 1998-2000, reduced by deferrals of 2001 transactions. It is important to note that SAB 101 does not affect many leasing transactions. In fact, the largest transactions concluded in both 2000 and 2001 were not affected by the provisions of SAB 101. This accounting requirement does limit Insignia's ability to predict its revenues in the short term (one quarter to one year). This occurs because the conditions of SAB 101 are controlled by the tenant and not by Insignia, and Insignia's estimate of the date those events will occur often varies by months. Further, while Insignia monitors its transaction backlog from prospect to conclusion, no particular transaction can be reliably forecast from a revenue recognition standpoint until the commission agreement is executed with the conditions to billing specified. This often occurs at or near the same time as the execution of the lease.

United States

The U.S. commercial services operation suffered a decline in EBITDA of over $9.0 million in 2001, compared to 2000. This decline—on only a 1% decrease in revenues—arose from a number of factors, the largest of which was higher commission expense. Commission expense includes a formulaic bonus to the consulting department computed on commission revenues allocated to that department. In 2000, revenues were recognized under SAB 101 as to which contractual bonuses to the consulting department had been paid in prior years, without any ability to recover. This circumstance created a $10.0 million lower commission expense in 2000 than would have occurred without the accounting change under SAB 101 and also contributes to an increase in the

average reported commission rate for 2001. In late 2000, Insignia modified the formulaic consulting department bonus such that the expense of such bonus would match reported revenues in future periods. Further, production in 2001 was skewed toward markets with higher average commission rates, and within those markets, production was relatively greater among brokers who had attained higher commission splits. The result was an overall commission expense of $15.0 million higher than the amount that would have been recorded at 2000 average commission rates. There were no changes in overall commission programs that would otherwise account for this change.

Rent expense increased by approximately $3.5 million in 2001. Of this increase, approximately $1.25 million arose from the renewal at Insignia's New York City headquarters in June 2001. Most of the remainder of the increase was attributable to expansions primarily in California, Boston and Washington. Also, Insignia's share of expenses of the Octane consortium increased by nearly $1.0 million, to $1.9 million, in 2001. Conversely, incentive compensation declined by approximately $10 million as a result of lower earnings.

Europe

Insignia's European operations are dominated by its U.K. offices, which produced more than 90% of European revenues and EBITDA for 2001 and 2000. The decline in European revenues and EBITDA in 2001 is directly attributable to lower leasing and investment sales volume in the key London market. For 2001, revenues from leasing and investment sales declined from 2000 levels by 34% and 35% to $21.4 million and $19.8 million, respectively. The year 2000 was an exceptional period for both of these service lines as transaction volume reached unprecedented levels. Entering 2001, market expectations were that 2000 activity levels would not be sustained and results for 2001 reflected this expected decline. The weakened economic conditions and the unavoidable period of inactivity that followed the events of September 11 further compounded the declines in Europe.

At the same time, revenues from professional services and consulting in 2001 remained relatively flat as compared to 2000. Property services revenues for 2001 were maintained by the valuation practice, which experienced growth in assignments compared to the levels experienced in 2000.

During 2001, Insignia opened a small office in Madrid, Spain and added staff to its offices in Brussels and Milan. Most importantly, in December 2001, Insignia acquired Insignia Bourdais, one of the largest real estate service firms in France. For 2001 (not included in Insignia's results), Insignia Bourdais produced revenues of almost $39 million.

Asia and Latin America

Asian and Latin American operations were started in 2001 and collectively produced EBITDA losses of $3.9 million. These operations now give Insignia the ability to serve clients in Hong Kong, China, Japan, Thailand, India, Mexico and parts of South America. The losses for the 2001 year were greater than Insignia had anticipated as a result of later additions of important capability and the weak Asian economies.

Residential Real Estate Services

Revenues from residential services—provided through New York-based Insignia Douglas Elliman and Insignia Residential Group—declined 11%, or $14.9 million, to $119.2 million in 2001. Virtually all of the decline from year 2000's exceptionally strong pace can be attributed to the erosion in transaction volume and sales prices in the New York apartment market.

Insignia Douglas Elliman produced service revenues and EBITDA of $92.9 million and $4.7 million, respectively, for the 2001 year. These operating results represented sharp declines of 14%, or $14.6 million, for revenues and 58%, or $6.5 million, for EBITDA, compared to 2000. The softening of the economy in early 2001,

which continued up to and was exacerbated by the events of September 11, led to a serious deterioration in contract activity in the New York City and tri-state area markets. The volume of units sold dropped more than 13% from 2000 and average sales prices declined 3% year-over-year. Further, gross transaction volume declined 16% to $2.4 billion in 2001. The decrease in activity was experienced across the mix of real estate inventory in the New York City marketplace, with the only exceptions being increases in sales of new cooperative development projects and commercial space leasing.

Insignia Douglas Elliman's earnings in 2001 were adversely affected by the lower transaction volumes. However, an increase in average commission expense rates also contributed to the decline in EBITDA in 2001. Broker commission splits entering 2001 were in many cases maintained at 2000 year-end levels, which had reached heightened levels due to the robust volumes achieved during the 2000 year. The higher commission rate in 2001 resulted in a $1.2 million decline in EBITDA from the amount that would have been generated at 2000 commission levels. Other operating expenses in 2001 declined modestly from 2000.

Insignia Residential Group in 2001 showed a significant increase in EBITDA compared to 2000, despite a marginal decline in revenues to $26.3 million. For all of 2001, Insignia Residential Group generated EBITDA of $1.2 million, representing an increase to almost three times the level experienced in 2000 ($452,000). In late 2000, we implemented a reorganization plan that resulted in the termination of non-profitable management engagements, prudent expense reductions and a better matching of revenues and operating expenses on a individual project basis. This reorganization resulted in the achievement of more than $1.0 million in total expense savings in 2001. The 2001 year was also marked by the second quarter engagement as property manager and leasing agent for Peter Cooper Village Stuyvesant Town, a 11,000 unit portfolio in Manhattan.

Administrative

Administrative expenses declined by 18% to $13.4 million in 2001. Virtually the entire change related to lower incentive compensation attributable to Insignia's lower overall performance.

Other Items Included in the Determination of Net EBITDA

Interest and other income declined by 36% to $5.2 million. One reason was lower interest rates available on short-term investment of cash on hand. The average rate for 2001 declined to approximately 3% from over 5% in 2000. At the same time, cash declined significantly in March 2001 as record incentive compensation was paid based on 2000 performance. In addition, all remaining contingent purchase consideration for Insignia's U.K. operations was achieved, resulting in a payment of more than $22.0 million in March 2001 (through issuance of loan notes secured by restricted cash).

Interest expense increased despite lower interest rates. Insignia's interest rate on its revolving credit facility averaged approximately 6% in 2001 versus 8% in 2000. The average rate at December 31, 2001 was 4.9%. Average borrowings were approximately $15 million higher in 2001 as a result of $15 million borrowed in mid-2000 for Internet investments and a further $10 million drawn in early 2001. The average interest rate on the $117 million outstanding under the revolving credit facility after a $32 million pay-down in January 2002 was approximately 4.5%.

In 2001, Insignia acquired Baker Commercial in Dallas in an attempt to transform its predominantly property management business in Dallas to a more balanced operation with quality brokerage capability. As a

part of that acquisition, Insignia decided to vacate its existing office space and move to a location more suitable to the new business mix. A charge of $661,000 was taken at the acquisition date in connection with the lease.

Real estate FFO from Insignia's investment portfolio increased 56% to $6.1 million in 2001. More than $200,000 of the change was attributable to adding or selling properties during 2001, while almost $2.0 million of the increase was achieved solely from improved property operations. Of the real estate FFO reported in 2001, more than $1.0 million related to properties sold during the year and no longer owned at December 31, 2001. Real estate FFO is a financial measure that is not defined by GAAP and Insignia's usage of this term may differ from other companies' usage of the same or similar terms.

Insignia's earnings in 2001 benefited from the investment programs undertaken in prior years by the financial services portion of the business. Those investments reached a meaningful income production stage in 2001, increasing their contribution by $5.0 million to $5.3 million. An earnings contribution of approximately $2.6 million in 2001 was provided by Insignia's fund management businesses. This performance represented an increase from $911,000 in the year 2000. Insignia Opportunity Partners, the first of two managed funds, became fully invested in 2001 and a second similar fund (Insignia Opportunity Partners II) was launched in late 2001, but did not begin to produce income during the 2001 year. In addition, the development program commenced several years ago increased its income contribution to approximately $2.7 million in 2001, compared to approximately $1.5 million in 2000.

Other Items Included in the Determination of Income

Gains on sales of real estate through minority-owned entities nearly tripled to $11.0 million in 2001. The increase is substantially attributable to the sale of Fresh

Meadows, an apartment complex in New York in which Insignia held a 17.5% profits interest. This property was acquired in December 1997. Property sales are difficult to predict and vary considerably from year to year. In addition, as a minority owner, Insignia does not control the sale decision. Insignia recorded impairment write-downs of an aggregate $824,000 on four investments in 2001. Insignia's analysis indicated that the lease prospects of a telecom building and lower income being produced by certain hotel assets resulted in values less than their carrying amounts.

Depreciation expense (excluding property depreciation) in 2001 rose 49% to $15.4 million, or $5.0 million over 2000. The increases are attributed to capital spending of more than $65.0 million over the past three years for new information technology platforms and leasehold improvements in connection with the upgrade and relocation of offices in key U.S. markets and London.

Amortization of intangibles increased 2% to $24.4 million for the 2001 year. This increase reflects amortization of contingent earnouts paid in 2001. Such additional purchase consideration was recorded as costs in excess of net assets of acquired businesses.

Internet losses for 2001 totaled a net $10.3 million, before tax effects, reflecting Internet investment write-downs of approximately $13.4 million and income of $3.2 million resulting from the final liquidation of EdificeRex in December 2001. This income represented the culmination of those losses of EdificeRex in excess of Insignia's investment basis incurred during the first half of 2000 when Insignia consolidated EdificeRex. Insignia wrote off all remaining Internet business assets and investments in 2000 and 2001 with the exception of an aggregate $1.0 million investment in a multiple venture fund equivalent to fair value of that investment as reported by that fund's manager (approximately $940,000) and a publicly-traded Internet company ($67,000).

Income taxes declined in 2001 as compared to 2000 commensurate with lower income.

As a result of the foregoing, Insignia reported a net loss for 2001 of $13.5 million, or $0.62 per diluted share. This net loss included the $17.6 million (net of $4.0 million tax benefit) loss on disposal and the $1.6 million net operating loss attributed to the discontinued Realty One business.

Exhibit 99.4

INDEPENDENT AUDITORS' REPORT

Board of Directors
Insignia Financial Group:

We have audited the accompanying consolidated balance sheet of Insignia Financial Group, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Insignia Financial Group, Inc. and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board Statement No.123, Accounting for Stock-Based Compensation, and the provisions of Statement No.141, Business Combinations, and Statement No.142, Goodwill and Other Intangible Assets effective January 1, 2002.

/S/ KPMG LLP

New York, New York
February 17, 2003, except for the last paragraph
of Note 22, which is as of March 14, 2003

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Insignia Financial Group, Inc.

We have audited the accompanying consolidated balance sheet of Insignia Financial Group, Inc. as of December 31, 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Insignia Financial Group, Inc. at December 31, 2001, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 4 to the financial statements, in 2000 the Company changed its method of accounting for revenue recognition for leasing commissions.

/S/ ERNST & YOUNG LLP

New York, New York
February 8, 2002

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	December 31	
	2002	**2001**
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 111,513	$ 131,860
Receivables, net of allowance of $6,684 (2002) and $5,972 (2001)	155,321	176,120
Restricted cash	21,518	21,617
Property and equipment, net	55,614	62,198
Real estate investments, net	134,135	95,710
Goodwill, less accumulated amortization of $57,992 (2001)	289,561	288,353
Acquired intangible assets, less accumulated amortization of $65,276 (2002) and $57,145 (2001)	17,611	21,462
Deferred taxes	47,609	43,171
Other assets, net	39,957	20,069
Assets of discontinued operation	—	57,822
Total assets	$ 872,839	$ 918,382
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$ 13,743	$ 12,876
Commissions payable	63,974	86,387

Accrued incentives	52,324	63,911
Accrued and sundry	117,990	100,863
Deferred taxes	15,795	12,675
Notes payable	126,889	169,972
Real estate mortgage notes	66,795	37,269
Liabilities of discontinued operation	—	34,572
Total liabilities	457,510	518,525
Stockholders' Equity:		
Preferred stock, par value $.01 per share—authorized 20,000,000 shares, Series A, 250,000 (2002), Series B, 125,000 (2002) and 250,000 (2001) issued and outstanding shares	4	3
Common Stock, par value $.01 per share—authorized 80,000,000 shares 23,248,242 (2002) and 22,852,034 (2001) issued and outstanding shares, net of 1,502,600 (2002 and 2001) shares held in treasury	232	229
Additional paid-in capital	437,622	422,309
Notes receivable for common stock	(1,193)	(1,882)
Accumulated deficit	(16,241)	(11,912)
Accumulated other comprehensive loss	(5,095)	(8,890)
Total stockholders' equity	415,329	399,857
Total liabilities and stockholders' equity	$ 872,839	$ 918,382

See accompanying notes to the consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31		
	2002	**2001**	**2000**
		(In thousands)	
Revenues			
Real estate services	$ 711,235	$ 732,485	$ 773,542
Property operations	9,195	3,969	5,212
Equity earnings in unconsolidated ventures	3,482	13,911	3,912
Other income, net	793	2,096	1,365
	724,705	752,461	784,031
Costs and expenses			
Real estate services	647,459	668,079	681,867
Property operations	7,264	1,145	1,346
Internet-based businesses	—	—	17,168
Administrative	14,344	13,439	16,355
Depreciation	17,588	15,392	11,638
Property depreciation	1,920	990	1,623
Amortization of intangibles	5,153	24,408	23,825
	693,728	723,453	753,822
Operating income	30,977	29,008	30,209
Other income and expenses:			
Interest income	3,951	4,869	7,236
Interest expense	(8,870)	(12,407)	(11,745)
Property interest expense	(2,122)	(1,744)	(2,868)
Losses from internet investments, net	—	(10,263)	(18,435)
Other expense	—	(661)	—
Life insurance proceeds, net	—	—	19,100
Minority interests	—	—	900
Income from continuing operations before income taxes	23,936	8,802	24,397
Income tax expense	(10,719)	(3,081)	(3,168)
Income from continuing operations	13,217	5,721	21,229
Discontinued operations, net of applicable tax			
(Loss) income from operations	—	(1,600)	558
Income (loss) on disposal	4,918	(17,629)	—
	4,918	(19,229)	558
Income (loss) before cumulative effect of a change in accounting principle	18,135	(13,508)	21,787
Cumulative effect of a change in accounting principle, net of applicable taxes	(20,635)	—	(30,420)
Net loss	(2,500)	(13,508)	(8,633)
Preferred stock dividends	(2,173)	(1,000)	(890)
Net loss available to common shareholders	$ (4,673)	$ (14,508)	$ (9,523)
Per share amounts:			
Earnings per common share—basic			
Income from continuing operations	$ 0.48	$ 0.21	$ 0.96
Income (loss) from discontinued operations	0.21	(0.87)	0.03
Income (loss) before cumulative effect of a change in accounting principle	0.69	(0.66)	0.99

Cumulative effect of a change in accounting principle	(0.89)	—	(1.44)
Net loss	$ (0.20)	$ (0.66)	$ (0.45)
Earnings per common share—assuming dilution:			
Income from continuing operations	$ 0.47	$ 0.20	$ 0.87
Income (loss) from discontinued operations	0.21	(0.82)	0.02
Income (loss) before cumulative effect of a change in accounting principle	0.67	(0.62)	0.89
Cumulative effect of a change in accounting principle	(0.87)	—	(1.24)
Net loss	$ (0.20)	$ (0.62)	(0.35)
Weighted average common shares and assumed conversions:			
—Basic	23,122	22,056	21,200
—Assuming dilution	23,691	23,398	24,428

See accompanying notes to the consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Preferred Stock	Additional Paid-in Capital	Notes Receivable for Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Comprehensive Loss	Total
	(In thousands, except share data)							
Balances at December 31, 1999	$ 207	$ —	$ 382,784	$ (1,758)	$ 11,954	$ (118)		$393,069
Net loss	—	—	—	—	(8,633)	—	$ (8,633)	(8,633)
Other comprehensive loss:								
Foreign currency translation, net of tax benefit of $4,518	—	—	—	—	—	(4,674)	(4,674)	(4,674)
Unrealized loss on securities, net of tax benefit of $456	—	—	—	—	—	(685)	(685)	(685)
Reclassification adjustment for realized gains, net of tax of $324	—	—	—	—	—	(487)	(487)	(487)
Total comprehensive loss							$ (14,479)	
Exercise of stock options and warrants—446,541 shares of Common Stock issued	5	—	3,779	—	—	—		3,784
Issuance of 307,413 shares of Common Stock under Employee Stock Purchase Program	3	—	2,380	—	—	—		2,383
Issuance of 250,000 shares of Preferred Stock	—	3	24,946	—	—	—		24,949
Restricted stock awards—62,135 shares of Common Stock issued	1	—	708	—	—	—		709
Assumption of options pursuant to Brooke acquisition	—	—	479	—	—	—		479
Preferred stock dividend	—	—	475	—	(475)	—		—
Notes receivable from employees for shares of Common Stock	—	—	405	(405)	—	—		—
Payments on notes receivable for shares of Common Stock	—	—	—	112	—	—		112
Adjustment for certain amounts estimated at Spin-Off	—	—	(2,125)	—	—	—		(2,125)
Balances at December 31, 2000	216	3	413,831	(2,051)	2,846	(5,964)		408,881
Net loss	—	—	—	—	(13,508)	—	$ (13,508)	(13,508)
Other comprehensive income (loss):								
Foreign currency translation, net of tax benefit of $1,769	—	—	—	—	—	(2,033)	(2,033)	(2,033)
Unrealized gain on securities, net of tax of $7	—	—	—	—	—	7	7	7
Minimum pension liability, net of tax benefit of $696	—	—	—	—	—	(900)	(900)	(900)
Total comprehensive loss	—	—	—	—	—	—	$ (16,434)	—
Exercise of stock options and warrants—381,241 shares of Common Stock issued	4	—	2,139	—	—	—		2,143
Issuance of 159,520 shares of Common Stock under Employee Stock Purchase Program	2	—	1,470	—	—	—		1,472
Issuance of 402,645 shares of Common Stock in connection with Insignia Bourdais acquisition	4	—	3,995	—	—	—		3,999
Restricted stock awards—30,330 shares of Common Stock issued	—	—	627	—	—	—		627
Restricted stock—279,370 shares issued	3	—	(3)	—	—	—		—
Preferred stock dividend–25,000 shares of Common Stock issued	—	—	250	—	(1,250)	—		(1,000)
Payments on notes receivable for shares of Common Stock	—	—	—	169	—	—		169
Balances at December 31, 2001	$ 229	$ 3	$ 422,309	$ (1,882)	$ (11,912)	$ (8,890)		$399,857

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)

	Common Stock	Preferred Stock	Additional Paid-in Capital	Notes Receivable for Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Comprehensive (Loss) Income	Total
	(In thousands, except share data)							
Balance at December 31, 2001 (from previous page)	$ 229	$ 3	$422,309	$ (1,882)	$ (11,912)	$ (8,890)		$399,857
Net loss	—	—	—	—	(2,500)	—	$ (2,500)	(2,500)

Other comprehensive income (loss):	—	—	—	—	—	—	—	—
Foreign currency translation, net of tax of $6,215	—	—	—	—	—	12,383	12,383	12,383
Reclassification adjustment for realized gain, net of tax of $39	—	—	—	—	—	(50)	(50)	(50)
Unrealized gain on securities, net of tax of $752	—	—	—	—	—	1,128	1,128	1,128
Minimum pension liability, net of tax benefit of $3,832	—	—	—	—	—	(9,666)	(9,666)	(9,666)
Total comprehensive income							$ 1,295	
Exercise of stock options and warrants—113,519 shares of Common Stock issued	1	—	673	—	—	—		674
Issuance of 111,840 shares of Common Stock under Employee Stock Purchase Program	1	—	902	—	—	—		903
Issuance of 131,480 shares of Common Stock in connection with Insignia Bourdais acquisition	1	—	1,305	—	—	—		1,306
Restricted stock awards—87,155 shares of Common Stock issued	1	—	706	—	—	—		707
Preferred stock issuance—125,000 shares	—	1	12,269	—	—	—		12,270
Preferred stock dividend	—	—			(1,829)	—		(1,829)
Cancellation of notes receivable for 47,786 shares of Common Stock	(1)	—	(542)	543	—	—		—
Payments on notes receivable for shares of Common Stock	—	—	—	146	—	—		146
Balance at December 31, 2002	$ 232	$ 4	$437,622	$ (1,193)	$ (16,241)	$ (5,095)		$415,329

See accompanying notes to consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2002	2001	2000
		(In thousands)	
Operating activities			
Income from continuing operations	$ 13,217	$ 5,721	$ 21,229
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	24,661	40,790	37,086
Other expenses	—	661	—
Equity earnings in real estate ventures	(3,482)	(10,381)	(1,455)
Gain on sale of consolidated real estate property	(1,306)	—	—
Minority interests	—	—	(900)
Foreign currency transaction gains	—	(331)	(1,365)
Losses from internet investments	—	10,263	18,435
Deferred income taxes	976	(5,493)	(3,465)
Changes in operating assets and liabilities, net of effects of acquired businesses:			
Receivables	24,728	22,500	(79,781)
Other assets	(10,762)	1,218	(3,262)
Accrued incentives	(13,619)	(22,194)	46,307
Accounts payable and accrued expenses	982	(34,834)	16,953
Commissions payable	(22,560)	18,785	30,588
Cash provided by operating activities	12,835	26,705	80,370
Investing activities			
Additions to property and equipment	(10,403)	(15,604)	(25,807)
Investment in internet-based businesses	—	(4,010)	(22,502)
Distribution proceeds from real estate investments	44,648	63,787	18,215
Proceeds from sale of discontinued operations	23,250	—	—
Payments made for acquisition of businesses, net of acquired cash	(10,918)	(21,198)	(13,981)
Investments in real estate	(46,684)	(33,905)	(37,099)
Decrease (increase) in restricted cash	3,964	(14,879)	7,130
Cash provided by (used in) investing activities	$ 3,857	$ (25,809)	$ (74,044)
Financing activities			
Proceeds from issuance of common stock	$ 903	$ 1,472	$ 2,383
Proceeds from issuance of preferred stock	12,270	—	24,949
Proceeds from exercise of stock options	674	2,143	3,782
Preferred stock dividends	(1,829)	(1,000)	—
Payments on notes payable	(59,785)	(138,400)	(7,659)
Proceeds from notes payable	15,000	158,999	15,652
Payments on real estate mortgage notes	(28,361)	(33,086)	—
Proceeds from real estate mortgage notes	20,000	21,987	19,914
Debt issuance costs	(1,415)	(2,130)	—
Cash (used in) provided by financing activities	(42,543)	9,985	59,021
Net cash provided by (used in) discontinued operation	1,715	3,846	(1,751)
Effect of exchange rate changes in cash	3,789	(1,217)	(669)
Net (decrease) increase in cash and cash equivalents	(20,347)	13,510	62,927
Cash and cash equivalents at beginning of year	131,860	124,527	61,600
	111,513	138,037	124,527
Less: Cash of discontinued operation	—	(6,177)	(2,331)

Cash and cash equivalents at end of year	$ 111,513	$ 131,860	$ 122,196
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 8,956	$ 11,036	$ 9,342
Cash paid for income taxes	9,527	7,714	11,779

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2002

1. Business

Insignia Financial Group, Inc. ("Insignia" or the "Company"), a Delaware corporation headquartered in New York, New York, is a leading provider of international real estate and real estate financial services, with operations in the United States, the United Kingdom, France, continental Europe, Asia and Latin America. Insignia's principal executive offices are located at 200 Park Avenue in New York.

Insignia's real estate service businesses specialize in commercial leasing, sales brokerage, corporate real estate consulting, property management, property development and re-development, apartment brokerage and leasing, condominium and cooperative apartment management, real estate-oriented financial services, equity co-investment and other services. In 2002, Insignia's primary real estate service businesses include the following: Insignia/ESG (U.S. commercial real estate services), Insignia Richard Ellis (U.K. commercial real estate services), Insignia Bourdais (French commercial real estate services; acquired in December 2001), Insignia Douglas Elliman (New York apartment brokerage and leasing) and Insignia Residential Group (New York condominium, cooperative and rental apartment management). Insignia's commercial real estate service operations in continental Europe, Asia and Latin America include the following locations: Madrid and Barcelona, Spain; Frankfurt, Germany; Milan and Bologna, Italy; Brussels, Belgium; Amsterdam, The Netherlands; Tokyo, Japan; Hong Kong; Beijing and Shanghai, China; Bangkok, Thailand; Mumbai, Hyderabad, Bangalore, Chennai and Delhi, India; Manila, Philippines; and Mexico City, Mexico. The Company also owns 10% of an Irish commercial services company with offices in Dublin, the Republic of Ireland and Belfast, Northern Ireland.

In addition to traditional real estate services, Insignia has historically deployed its own capital, together with the capital of third party investors, in principal real estate investments, including co-investment in existing property assets, real estate development and managed private investment funds.

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Principles of Consolidation

Insignia's consolidated financial statements include the accounts of all majority-owned subsidiaries and all entities over which the Company exercises voting control. All significant intercompany balances and transactions have been eliminated. Entities in which the Company owns less than a majority interest and has substantial influence are recorded on the equity method of accounting (net of payments to certain employees in respect of equity grants or rights to proceeds).

In one instance, a minority-owned partnership (with additional promotional interests in profits depending on performance) is consolidated by virtue of general partner control. Since the cumulative losses of the partnership have exceeded the limited partners' original investment, the partnership is consolidated into Insignia's financial statements and no minority interest is reflected, even though Insignia holds a minority economic interest.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates and assumptions are used in the evaluation and financial reporting for, among other things, bad debts, self-insurance liabilities, intangibles and investment valuations, deferred taxes and pension costs. Actual results could differ from those estimates under different assumptions or conditions.

Reclassifications

Certain amounts for 2001 and 2000 have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on the net losses or total stockholders' equity previously reported.

Cash and Cash Equivalents

The amount of cash on deposit in federally insured institutions generally exceeds the limit on insured deposits. The Company considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents.

Restricted Cash

At December 31, 2002 restricted cash consisted of approximately $17.3 million in cash pledged to secure the bond guarantee of notes issued in connection with the Richard Ellis Group Limited ("REGL") and St. Quintin Holdings Limited ("St. Quintin") acquisitions and approximately $4.2 million related to accounts of the consolidated real estate entities. At December 31, 2001, restricted cash consisted of approximately $21.2 million in cash pledged to secure the bond guarantee of notes issued in connection with the REGL and St. Quintin acquisitions, and approximately $400,000 restricted for contingent payments related to other business acquisitions.

Real Estate Investments

Insignia has invested in real estate assets and real estate related debt securities. Generally, the Company's investment strategy involves identifying investment opportunities and investing as a minority owner in entities formed to acquire such assets. The Company's minority-owned investments are generally accounted for under the equity method of accounting due to the Company's influence over the operational decisions made with respect to the real estate entities. The Company's portion of earnings in these real estate entities is reported in equity earnings in unconsolidated ventures in its consolidated statements of operations, including gains on sales of property and net of impairments. The Company's share of unrealized gains on marketable equity and debt securities available for sale is reported as a component of other comprehensive income (loss), net of tax. Income from dispositions of minority-owned development assets is reported in real estate services revenues in the Company's consolidated statements of operations. The Company's policy with respect to the timing of recognition of promoted profit participation interests in its real estate investments is to record such amounts upon collection.

Each entity in which the Company holds a real estate investment is a special purpose entity, the assets of which are subject to the obligations only of that entity. Each entity's debt, except for limited and specific guarantees and other commitments aggregating $14.0 million, is either (i) non-recourse except to the real estate

assets of the subject entity (subject to limited exceptions standard in such non-recourse financing, including the misapplication of rents or environmental liabilities), or (ii) an obligation solely of such limited liability entity and thus having no recourse to other assets of the Company.

The Company provides real estate services to and receives real estate service fees from the entities comprising its principal investment activities. Such fees are generally derived from the following services: (i) property management, (ii) asset management, (iii) development management, (iv) investment management, (v) leasing, (vi) acquisition, (vii) sales and (viii) financings. With respect to fees that are currently recorded as expense by the entities, the Company includes the fees in current income, while its share as owner of such fee is reflected in the income or loss from the investment entity. If the fee is capitalized by the investment entity, the Company records as income only the portion of the fee attributable to third party ownership and defers the portion attributable to its ownership.

The Company evaluates all real estate investments on a quarterly basis for evidence of impairment. Impairment losses are recognized whenever events or changes in circumstances indicate declines in value of such investments below carrying value and the related undiscounted cash flows are not sufficient to recover the asset's carrying amount. Generally, Insignia relies upon the expertise of its own property professionals to assess real estate values; however, in certain circumstances where Insignia considers its expertise limited with respect to a particular investment, third party valuations may also be obtained. Property valuations and estimates of related future cash flows are by nature subjective and will vary from actual results.

In October 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144,*Accounting for the Impairment or Disposal of Long-Lived Assets,* which provides accounting guidance for financial accounting and reporting for the impairment or disposal of long-lived assets. Insignia early adopted SFAS No. 144 as of January 1, 2001. SFAS No. 144 requires, in most cases, that gains/losses from dispositions of investment properties and all earnings from such properties be reported as "discontinued operations." SFAS No. 144 is silent with respect to treatment of gains or losses from sales of investment property held in a joint venture. The Company has concluded that, as a matter of policy, all gains and losses realized from sales of minority owned property in its real estate co-investment program constitute earnings from a continuing line of business. Therefore, operating activity related to that investment program will continue to be included in income (loss) from continuing operations. However, SFAS No. 144 requires that gains or losses from sales of consolidated properties, if material, be reported as discontinued operations. As a result, the Company's earnings from dispositions of consolidated properties would be excluded from reported income from continuing operations and included in discontinued operations, if material.

Consolidated Real Estate

At December 31, 2002, the Company consolidated three investment entities owning real estate property. These consolidated properties include a wholly owned retail property; a wholly owned marine development property and a minority owned residential property consolidated due to general partner control. Rental revenue attributable to the Company's consolidated property operations are recognized when earned. Real estate is stated at depreciated cost. The cost of buildings and improvements include the purchase price of property, legal fees and acquisitions costs. Costs directly related to the development property are capitalized. Capitalized development costs include interest, property taxes, insurance, and other direct project costs incurred during the period of development.

The Company periodically reviews its properties to determine if its carrying amounts will be recovered from future operating cash flows. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements, which could differ materially from actual results in future periods.

Development Activities

At December 31, 2002, the Company held minority investments in four office properties whose development the Company has directed. A variety of costs have been incurred in the development and leasing of these properties. Capitalized development costs include interest, internal wages, property taxes, insurance, and other project costs incurred during the period of development.

After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The Company's capitalization policy on its development properties is guided by SFAS No. 34, *Capitalization of Interest Costs*, and SFAS No. 67,*Accounting for Costs and the Initial Rental Operations of Real Estate Properties*. The Company ceases capitalization when a property is held available for occupancy upon substantial completion of tenant improvements.

Revenue Recognition

The Company's real estate services revenues are generally recorded when the related services are performed or at closing in the case of real estate sales. Leasing commissions that are payable upon tenant occupancy, payment of rent or other events beyond the Company's control are recognized upon the occurrence of such events. As certain conditions to revenue recognition for leasing commissions are outside of the Company's control and are not clearly defined, judgment must be exercised in determining when such events have occurred. Revenues from tenant representation, agency leasing, investment sales and residential brokerage, which collectively comprise a substantial portion of Insignia's service revenues, are transactional in nature and therefore subject to seasonality and changes in business and capital market conditions. As a consequence, the timing of transactions and resulting revenue recognition is difficult to predict.

Prior to 2000, leasing commission revenue was recorded when the related service was performed (generally at lease signing), unless significant contingencies existed. Effective January 1, 2000, the Company changed its method of accounting to comply with the Securities and Exchange Commission's Staff Accounting Bulletin 101 ("SAB 101"), *Revenue Recognition in Financial Statements.* As a result, leasing commissions that are payable upon tenant occupancy, payment of rent or other specified events are now recognized upon the occurrence of such events (see Note 4).

Insignia's revenue from property management services is generally based upon percentages of the revenue generated by the properties that it manages. In conjunction with the provision of management services, the Company customarily employs personnel (either directly or on behalf of the property owner) to provide services solely to the properties managed. In most instances, Insignia is reimbursed by the owners of managed properties for direct payroll related costs incurred in the employment of property personnel. The aggregate amount of such payroll cost reimbursements has ranged from $50.0 million to $75.0 million annually. Such payroll reimbursements are generally characterized in the Company's consolidated statements of operations as a reduction of actual expenses incurred. This characterization is based on the following factors: (i) the property owner generally has authority over hiring practices and the approval of payroll prior to payment by the Company; (ii) Insignia is the primary obligor with respect to the property personnel, but bears little or no credit risk under the terms of the management contract; (iii) reimbursement to the Company is generally completed simultaneously with payment of payroll or soon thereafter; and (iv) the Company generally earns no margin in the arrangement, obtaining reimbursement only for actual cost incurred.

Advertising Expense

The cost of advertising is expensed as incurred. The Company incurred approximately $14,263,000, $17,511,000 and $18,931,000 in advertising costs during 2002, 2001 and 2000, respectively.

Acquired Intangible Assets

The Company's acquired intangible assets consist of property management contracts, favorable leases, non-competitive agreements, trademarks and franchises. Acquired intangible assets are stated at cost, less accumulated amortization. These assets are amortized using the straight-line method over 3 to 20 years, and are reviewed when indicators of impairment exist. Intangible assets are reviewed for impairment when indicators of impairment exist.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets, typically ranging from 3 to 10 years.

Foreign Currency

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. The British pound and euro represent the only foreign currencies of material operations, which collectively generate approximately 25% of the Company's annual revenues. All currencies other than the British pound, euro and dollar have comprised less than 1% of annual revenues. Revenues and expenses of all foreign subsidiaries have been translated into U.S. dollars at the average exchange rates prevailing during the periods. Assets and liabilities have been translated at the rates of exchange at the balance sheet date. Translation gains and losses are deferred as a separate component of stockholders' equity in accumulated other comprehensive income (loss), unless there is a sale or complete liquidation of the underlying foreign investment. Gains and losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the consolidated statements of operations in determining net income. For the twelve months ended December 31, 2002, the Company's European operations have been translated into U.S. dollars at average exchange rates of $1.51 to the pound and $0.95 to the euro. For the twelve months of 2001, European operations were translated to U.S. dollars at average exchange rates of $1.44 and $0.90 to the pound and euro, respectively.

For the twelve months of 2000, European operations were translated to U.S. dollars at average exchange rates of $1.51 and $0.92 to the pound and euro, respectively. The assets and liabilities of the Company's European operations have been translated at exchange rates of $1.60 to the pound and $1.05 to the euro at December 31, 2002 and were translated at exchange rates of $1.45 to the pound and $0.89 to the euro at December 31, 2001.

Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of unrealized gains (losses) on marketable equity securities, foreign currency translation and minimum pension liability adjustments. At December 31, 2002, accumulated other comprehensive losses totaled $5.1 million (net of applicable taxes), comprised of unrealized gains on marketable securities of $1.1 million and foreign currency translation gains of $4.4 million and a minimum

pension liability of $10.6 million. At December 31, 2001, accumulated other comprehensive losses totaled $8.9 million (net of applicable taxes), comprised of foreign currency translation losses of $8.0 million, a minimum pension liability of $900,000 and unrealized gains on marketable securities of $50,000.

Minority Interest

In 2000, minority interest consisted of minority equity in EdificeRex.com, Inc. ("EdificeRex"), the Company's internally developed internet-based business that launched in February 2000. During the first half of 2000, Insignia consolidated EdificeRex and recorded net operating losses of approximately $9.3 million, or $3.2 million in excess of the Company's investment. EdificeRex was de-consolidated in the third quarter of 2000, due to a restructuring that reduced the Company's voting interest to approximately 47%. The $3.2 million excess loss was carried as a deferred credit on the Company's balance sheet until EdificeRex disposed of all of its operating divisions and liquidated during the fourth quarter of 2001. At liquidation, the Company recognized the deferred credit of $3.2 million in earnings, which is included in losses from internet investments.

Income Taxes

Deferred income tax assets and liabilities are recorded to reflect the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases and operating loss and tax credit carry forwards. Valuation allowances are provided against deferred tax assets that are unlikely to be realized. Federal income taxes are not provided on the unremitted earnings of foreign subsidiaries because it has been the practice of the Company to reinvest those earnings in the businesses outside the United States.

Impairment

In October 2001, the FASB issued SFAS No. 144,*Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 provides guidance for accounting and financial reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, it retains the fundamental provisions of that Statement. It also supersedes the accounting and reporting of APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* related to the disposal of a segment of a business. However, it retains the requirement in Opinion 30 to report separately discontinued operations and extends that reporting to a component of an entity either disposed of or classified as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Insignia early adopted SFAS No. 144 as of January 1, 2001.

Impairment losses are recognized for long-lived assets held and used when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets' carrying amount. Impairment losses are measured for assets held for sale by comparing the fair value of assets (less costs to dispose) to their respective carrying amounts.

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. As described in Note 4, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets,* as of January 1, 2002. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

Prior to the adoption of SFAS No. 142, goodwill was amortized on a straight-line basis over the expected periods to be benefited, generally 5 to 25 years, and evaluated for potential impairment by determining whether the underlying undiscounted cash flows of the acquired business were sufficient to recover the carrying value of the asset.

Stock-Based Compensation

At December 31, 2002, the Company had four stock-based employee compensation plans that are described more fully in Note 14. Prior to 2002, the Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25*, Accounting for Stock Issued to Employees* and related interpretations. Effective January 1, 2002 the Company adopted the fair value recognition provisions of SFAS 123, *Accounting for Stock-Based Compensation*, prospectively to all employee awards granted, modified or settled after January 1, 2002. Awards under the Company's plans vest over five years. The cost related to stock-based employee compensation included in the determination of net income for 2002 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS 123. The following table illustrates the pro forma effect on net income and earnings per share if the fair value based method had been applied to all outstanding awards in each period.

The Company's pro forma information follows:

	2002	2001	2000
		(in thousands, except per share data)	
Pro forma:			
Income from continuing operations	$ 10,736	$ 3,383	$ 16,040
Net loss	(4,981)	(15,846)	(13,822)
Per share amounts:			
Pro forma earnings per share—basic			
Income from continuing operations	$ 0.37	$ 0.15	$ 0.76
Net loss	(0.31)	(0.72)	(0.65)
Pro forma earnings per share—assuming dilution			
Income from continuing operations	0.36	0.14	0.66
Net loss	(0.30)	(0.68)	(0.57)

The pro forma information has been determined as if the Company had accounted for its employee stock options, warrants and unvested restricted stock awards granted under the fair value method with fair values estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	2002	2001	2000
Risk-free interest rate	2.5%	3.7%	5.1%
Dividend yield	N/A	N/A	N/A
Volatility factors of the expected market price	0.45	0.49	0.52
Weighted-average expected life of the options	3.9	4.3	4.3

The Black-Scholes option valuation model was developed for use in estimating the fair value of transferable options and warrants with no vesting restrictions. This method requires the input of subjective assumptions including the expected stock price volatility and weighted average expected life of the options. The Company's employee stock options have characteristics significantly different from those of transferable options and changes

in the subjective input assumptions can materially affect the value estimate. The Black-Scholes model is not the only reliable measure that could be used to determine the fair value of employee stock options. The Company believes that any and all valuations of employee stock options will necessarily be estimates.

Risks and Uncertainties

The Company's future results could be adversely affected by a number of factors, including (i) a general economic downturn in the Company's principal markets, most notably New York, London and Paris; (ii) unfavorable foreign currency fluctuations; (iii) changes in interest rates; and (iv) fluctuations in rental rates and real estate values.

Earnings Per Share

Basic earnings per share is calculated using income available to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share is similar to basic earnings per share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive securities, such as preferred stock, options and warrants, had been issued or exercised.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46,*Consolidation of Variable Interest Entities, an interpretation of ARB No. 51.* This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. A public enterprise with a variable interest in a variable interest entity created before February 1, 2003, shall apply this guidance (other than the required disclosures prior to the effective date) to that entity as of the beginning of the first interim or annual reporting period beginning after June 15, 2003. The application of this Interpretation is not expected to have a material effect on the Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45,*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34.* This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146,*Accounting for Costs Associated with Exit or Disposal Activities.* SFAS No. 146 provides guidance for accounting and financial reporting for costs associated with exit or disposal activities and supersedes Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity*. SFAS No. 146 requires the

recognition of a liability for costs associated with an exit or disposal activity when the liability is incurred and establishes fair value as the initial measurement of a liability. Under EITF Issue No. 94-3, a liability for an exit cost is recognized at the date of a commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002.

3. Discontinued Operation

In December 2001, Insignia entered into a contract to sell its Realty One single-family home brokerage business and affiliated companies to Real Living, Inc., effective as of December 31, 2001. Real Living, Inc. is a privately held company formed by HER Realtors of Columbus, Ohio and Huff Realty of Cincinnati, Ohio. The sale closed on January 31, 2002. Proceeds from the sale potentially total $33.0 million, including approximately $29.0 million in cash received at closing (before extinguishment of $5.5 million of Realty One debt) and additional receipts aggregating as much as $4.0 million. The additional receipts include the following: (i) a $1.0 million reimbursement, collected in February 2002, for Realty One operating losses in January 2002; (ii) a potential earn-out of as much as $2 million receivable through 2003 (depending on the performance of the Realty One business); and (iii) a $1 million operating lease receivable over four years for the use of proprietary software developed by Insignia for an internet-based residential brokerage model. The $2.0 million earnout is receivable in increments of $1.0 million each for the 2002 and 2003 fiscal years. Based on preliminary financial information for the 2002 year, the first $1.0 million earnout is expected to be achieved in full and should be received by the Company on or about April 30, 2003, as required by the terms of the sale. Remaining amounts due to Insignia under the terms of the sale totaling $2.7 million were included in other assets in the Company's consolidated balance sheet at December 31, 2002. Insignia discontinued Realty One's operations for financial reporting purposes and recognized a loss in connection with the sale of Realty One of $17.6 million (net of applicable tax benefit of $4.0 million) for the year ended December 31, 2001. During the twelve months ended December 31, 2002, the Company reported net income of $4.9 million from discontinued operations, including $265,000 (net of tax), in post-closing adjustments in the first quarter and $4.7 million in the third quarter from the reduction of a valuation allowance on the tax benefit on the capital portion of the loss on sale. This capital loss was fully reserved in 2001 because of uncertainty of its deductibility due to loss disallowance rules in the Treasury Regulations and insufficient income of the appropriate character. In the third quarter of 2002, it was determined that the loss would be fully deductible for tax purposes, resulting in the realization of a tax benefit for financial reporting purposes.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The results of operations of Realty One are reported separately as discontinued operations for the years ended December 31, 2002, 2001 and 2000. Assets and liabilities of Realty One have been classified separately in the Company's consolidated balance sheet at December 31, 2001. The following table summarizes financial information of Realty One for all periods presented:

	December 31 2001
	(In thousands)
Assets	
Cash and cash equivalents	$ 6,177
Receivables	3,655
Mortgage loans held for sale	20,555
Property and equipment	9,852
Costs in excess of net assets acquired	15,711
Other assets	1,872
	57,822
Liabilities	
Accounts payable	1,043
Accrued incentives	3,937
Accrued and sundry liabilities	1,499
Mortgage warehouse line of credit	20,554
Notes payable	7,539
	34,572
Net assets of discontinued operation	$ 23,250

	Years ended December 31		
	2002	2001	2000
		(In thousands)	
Revenues	$ —	$ 102,811	$ 99,152
(Loss) income from operations before taxes	—	(2,282)	1,117
(Loss) income from operations, net of tax benefit of $682 (2001) and $559 (2000)	—	(1,600)	558
Income (loss) on disposal, net of applicable tax benefits of $2,844 (2002), and $4,000 (2001)	4,918	(17,629)	—
Net income (loss)	$ 4,918	$ (19,229)	$ 558

4. Changes in Accounting Principles

Stock-Based Compensation

In September 2002, the Company adopted the fair value expense recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, in accounting for employee stock options. The accounting change results in the expensing of the estimated fair value of employee stock options granted by the Company, applied on a prospective basis for all stock options granted on or after January 1, 2002. The Company previously followed Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*. Under APB Opinion No. 25, no compensation expense is recognized when the exercise price of an employee stock option equals or exceeds the market price at issuance.

The Company issued 290,000 employee options during 2002. The fair value of these options has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) estimated stock price volatility of 40%; (ii) risk free interest rate of 2.5%; (iii) weighted average option life of 3.9 years; and (iv) a forfeiture rate of 3%. Under these assumptions, the aggregate value of the options totaled approximately $842,000, which is amortizable to expense over the vesting periods of six years. For 2002, stock compensation expense recognized totaled approximately $154,000.

The ultimate impact of the accounting change on the Company's future earnings will depend on the number of options issued in the future, as to which the Company has no specific plan, and the estimated value of each option. Insignia does not expense the value of outstanding options issued before January 1, 2002.

Goodwill and Intangible Assets

In June 2001, the FASB issued SFAS No. 141,*Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*. SFAS 141 replaced APB 16 and requires the use of the purchase method for all business combinations initiated after June 30, 2001. It also provides guidance on purchase accounting related to the recognition of intangible assets. Under SFAS 142, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized but are subject to impairment tests on an annual basis, at a minimum, or whenever events or circumstances occur indicating goodwill or indefinite-lived intangibles might be impaired. Other acquired intangible assets with finite lives continue to be amortized over their estimated useful lives. The Company adopted SFAS No. 141 for all business combinations completed after June 30, 2001 and fully implemented SFAS No. 141 and SFAS No. 142 effective January 1, 2002. The Company identified its reporting units and determined the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill and intangible assets, to those units as of January 1, 2002 for purposes of performing a required transitional goodwill impairment assessment within six months of adoption.

In early 2002, the Company performed internal analyses on its reporting units based on estimated industry multiples and the carrying values of tangible and intangible assets which demonstrated that the value of the Company's U.S. commercial operation significantly exceeded its carrying value and that goodwill of the Asian operation was fully impaired.

These analyses also indicated potential impairment in the Company's European operations and Insignia Douglas Elliman. The Company engaged Standard & Poor's to value the European and Insignia Douglas Elliman operations and those appraisals indicated no impairment in the Company's European operations and partial impairment in Insignia Douglas Elliman.

As a result of this evaluation, Insignia measured impairment for Insignia Douglas Elliman and the Asian business of an aggregate $30.0 million, before applicable taxes. The Company recorded a $20.6 million (net of tax benefit of $9.4 million) transitional goodwill impairment charge in earnings as the cumulative effect of a change in accounting principle, effective January 1, 2002.

The Company concluded its annual impairment test as of December 31, 2002, and that test did not demonstrate further goodwill impairment. The estimation of business values for measuring goodwill impairment is highly subjective and selections of different projected income levels and valuation multiples within observed ranges can yield different results.

Amortization of goodwill totaled approximately $17.4 million and $14.7 million, for 2001 and 2000 respectively. Elimination of this amortization would have improved income by approximately $11.7 million and $9.9 million (net of applicable taxes), respectively, for 2001 and 2000. The following table provides pro forma information to reflect the effect of adoption of SFAS No. 142 on earnings for the periods indicated.

	2002	2001	2000
		(In thousands)	
Reported income from continuing operations	$ 13,217	$ 5,721	$ 21,229
Less: Preferred stock dividend	(2,173)	(1,000)	(890)
Income from continuing operations available to common shareholders	11,044	4,721	20,339
Add: Goodwill amortization, net of tax benefit of $5,646 (2001) and $4,803 (2000)	—	11,729	9,937
Adjusted income from continuing operations available to common shareholders	$ 11,044	$ 16,450	$ 30,276
Earnings per common share—basic:			
Reported income from continuing operations	$ 0.48	$ 0.21	$ 0.96
Add: Goodwill amortization, net of tax benefit of $0.26 (2001) and $0.23 (2000)	—	0.53	0.47
Adjusted income from continuing operations	$ 0.48	$ 0.74	$ 1.43
Earnings per common share—assuming dilution:			
Reported income from continuing operations	$ 0.47	$ 0.20	$ 0.87
Add: Goodwill amortization, net of tax benefit of $0.24 (2001) and $0.20 (2000)	—	0.50	0.41
Adjusted income from continuing operations	$ 0.47	$ 0.70	$ 1.28

Additional contingent purchase price of acquired businesses totaling $17.9 million was recorded as additional goodwill during 2002. Such additional purchase price included: (i) Insignia Bourdais earnout of $10.3 million (paid by issuance of 131,480 shares of Insignia common stock, a cash payment of $4.7 million and $4.3 million accrued at December 31, 2002); (ii) a $4.0 million earnout with respect to the prior Boston acquisition by Insignia/ESG; (iii) a $2.0 million earnout related to Insignia Douglas Elliman; and (iv) $1.6 million of payments related other acquisitions. The table below reconciles the change in the carrying amount of goodwill, by operating segment, for the period from December 31, 2001 to December 31, 2002.

Commercial	Residential	Total
	(In thousands)	

Balance as of December 31, 2001	$ 228,967	$ 59,386	$ 288,353
Effect of adoption of SFAS 142	(3,201)	(26,822)	(30,023)
Balance as of January 1, 2002	225,766	32,564	258,330
Additional purchase consideration	15,922	2,000	17,922
Other reclassifications	(143)	—	(143)
Goodwill related to partial sale of business unit	—	(447)	(447)
Foreign currency translation	13,899	—	13,899
Balance as of December 31, 2002	$ 255,444	$ 34,117	$ 289,561

The following tables present certain information on the Company's acquired intangible assets as of December 31, 2002 and December 31, 2001, respectively.

Acquired Intangible Assets

	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
			(In thousands)	
As of December 31, 2002				
Property management contracts	7 years	$ 72,883	$ 60,081	$12,802
Favorable premises leases	8 years	4,831	1,667	3,164
Other	3 years	5,173	3,528	1,645
Total		$ 82,887	$ 65,276	$17,611
As of December 31, 2001				
Property management contracts	7 years	$ 70,926	$ 54,049	$16,877
Favorable premises leases	8 years	4,453	1,099	3,354
Other	3 years	3,228	1,997	1,231
Total		$ 78,607	$ 57,145	$21,462

All intangible assets are being amortized over their estimated useful lives with no residual value. Intangibles included in "Other" consist of customer backlog, non-compete agreements, franchise agreements and trade names. The aggregate reported acquired intangible amortization expense for 2002, 2001 and 2000 totaled approximately $5.2 million, $7.0 million and $9.1 million, respectively. Amortization of favorable premises leases, totaling approximately $568,000, $411,000 and $440,000 for 2002, 2001 and 2000, respectively, is included in rental expense (included in real estate services expenses) in the Company's consolidated statements of operations.

The estimated acquired intangible assets amortization expense, including amounts reflected in rental expense, for the subsequent five fiscal years through December 31, 2007 approximates $2.4 million, $1.9 million, $1.3 million, $1.3 million and $1.1 million, respectively.

Revenue Recognition

At December 31, 2000, the Company changed its method of accounting for revenue recognition for leasing commissions in compliance with Staff Accounting Bulletin 101 ("SAB 101"), *Revenue Recognition in Financial Statements*, effective as of January 1, 2000. Prior to the accounting change, the Company generally recognized leasing commissions upon execution of the underlying lease, unless significant contingencies existed. Under the new accounting method, adopted retroactive to January 1, 2000, the Company's leasing commissions that are payable upon certain events such as tenant occupancy or payment of rent are recognized upon the occurrence of such events.

Operating results for the 2002, 2001 and 2000 years are presented in compliance with the requirements of this accounting change. The cumulative effect of the accounting change on prior years resulted in a reduction to income of $30.4 million (net of applicable taxes of $23.3 million), which is included in net earnings for the year ended December 31, 2000. The Company recognized revenue of $1.2 million, $18.8 million and $80.4 million

during 2002, 2001 and 2000, respectively, that was included in the cumulative effect adjustment at January 1, 2000. While this accounting change affects the timing of recognition of leasing revenues (and corresponding commission expense), it does not impact the Company's cash flow from operations.

5. Earnings Per Share

The following table sets forth the computation of the numerator and denominator used for the computation of basic and diluted earnings per share for the periods indicated.

	2002	2001	2000
		(In thousands)	
Numerator:			
Numerator for basic earnings per share—income available to common stockholders (before discontinued operations and cumulative effect)	$ 11,044	$ 4,721	$ 20,339
Effect of dilutive securities:			
Preferred stock dividends	—	—	890
Numerator for diluted earnings per share—income available to common stockholders after assumed conversions (before discontinued operations and cumulative effect)	$ 11,044	$ 4,721	$ 21,229

Denominator:			
Denominator for basic earnings per share—weighted average common shares	23,122	22,056	21,200
Effect of dilutive securities:			
Stock options, warrants and unvested restricted stock	569	1,342	1,442
Convertible preferred stock	—	—	1,786
Denominator for diluted earnings per share—weighted average common shares and assumed conversions	23,691	23,398	24,428

The potential dilutive shares from the conversion of preferred stock is not assumed for the year ended December 31, 2002 or 2001, because the inclusion of such shares would be antidilutive.

6. Acquisitions

The Company's significant acquisitions during the last three years are discussed below. All acquisitions were accounted for as purchases and the results of operations have been included in Insignia's statement of operations from the respective date of acquisition. Contingent purchase consideration is generally accounted for as additional costs in excess of net assets of acquired businesses when incurred.

Groupe Bourdais

In late December 2001, Insignia completed the acquisition of Groupe Bourdais, one of France's premier commercial real estate services companies. Groupe Bourdais now operates under the Insignia Bourdais name. The Insignia Bourdais purchase price consists of total potential consideration of approximately $50.2 million. Amounts paid and or accrued in cash or stock (534,125 common shares) at December 31, 2002 total approximately $31.7 million. Additional consideration up to approximately $18.5 million may be paid over the two years ending December 31, 2004, depending on the performance of the Insignia Bourdais operation. The acquisition consisted substantially of specifically identified intangible assets and goodwill. Identified intangible

assets, included customer backlog, property management contracts, a non-compete agreement, franchise agreements, trademarks and a favorable premises lease. The results of Insignia Bourdais have been included in the Company's financial statements since January 1, 2002.

Baker Commercial

In October 2001, Insignia acquired Baker Commercial Real Estate ("Baker"), a leading provider of commercial real estate services in the greater Dallas area. Baker provides tenant representation, land and investment property sales, and strategic real estate planning. The Baker acquisition augments Insignia's existing regional tenant representation and investment sales capabilities in the greater Dallas area. The base purchase price was approximately $2.2 million and was paid in cash. Additional purchase consideration of up to $1.0 million payable over 2003 and 2004 is contingent on the future performance of the Dallas operations.

Brooke International

In December 2000, Insignia acquired Brooke International ("Brooke"), a commercial real estate service company based in Hong Kong with additional offices in China and Thailand. The base purchase price was approximately $1.6 million, comprised of approximately (i) $1.1 million paid in cash and (ii) $500,000 in reserved Common Stock and an assumed option plan enabling certain Brooke employees to purchase 110,000 shares of the Company's Common Stock. Options to purchase 40,000 shares of the Company's Common Stock at $11.81 had been granted under this plan and remain outstanding at December 31, 2002.

BDR

In March 2000, the Company entered into a definitive agreement to acquire BDR, a Dutch real estate services company headquartered in Amsterdam, the Netherlands. The base purchase price was approximately $2.4 million, all of which was paid in cash upon final closing in June 2000.

BDR provides a variety of commercial real estate services with a specialization in international advisory assignments and other corporate services. Additional purchase consideration of approximately $2.5 million, payable over three years, is contingent on the future performance of this business.

Other Information (Unaudited)

Pro forma unaudited results of operations for the years ended December 31, 2001 and 2000, assuming consummation of the Bourdais acquisition at January 1, 2001 and 2000 is as follows:

	2001	2000
	(In thousands, except per share data)	
Revenues	$ 780,635	$ 827,020
Income from continuing operations	8,176	26,698
Net loss	(11,053)	(3,164)
Pro forma per share amounts:		
Net loss—basic	(0.50)	(0.15)
Net loss—assuming dilution	(0.47)	(0.13)

These pro forma results do not purport to represent the operations of the Company nor are they necessarily indicative of the results that actually would have been realized by the Company if the purchase of these businesses had occurred at the beginning of the periods specified. Except for the Bourdais acquisition, the

financial operations of the acquired businesses were not significant to those of the Company. The base purchase consideration for the Bourdais and Baker (2001) and BDR and Brooke (2000) acquisitions and other individually insignificant acquisitions (2001 and 2000) is summarized as follows:

	2001	2000
	(In thousands)	
Common stock	$ 4,000	$ 479
Accrued and sundry liabilities	10,990	2,398
Cash paid at the closing dates	20,508	3,458

	2001	2000
	$ 35,498	$ 6,335

The base purchase consideration was allocated as follows:

	2001	2000
	(In thousands)	
Cash acquired	$ 8,856	$ —
Receivables	5,469	1,600
Property and equipment	415	152
Property management contracts	1,008	—
Non-compete agreements	153	—
Goodwill	14,540	4,070
Other assets	5,057	513
	$ 35,498	$ 6,335

7. Receivables

Receivables consist of the following:

	December 31	
	2002	2001
	(In thousands)	
Commissions and accounts receivable, net of allowance	$ 140,589	$ 161,041
Notes receivable:		
Broker signing bonuses and advances	7,111	5,319
Brokerage and other employees	3,483	6,037
Executive officers, with interest at the Company's cost of debt capital (approximately 5.25% (2002) and 4.5% (2001))	3,269	1,500
Reimbursement due from Chairman (collected on February 28, 2003)	691	—
Other	178	2,223
	14,732	15,079
	$ 155,321	$ 176,120

Accounts receivable consists primarily of property management fees and cost reimbursements. Commissions receivable consists primarily of brokerage and leasing commissions from users of the Company's real estate services. The Company's receivables are not collateralized; however, credit losses have been insignificant. The Company's bad debt expense totaled approximately $5.0 million, $1.9 million and $4.1 million in 2002, 2001 and 2000, respectively.

Long-term commissions receivable totaling $8.4 million and $8.1 million at December 31, 2002 and 2001, respectively, have been discounted to their present value based on an estimated discount rates of 5.25% (2002) and 7% (2001). Broker signing bonuses and advances are generally forgiven over the terms of employment, subject to potential repayment based on certain specific conditions.

Principal collections on brokerage, employee and executive notes receivable and scheduled forgiveness of Broker signing bonuses and advances are as follows:

	Amount
	(In thousands)
2003	$ 6,369
2004	2,865
2005	3,860
2006	1,205
2007	433
	$ 14,732

8. Property and Equipment

Property and equipment consists of the following:

	December 31	
	2002	2001
	(In thousands)	
Data processing equipment	$ 32,010	$ 29,231
Computer software	34,291	26,870
Furniture and fixtures	17,466	15,351
Leasehold improvements	19,805	17,957
Other equipment	7,436	8,086
	111,008	97,495

Less: Accumulated depreciation	(55,394)	(35,297)
	$ 55,614	$ 62,198

The useful life of each property and equipment category is listed below: Data processing equipment, 3 years; Computer software, 2-10 years; Furniture and fixtures, 7-10 years; Leasehold improvements, generally 5-10 years; Other equipment, 3-7 years.

9. Real Estate Investments

The Company has engaged in real estate investment generally through: (i) investment in operating properties through co-investments with various clients or, in limited instances, by itself; (ii) investment in and development of commercial real estate on its own behalf and through co-investments; and (iii) minority ownership in and management of private investment funds, whose investments primarily consist of securitized real estate debt. The Company is currently not engaged in new investments although, is continuing its investment in existing real estate entities as needed or required by current business plans.

At December 31, 2002 and 2001, the Company's real estate investments totaled $134.1 million and $95.7 million, consisting of the following:

	2002	2001
	(In thousands)	
Minority interests in operating properties	$ 21,109	$ 29,282
Consolidated properties	85,205	41,788
Minority owned development properties	10,014	10,761
Land held for future development	1,726	2,308
Minority interests in real estate debt investment funds	16,081	11,571
Total Real Estate Investments	$ 134,135	$ 95,710

The real estate carrying amounts of the three consolidated properties at December 31, 2002 were financed by real estate mortgage notes encumbering the assets totaling $66.8 million. At December 31, 2002, Insignia had equity investments of approximately $21.7 million in these consolidated properties and has no further obligations to the subsidiaries or their creditors.

Insignia maintains an incentive compensation program pursuant to which certain employees, including executive officers, participate in the profits generated by its real estate investments, through grants of either equity interests (at the time investments are made) or contractual right to participate in proceeds from successful investments. Such grants generally consist of an aggregate of 50% to 63.5% of the cash proceeds paid to Insignia after Insignia has recovered its full investment plus a 10% per annum return thereon. In addition, upon disposition, the Company generally makes discretionary incentive payments of 5% to 10% to certain employees who directly contributed to the success of an investment. With respect to the private investment funds, employees are collectively entitled to share 55% to 60% of proceeds received by Insignia in respect of its promoted profits participation in those funds. Employees share only in promoted profits and are not entitled to any portion of earnings on the Company's actual investment. Gains on sales of real estate and equity earnings for 2002, 2001 and 2000 are recorded net of employee entitlements and discretionary incentives of approximately $8.1 million, $10.8 million and $7.9 million, respectively. The Company's principal investment programs are more fully described below.

Property Investment

The Company maintains minority investments in operating real estate assets including office, retail, industrial, apartment and hotel properties. As of December 31, 2002, Insignia held equity investments totaling $21.1 million in 30 minority owned property assets. These properties consist of approximately 6.0 million square feet of commercial property and 1,967 multi-family apartment units and hotel rooms. The Company's minority ownership interests in co-investment property range from 1% to 33%. Gains realized from sales of real estate by minority owned ventures totaled $4.2 million in 2002, $11.0 million in 2001 and $3.9 million in 2000. Such amounts are included in the caption "equity earnings in unconsolidated ventures" in the Company's consolidated statements of operations.

Insignia also consolidates two operating properties, a wholly-owned retail property located in Norman, Oklahoma and a New York City apartment complex owned by a limited partnership in which the Company owns a 1% controlling general partner interest. These properties contain approximately 155,000 square feet of commercial space and 420 multi-family apartment units. With respect to the New York City apartment complex, in addition to its 1% interest, Insignia is entitled to approximately $1.3 million of the first $7.3 million distributed

and approximately 45% of all additional distributions. In July 2002, Insignia invested approximately $1.3 million in the limited partnership as a new limited partner pursuant to a $1.5 million equity financing and the purchase of an existing partners interest. The remaining equity financing was invested in June 2002 by existing limited partners. Certain executives and other employees of Insignia have the right to acquire from the Company, at its cost, approximately 50% of the $1.3 million limited partner investment made in July 2002. Such executives and employees have no other incentive grants or participation rights with respect to this investment.

Although Insignia's economic interest in the New York City apartment complex at its initial investment was nominal (until the limited partners received a return of all invested capital), the Company commenced consolidating this property in its financial statements as of January 1, 2002 because (i) the partnership agreement for the property-owning partnership grants the general partner complete authority over the management and affairs of the partnership, including any sale or refinancing of its sole asset without limited partner approval, and (ii) accounting principle's generally accepted in the United States require consolidation on the basis of voting control (regardless of the level of equity ownership).

At December 31, 2002, the carrying amounts of these two consolidated properties totaled $46.4 million, and non-recourse real estate mortgage debt totaled $46.8 million. In September 2002, a consolidated retail property was sold for a $1.3 million net gain. The gain is included under the caption "other income, net" in the Company's consolidated statements of operations.

Development

The Company's development program includes minority-owned office developments and a wholly-owned marina based development located in the U.S. Virgin Islands. In July 2002, a subsidiary of the Company acquired three contiguous parcels of property and related leasehold rights in St. Thomas, U.S. Virgin Islands, which comprise 32.3 acres of property, including 18 submerged acres with full water rights. The initial purchase price was approximately $35.0 million, paid with $18.5 million in cash and $20.0 million borrowed by the subsidiary under a non-recourse $40.0 million mortgage loan facility. The property is currently undergoing predevelopment activities together with

operating activities of an existing marina. The property and its debt are consolidated in the Company's consolidated financial statements. Insignia's equity investment in the property totaled $19.3 million at December 31, 2002.

Insignia also has minority ownership in four office projects whose development is directed by the Company and owns a parcel of land in Denver, located adjacent to one of the office developments, that is held for future development. Development activities on all four office buildings have been completed other than tenant improvements associated with additional leasing. Insignia's ownership in the four office developments ranges from 25% to 33% and all have commenced operations.

The Company's only financial obligations with respect to the office developments, beyond its investment, are partial construction financing guarantees, backed by letters of credit, totaling $8.9 million. The Company's investment in the office development assets and land parcel totaled $11.7 million at December 31, 2002. The Company has not initiated any new office developments since September 2000 and does not currently intend to further expand this development program.

Interest capitalized in connection with development properties totaled approximately $1,673,000, $500,000, and $1,225,000 for 2002, 2001, and 2000, respectively.

Private Investment Funds

Insignia Opportunity Trust ("IOT") is an Insignia-sponsored private real estate investment fund formed in late 1999. IOT, through its subsidiary operating partnership, Insignia Opportunity Partners ("IOP"), invests primarily in secured real estate debt instruments and, to a lesser extent, in other real estate debt and equity instruments, with a focus on below investment grade commercial mortgage-backed securities. IOT completed its deployment of committed capital (totaling $71.0 million) in 2002, of which $10.0 million was invested by Insignia and the remainder by third-party investors. Insignia has an aggregate ownership interest of approximately 13% in IOT and IOP and also has a 10% non-subordinated promoted interest in IOP.

In September 2001, Insignia closed the capital-raising phase for a second real estate investment fund, Insignia Opportunity Partners II ("IOP II"), with $48.5 million of equity capital commitments from Insignia and third-party investors. IOP II invests primarily in secured real estate debt instruments, similar to the investment initiatives of IOT. IOP II had called $28.2 million of its total capital commitments at December 31, 2002. Insignia holds a 10% ownership in IOP II and serves as its day-to-day advisor.

Insignia realized total earnings from both funds of approximately $4.0 million (2002), $2.6 million (2001) and $911,000 (2000). Such earnings are included in equity earnings in unconsolidated ventures.

At December 31, 2002, Insignia held investments totaling $16.1 million in IOT, IOP and IOP II and had commitments to invest an additional $2.1 million in IOP II. The following table summarizes financial information of IOT and IOP II as of December 31, 2002 and 2001:

	2002	2001
	(In thousands)	
Total assets	$ 150,139	$ 125,221
Total liabilities	36,358	30,416
Total revenues	25,992	15,828

Apart from its real estate investments, Insignia had obligations totaling $14.0 million to all real estate entities at December 31, 2002, consisting of the following:

	Amount
	(In thousands)
Letters of credit partially backing construction loans	$ 8,900
Other partial guarantees of property debt	2,825
Future capital contributions for capital improvements	150
Future capital contributions for asset purchases	2,105
Total Obligations	$ 13,980

Outstanding letters of credit generally have one-year terms to maturity and bear standard renewal provisions. Other letters of credit and guarantees of property debt do not bear formal maturity dates and remain outstanding until certain conditions (such as final sale of property and funding of capital commitments) have been satisfied. The future capital contributions represent contractual equity commitments for specified activities of the respective real estate entities. Insignia, as a matter of policy, would consider advancing funds to real estate entities beyond its legal obligation as a new capital contribution subject to normal investment returns.

Summarized financial information of unconsolidated real estate entities is as follows:

Condensed Statements of Operations Information

	Year ended December 31		
	2002	2001	2000
		(In thousands)	
Revenues	$ 197,255	$ 222,502	$ 166,101
Total operating expenses	(190,543)	(208,556)	(176,252)
Income (loss) before gains on sales of properties	6,712	13,946	(10,151)
Gains on sales of properties	41,252	107,025	24,939
Net income	$ 47,964	$ 120,971	$ 14,788
Company's share of net income:			
Included in equity earnings in unconsolidated ventures	$ 3,482	$ 13,911	$ 3,912

Equity earnings in unconsolidated ventures included pre-tax gains on dispositions of minority-owned investments totaling $4.2 million, $11.0 million and $3.9 million in 2002, 2001 and 2000, respectively.

Condensed Balance Sheet Information

	December 31	
	2002	2001
	(In thousands)	
Cash and investments	$ 46,068	$ 29,662
Receivables and deposits	25,946	28,963
Investments in commercial mortgage backed securities	127,116	116,363
Investments in mezzanine loans	1,731	2,249
Other assets	31,573	36,837
Real estate	1,056,037	1,007,432
Less accumulated depreciation	(95,891)	(75,049)
Net real estate	960,146	932,383
Total assets	$ 1,192,581	$ 1,146,457
Mortgage notes payable	$ 712,601	$ 698,452
Other liabilities	27,435	29,187
Total liabilities	740,036	727,639
Partners' capital	452,545	418,818
Total liabilities and partners' capital	$ 1,192,581	$ 1,146,457

Real Estate Impairment

During 2002, the Company recorded impairment against its real estate investments of $3.5 million on eight property assets. The impairment charge includes $560,000 for an owned land parcel in Denver, held for future development, based on a third party appraisal. The Company recorded impairment charges during 2001 and 2000 of $824,000 and $1.8 million, respectively.

10. Other Assets

Other assets consist of the following:

	December 31	
	2002	2001
	(In thousands)	
Loan costs, net	$ 2,412	$ 2,193
Amount receivable in connection with disposition	2,693	3,000
Federal tax refund receivable (domestic)	3,966	—
Prepaid taxes	5,246	1,234
Other prepaid expenses	12,088	6,166
Real estate sales proceeds	7,865	—
Other	5,687	7,476
	$ 39,957	$ 20,069

Real estate sales proceeds of $7.9 million represents sale proceeds from a minority owned real estate property received in December 2002 and payable to a third party investor in 2003. The corresponding payable is included in the Company's accrued and sundry liabilities at December 31, 2002.

11. Accrued and Sundry Liabilities

Accrued and sundry liabilities consist of the following:

	December 31	
	2002	2001
	(In thousands)	
Employee compensation and benefits	$ 13,791	$ 14,501
Acquisition related lease and annuity liabilities	6,379	6,385
Amounts payable in connection with acquisitions	6,450	1,781
Deferred compensation	21,192	23,103
Deferred revenue	13,948	25,306
Current taxes payable	7,175	3,683
Value added taxes	6,312	4,178
Minimum pension liability	14,571	1,596
Real estate sales proceeds payable	7,865	—
Liabilities of consolidated real estate entities	3,136	848

Other	17,171	19,482
	$ 117,990	$ 100,863

Deferred revenue consists of lease commissions collected but deferred due to contingencies and the Company's ownership portion of acquisition and development fees in certain real estate partnerships. Deferred acquisition and development fees are realized in income upon disposal of the Company's ownership, generally from property sales, and deferred leasing commissions are recognized upon the fulfillment of all conditions to commission payment, such as tenant occupancy or payment of rent.

12. Private Financing

In June 2002, Insignia executed agreements for $50.0 million of new capital through a private investment by funds affiliated with Blackacre Capital Management, LLC ("Blackacre"). The investment consists of $12.5 million in newly issued shares of Series B convertible preferred stock and a commitment to provide $37.5 million of subordinated debt. The preferred stock carries an 8.5% annual dividend, payable quarterly at Insignia's option in cash or in kind, and is convertible into Insignia common stock at a price of $15.40 per share, subject to adjustment. The preferred stock has a perpetual term, although Insignia may call the preferred stock, at stated value, after June 7, 2005. In February 2000, Blackacre purchased $25.0 million of convertible preferred stock, which has now been exchanged for a Series A convertible preferred stock with an 8.5% annual dividend and a conversion price of $14.00 per share.

The Blackacre credit facility, which is subordinate to Insignia's senior credit facility, bears interest at an annual rate of 11.25% to 12.25%, payable quarterly, depending on the amount borrowed. In July 2002, Insignia borrowed $15.0 million under the credit facility. The proceeds were used to finance the purchase of the development property and related leasehold rights in St. Thomas, United States Virgin Islands (discussed under "Real Estate Principal Investment Activities" above). Insignia may draw down the remaining $22.5 million of availability at any time until December 2003. Any further borrowings will bear interest at 12.25%. The subordinated debt has a final maturity of June 2009.

13. Long Term Debt

Total long term debt consists of notes payable of the Company and real estate mortgage notes of consolidated real estate entities.

Notes Payable

Notes payable consist of the following:

	December 31	
	2002	2001
	(In thousands)	
Senior revolving credit facility with interest due quarterly at LIBOR plus 2.0 to 2.5% (totaling approximately 4.3% (2002) and 4.5% (2001)). Final payment due date is May 8, 2004	$ 95,000	$ 149,000
Senior subordinated credit facility with interest due quarterly at 11.25% and a final maturity of June 2009	15,000	—
Acquisition loan notes with an interest rate of approximately 3.0% and a final maturity of April 2010	16,889	20,972
	$ 126,889	$ 169,972

The Company's debt includes outstanding borrowings under its $230.0 million senior revolving credit facility and a $37.5 million subordinated credit facility entered into in June 2002 with Blackacre. The margin above LIBOR on the senior facility was 2.50% at December 31, 2002 and 2001. The Company also had outstanding letters of credit of $11.0 million and $12.3 million at December 31, 2002 and 2001, respectively. At December 31, 2002 the unused commitment on the senior revolving credit facility was approximately $124.0 million.

The $37.5 million Blackacre credit facility is subordinate to Insignia's senior credit facility and bears interest, payable quarterly, at an annual rate of 11.25% to 12.25%, depending on the amount borrowed. At December 31, 2002, the Company had borrowings of $15.0 million outstanding on the subordinated credit facility at an interest rate of 11.25%. Any further borrowings will bear interest at 12.25%. Insignia may draw down the remaining $22.5 million of availability at any time until December 2003. The subordinated debt has a final maturity of June 2009.

The senior credit facility provides for foreign denominated borrowings up to an aggregate $75 million. No foreign denominated borrowings were outstanding at December 31, 2002 or 2001. The senior facility is collateralized by a pledge of the stock of domestic subsidiaries and material foreign subsidiaries.

The Company also maintains a £5 million line of credit in the UK for short term working capital purposes in Europe. The Company has not borrowed on this line of credit during the past two years.

The U.K. acquisition loan notes outstanding at December 31, 2002 are guaranteed by a bank, as required by the terms of the respective purchase agreements. The bank holds restricted cash deposits sufficient to repay the notes in full when due. These loan notes are redeemable semi-annually at the discretion of the note holder.

The Company's credit agreements and other debt agreements contain various restrictive covenants requiring, among other things, minimum consolidated net worth and certain other financial ratios. The Company's revolving credit facility restricts the payment of cash dividends to an amount not to exceed twenty-five percent of net income for the immediately preceding fiscal quarter. At December 31, 2002, Insignia had approximately $80.0 million of availability on its credit facilities under these covenants. At December 31, 2002 and 2001, the Company was in compliance with all covenants.

Real Estate Mortgage Notes

Real estate mortgage notes represent non-recourse loans collateralized by real estate properties consisting of the following:

	2002	2001
	(In thousands)	

Brookhaven Village, mortgage loan bearing interest at 6.24% with a final maturity in December 2004	$ 8,305	$ 8,305
Dolphin Village, mortgage loan	—	7,608
Shinsen Place, mortgage loan	—	21,356
U.S. Virgin Islands development loan bearing interest at LIBOR plus 5.0% with a floor of 8.0% (8% at December 31, 2002). The note matures in August 2005	20,000	—
West Village, FHA loan bearing interest at 7.25%. The loan matures in October 2013	7,064	—
West Village, HPD note bearing interest at 8.5% and maturing in October 2023 (loan amount plus unpaid accrued interest)	29,897	—
West Village, non-interest bearing residual receipt note maturing in October 2023	1,529	—
	$ 66,795	$ 37,269

The mortgage note encumbering Brookhaven Village includes a participation feature whereby the lender is entitled to 35% of the net cash flow, net refinancing proceeds or net sales proceeds after the Company has achieved a 10% annual return on equity. The projected participation liability to the lender equaled approximately

$715,000 and $658,000 at December 31, 2002 and 2001, respectively. This amount is substantially contingent upon a sale of the asset. Dolphin Village and Shinsen Place were sold during 2002. The U.S. Virgin Island development loan includes a one time deferred financing fee of 4.35% to 17% of the loan proceeds, depending on the length of financing. This deferred financing fee is payable at loan maturity or the early repayment of the loan.

Scheduled principal maturities on all long term debt payable after December 31, 2002 are as follows:

	Notes Payable	Real Estate Mortgage Notes	Total
		(in thousands)	
2003	$ 16,889	$ 412	$ 17,301
2004	95,000	8,786	103,786
2005	—	20,518	20,518
2006	—	556	556
2007	—	598	598
Thereafter	15,000	35,925	50,925
	$ 126,889	$ 66,795	$ 193,684

14. Stock Compensation Plans

The Company's 1998 Stock Incentive Plan, as amended and restated (the "1998 Plan"), authorized the grant of options and restricted stock awards to management personnel totaling up to 4,500,000 shares of the Company's common stock. The term of each option is determined by the Company's Board of Directors but will in no event exceed ten years from the date of grant. Options granted typically have five-year terms and are granted at prices not less than 100% of the fair market value of the Company's common stock on the date of grant. The 1998 Plan may be terminated by the Board of Directors at any time. In September 1998, the Company was spun-off from its former parent, a company also named Insignia Financial Group, Inc. At the spin-off date, the Company assumed, under the 1998 Plan, approximately 1,787,000 options issued by the former parent to employees of the businesses included in the spin-off. At December 31, 2002, 1,926,583 options were outstanding under the 1998 Plan.

At December 31, 2002, approximately 96,000 unvested restricted stock awards to acquire shares of the Company's common stock were outstanding under the 1998 Plan. These awards, which have a five-year vesting period, were granted to executive officers and other employees of the Company. Compensation expense recognized by the Company for these awards totaled approximately $706,000, $627,000 and $709,000 for 2002, 2001 and 2000, respectively.

During 2002, the Company granted 150,000 nonqualified options to the president of Insignia Douglas Elliman, pursuant to his employment agreement. These options were issued outside of the 1998 Plan and have a five-year vesting period.

The Company assumed 1,289,329 options under Non-Qualified Stock Option Agreements in connection with the acquisition of REGL. The options had five-year terms at the date of grant and the terms remained unchanged at the date of assumption. At December 31, 2002, 654,806 options remained outstanding.

The Company assumed approximately 612,000 options under Non-Qualified Stock Option Agreements in connection with the acquisition of St. Quintin. The options had five-year terms at the date of grant and the terms remained unchanged at the date of assumption. At December 31, 2002, 266,484 options remained outstanding.

The Company assumed 110,000 options under a Non-Qualified Stock Option Plan in connection with the acquisition of Brooke. At December 31, 2002, 65,000 options remained outstanding under the plan. The options had five and one half-year terms at the date of grant and the terms remained unchanged at the date of assumption.

The terms of all options assumed in connection with acquisitions remained subject to continued vesting over their original terms. These options have been accounted for as additional purchase consideration for each respective business combination.

During 2000, Insignia granted 1,493,000 warrants to purchase Insignia common stock to certain key executives, non-employee directors and other employees under Warrant Agreements. Such warrants had five-year terms at the date of grant. At December 31, 2002, 1,432,500 warrants remained outstanding.

Pursuant to the Company's Supplemental Stock Purchase and Loan Program, Insignia has loans outstanding to seven employees, including three executive officers, of the Company. These loans were originally made in 1998 and 1999 for the purchase of 158,663 newly issued shares of Insignia's common stock at an average share price of approximately $12.18. The loans require principal and interest payments, at a fixed rate of 7.5%, in 40 equal quarterly installments ending December 31, 2009. The notes are secured by the common shares and are non-recourse to the employee except to the extent of 25% of the outstanding amount. The outstanding principal balances of these notes totaled $1,193,000 and $1,882,000 at December 31, 2002 and 2001, respectively. The notes receivable are classified as a reduction of stockholders' equity in the Company's consolidated balance sheet.

The Company's 1998 Employee Stock Purchase Plan (the "Employee Plan") was adopted to provide employees with an opportunity to purchase common stock through payroll deductions at a price not less than 85% of the fair market value of the Company's common stock. The Employee Plan was developed to qualify under Section 423 of the

Internal Revenue Code of 1986.

In connection with the Company's spin-off in September 1998, 1,196,000 warrants to purchase shares of common stock of the Company (at $14.50 per share) were issued to holders of the Convertible Preferred Securities of the Company's former parent. The term of each warrant is five years. The Company's former parent purchased the warrants from Insignia in 1998 for approximately $8.5 million. At December 31, 2002, all warrants remained outstanding and were fully exercisable.

The Company's common stock reserved for future issuance in connection with stock compensation plans totaled 5,751,373 shares at December 31, 2002.

Summaries of the Company's stock option, warrant and unvested restricted stock activity, and related information for the years ended December 31, 2002, 2001 and 2000 are as follows:

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	6,616,404	$ 10.32	8,304,155	$ 10.06	6,859,368	$ 10.02
Options and warrants granted	290,000	10.33	30,000	11.70	2,189,174	8.54
Options granted in connection with Brooke acquisition	—	—	20,000	10.80	40,000	11.81
Exercised	(200,674)	3.48	(690,941)	6.64	(508,676)	6.36
Forfeited/canceled	(954,357)	11.95	(1,046,810)	9.40	(275,711)	8.62
Outstanding at end of year	5,751,373	10.30	6,616,404	$ 10.32	8,304,155	$ 10.06
Exercisable at end of year	4,501,359	$ 10.66	4,233,299	$ 11.31	4,359,468	$ 11.24
Weighted-average fair value of grants during the year		$ 2.90		$ 5.32		$ 4.09

Significant option, warrant and unvested restricted stock groups outstanding at December 31, 2002 and related weighted average price and life information follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.00-$ 7.50	1,017,526	1.9 years	$ 5.82	560,066	$ 6.41
$ 7.51-$11.00	2,108,000	2.5 years	$ 8.40	1,723,330	$ 8.06
$11.01-$14.00	1,308,965	1.7 years	$12.61	901,081	$12.65
$14.01-$15.69	1,316,882	0.8 years	$14.51	1,316,882	$14.51
	5,751,373		$10.30	4,501,359	$10.66

15. Income Taxes

For financial reporting purposes, income from continuing operations before income taxes includes the following components:

	2002	2001	2000
		(In thousands)	
United States	$ 4,304	$ 3,128	$ 5,932
Foreign	19,632	5,674	18,465
	$ 23,936	$ 8,802	$ 24,397

Significant components of the income tax expense from continuing operations are as follows:

	2002	2001	2000
		(In thousands)	
Current:			
Federal	$ 964	$ 2,498	$ (27)
Foreign	8,279	4,868	6,619
State and local	500	1,208	41
Total current	9,743	8,574	6,633
Deferred:			
Federal	3,052	(3,387)	(1,465)
Foreign	960	(944)	(804)
State and local	(3,036)	(1,162)	(1,196)

Total deferred	976	(5,493)	(3,465)
	$ 10,719	$ 3,081	$ 3,168

Components of income tax expense (benefit) reported other than in continuing operations are as follows:

	2002	2002	2001
		(In thousands)	
Discontinued Operations:			
(Loss) income from operations	$ —	$ (682)	$ 559
Income (loss) on disposal	(2,844)	(4,000)	—
Total	(2,844)	(4,682)	559
Accumulated Other Comprehensive Income:			
Minimum pension liability	(3,832)	(696)	—
Unrealized investment gains (losses)	752	7	(456)
Currency translation	6,215	(1,769)	(4,518)
Total	3,135	(2,458)	(4,974)
Cumulative Change in Accounting Principles:			
Goodwill impairment	(9,388)	—	—
SAB 101 adoption	$ —	—	(23,310)
	(9,388)	$ —	$ (23,310)

The reconciliation of income tax attributable to continuing operations computed at the U.S. statutory rate to income tax expense is shown below(*In thousands*):

	2002		2001		2000	
	Amount	Percent	Amount	Percent	Amount	Percent
Tax at U.S. statutory rates	$ 8,378	35.0%	$ 3,081	35.0%	$ 8,539	35.0%
Effect of different tax rates in foreign jurisdictions	(387)	(1.6)	(424)	(4.8)	(867)	(3.6)
State income taxes, net of federal tax benefit	(1,649)	(6.9)	(1,450)	(16.5)	(150)	(0.6)
Effect of nondeductible meals and entertainment expenses	501	2.1	1,092	12.4	783	3.2
Effect of nondeductible goodwill amortization	—	—	1,386	15.7	824	3.4
Change in valuation allowances for continuing operations	1,913	8.0	1,468	16.7	—	—
Effect of life insurance proceeds	—	—	—	—	(7,000)	(28.7)
Effect of settlement of IRS exam	(73)	(0.3)	(1,961)	(22.3)	—	—
Effect of executive compensation limitation	1,504	6.3	351	4.0	403	1.7
Other	532	2.2	(462)	(5.2)	636	2.6
	$ 10,719	44.8%	$ 3,081	35.0%	$ 3,168	13.0%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax liabilities and assets are as follows:

	December 31	
	2002	2001
	(In thousands)	
Deferred tax liabilities:		
Acquisition related intangibles	$ (1,799)	$ (7,323)
Tax over book depreciation	(6,149)	—
Partnership earnings differences	—	(1,841)
Compensation	(5,415)	(2,177)
Accumulated comprehensive income—unrealized gains	(752)	(39)
Other, net	(1,680)	(1,295)
Total deferred tax liabilities	(15,795)	(12,675)
Deferred tax assets:		
Net operating losses	13,494	7,132
Acquisition related items	4,082	734
Book over tax depreciation	—	5,262
Commission income receivable (net)	1,499	—
Alternative minimum tax credit	1,234	4,270

Partnership earnings differences	3,897	—
Bad debt reserves	2,400	1,164
Reserve for asset impairments	2,540	10,243
Compensation and benefits	17,261	15,786
Accumulated comprehensive income—minimum pension liability	4,528	696
Accumulated comprehensive income—currency translation	—	6,215
Other, net	2,250	632
Total deferred tax assets	53,185	52,134
Valuation allowance for deferred tax assets	(5,576)	(8,963)
Deferred tax assets, net of valuation allowance	47,609	43,171
Net deferred tax assets	$ 31,814	$ 30,496

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to realize fully the deferred assets, the Company will need to generate future taxable income of approximately $58.1 million, principally for U.S. purposes.

The Company has generated losses and has created other net deferred assets in prior years. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future income during the carryforward period are reduced. Net operating losses in the U.S. were carried forward from 2001 for federal income tax purposes. At December 31, 2002, approximately $12.6 million and $41.1 million of net operating losses will carry forward to 2003 for federal, state and local income tax purposes, respectively. These amounts expire between 2015 and 2022.

In 2001, the Company entered into an agreement to sell Realty One and its affiliated companies. In connection with the Realty One sale, the Company incurred a pre-tax loss of approximately $21.6 million. Under the tax law existing at December 31, 2001, approximately $12.5 million of the loss could not be deducted for income tax purposes and no income tax benefit has been provided on this portion of the loss in 2001. Subsequent to 2001, the U.S. Treasury Department issued new legislative regulations that allowed for the deduction of the loss for income tax purposes. Sufficient capital gains were generated to offset the loss.

Undistributed earnings of the Company’s foreign operations amounted to approximately $39.0 million in aggregate as of December 31, 2002. Deferred income taxes are not provided at U.S. tax rates on these earnings as it is intended that the earnings will be permanently reinvested outside of the U.S. Any such taxes should not be significant, since U.S. tax rates are no more than 5% in excess of U.K. and French tax rates, and goodwill, with respect to the U.K. and French operations, is amortizable for U.S. tax purposes.

During 2002, certain of the Company’s foreign operations generated operating losses in aggregate of approximately $8.1 million. All potential tax benefits pertaining to such losses have been fully reserved due to absence of profits.

In 2000, the Internal Revenue Service (“IRS”) commenced an examination of the income tax returns for the 1998 (January 1, 1998 through September 30, 1998), 1997 and 1996 tax years. In November 2001, the IRS made a final determination to which the Company has agreed. The agreed assessment paid by the Company was approximately $1.1 million, including taxes and interest. The examination will have final resolution when the U.S. Treasury Department issues a determination letter resulting from the review by the Joint Committee on Taxation. The statute of limitations is extended through March 31, 2003. The Company does not anticipate any additional assessments.

16. Employee Benefit Plans

401(k) Retirement Plan

The Company established a 401(k) savings plan covering substantially all U.S. employees. The Company may make a contribution equal to 25% of the employees’ contribution up to a maximum of 6% of the employees’

compensation and participants fully vest in employer contributions after 5 years. All contributions to the 401(k) plan are expensed currently in earnings. The Company expensed approximately $1,249,000, $1,660,000, and $2,044,000 in contributions to the 401(k) plan during 2002, 2001, and 2000, respectively.

Defined Contribution Plan

Insignia Richard Ellis maintains a defined contribution plan that is available to all of its employees at their option after the completion of six months of service and the attainment of 25 years of age. Insignia Richard Ellis contributions are 3.5% of salary for ages 25 to 30, 4.5% of salary for ages 31 to 35 and 5.5% to 7% of salary for ages 36 and over. Insignia Richard Ellis expensed approximately $1,598,000, $1,430,000 and $1,558,000 in contributions to the plan during 2002, 2001, and 2000, respectively.

Defined Benefit Plans

Insignia Richard Ellis maintains two defined benefit plans for certain of its employees. The plans provide for benefits based upon the final salary of participating employees. The funding policy is to contribute annually an amount to fund pension cost as actuarially determined by an independent pension consulting firm.

The following table summarizes the accumulated benefit obligation, projected benefit obligation, funded status and net periodic pension cost of the Insignia Richard Ellis defined benefit plans:

	December 31	
	2002	2001
	(In thousands)	
Accumulated Benefit Obligation	$ 57,089	$ 45,727

Projected Benefit Obligation ("PBO")		
PBO—Beginning of year	$ 48,355	$ 46,230
Service cost	1,158	909
Interest cost	3,017	2,657
Benefits paid net of participant contributions	(566)	(533)
Net actuarial loss	4,023	368
Foreign currency exchange rate changes	5,593	(1,276)
PBO—End of year	61,580	48,355
Change in Plan Assets		
Fair value of plan assets at beginning of year	44,131	50,114
Actual return on plan assets	(6,198)	(4,947)
Employer contributions	884	916
Benefits paid net of participant contributions	(566)	(533)
Foreign currency exchange rate changes	4,267	(1,419)
Fair value of plan assets at end of year	42,518	44,131
Funded status of the plans	(19,062)	(4,224)
Unrecognized net actuarial loss	19,585	5,002
Adjustment required to recognize minimum liability	(15,094)	(2,374)
Net pension liability recognized in the Company's consolidated balance sheets	$ (14,571)	$ (1,596)

	Years Ended December 31		
	2002	2001	2000
		(In thousands)	
Net Periodic Pension Cost			
Service cost	$ 1,158	$ 909	$ 1,370
Interest cost	3,017	2,657	2,545
Return on plan assets	(2,975)	(3,398)	(3,343)
	$ 1,200	$ 168	$ 572
Assumptions used in determining accounting:			
Discount rate	5.5%	6.0%	6.0%
Weighted average increase in compensation levels	4.3%	4.5%	5.0%
Rate of return on plan assets	6.5%	6.5%	7.0%

The adjustment to accumulated other comprehensive income in 2002 pertaining to the minimum pension liability was approximately $9.7 million (net of tax benefit of $3.8 million).

17. Related Party Transactions

In May 2002, Insignia made a loan in the amount of $270,000 to an Executive Vice President of the Company. The variable interest rate on the loan is the same as the average cost of funds borrowed by Insignia, which was approximately 5.25% at December 31, 2002. Interest on the loan is payable to Insignia in cash on June 30 and December 31 of each year; provided, however, that until December 31, 2004 all interest accrued and payable may, at the discretion of the executive (but subject to Insignia's right of offset as more fully described below), be added to the outstanding principal balance of the loan instead of paid in cash. The loan is repayable on the earlier of (i) June 30, 2005 or (ii) 30 days following a termination of the executive's employment with Insignia for any reason. Pursuant to its rights under the note, beginning on August 1, 2002, Insignia began withholding 50% of any distribution payable to the executive, in respect of the executive's equity interest in the Company's profits interest in IOP, to be applied as a payment of accrued interest first and then outstanding principal. The outstanding balance on the loan was $269,083 at December 31, 2002.

In March 2002, Insignia made a loan in the amount of $1.5 million to its Chairman and Chief Executive Officer. The variable interest rate on the loan is the same as the average cost of funds borrowed by Insignia, which was approximately 5.25% at December 31, 2002. The loan is payable on or before March 5, 2005. The Company deducts quarterly interest payments due on the loan from certain bonuses payable to the Chairman. To the extent such bonuses are not paid, all accrued and unpaid interest is payable at maturity. The loan and any accrued interest thereon would be forgiven in limited circumstances, such as a significant transaction or change of control. The outstanding balance on the loan at December 31, 2002 was $1.5 million.

In June 2001, Insignia made a loan in the amount of $1.5 million to its President. The variable interest rate on the loan is the same as the average cost of funds borrowed by Insignia, which was approximately 5.25% at December 31, 2002. The loan becomes due upon the earliest of (i) voluntary termination of the President's employment with Insignia, (ii) the termination of the President's employment with Insignia for cause or (iii) March 15, 2006. Insignia will forgive $375,000 of the principal amount of the loan and accrued interest thereon on March 15 of the year following each of 2002, 2003, 2004 and 2005 to the extent that actual Net EBITDA equals or exceeds 75% of annual budgeted Net EBITDA for any such year, as approved by the Board of Directors. In addition, if aggregate actual Net EBITDA for fiscal 2002, 2003, 2004 and 2005 equals or exceeds aggregate annual budgeted EBITDA for such years, any outstanding principal amount of the loan and accrued interest thereon, will be forgiven as of March 15, 2006. The outstanding balance on the loan at December 31, 2002 was $1.5 million.

Pursuant to the Company's Supplemental Stock Purchase and Loan Program, Insignia has loans outstanding to seven employees, including three executive officers, of

the Company. These loans were originally made in 1998 and 1999 for the purchase of 158,663 newly issued shares of Insignia's common stock at an average share price of approximately $12.18. The loans require principal and interest payments, at a fixed rate of 7.5%, in 40 equal quarterly installments ending December 31, 2009. The notes are secured by the common shares and are non-recourse to the employee except to the extent of 25% of the outstanding amount. At December 31, 2002 and 2001, the loans outstanding totaled $1,193,000 and $1,882,000, respectively, and are presented as a reduction of stockholders' equity in the Company's consolidated balance sheets.

A director of Insignia is a partner in a law firm that represents Insignia or certain of its affiliates from time to time. The amount of fees paid by the Company to the firm during 2002, 2001 and 2000 totaled $1,363,000, $59,000 and $589,000, respectively.

18. Commitments, Contingencies and Other Matters

Ordinary Course of Business Claims

Insignia and certain subsidiaries are defendants in lawsuits arising in the ordinary course of business. Management does not expect that the results of any such lawsuits will have a significant adverse effect on the financial condition, results of operations or cash flows of the Company. All contingencies including unasserted claims or assessments, which are probable and for which the amount of loss can be reasonably estimated, are accrued in accordance with SFAS No. 5, *Accounting for Contingencies.*

Indemnification

In 1998, the Company's former parent entered into a Merger Agreement with Apartment Investment and Management Company ("AIMCO"), and one of AIMCO's subsidiaries, pursuant to which the former parent was merged into AIMCO. Shortly before the merger, the former parent distributed the stock of Insignia to its shareholders in a spin-off transaction. As a requirement of the Merger Agreement, Insignia entered into an Indemnification Agreement with AIMCO. In the Indemnification Agreement, Insignia agreed generally to indemnify AIMCO against all losses exceeding $9.1 million that result from: (i) breaches by the Company or former parent of representations, warranties or covenants in the Merger Agreement; (ii) actions taken by or on behalf of former parent prior to the merger; and (iii) the spin-off.

In December 2001, the Company entered into a stock purchase agreement with Real Living, Inc., the purchaser, that provided for the sale of 100% of the stock of Realty One and its affiliated companies. Such affiliated companies included First Ohio Mortgage Corporation, Inc., First Ohio Escrow Corporation, Inc. and Insignia Relocation Management, Inc. As a part of sale, the Company agreed generally to indemnify the purchaser against all losses up to the purchase price (subject to certain deductible amounts), resulting from the following: (i) breaches by the Company of any representations, warranties or covenants in the stock purchase agreement; (ii) pre-disposition obligations for goods, services, taxes or indebtedness except for those assumed by Real Living, Inc.; (iii) change of control payments made to employees of Realty One; and (iv) any third party losses arising or related to the period prior to the disposition. In addition, the Company provided an indemnification for losses incurred by Wells Fargo Home Mortgage, Inc. ("Wells Fargo") and/or the purchaser in respect of (i) mortgage loan files existing on the date of closing; (ii) fraud in the conduct of its home mortgage business; and (iii) the failure to follow standard industry practices in the home mortgage business. The aggregate loss for which the Company is potentially liable to Wells Fargo is limited to $10 million and the aggregate of any claims made by the purchaser and Wells Fargo shall not exceed the purchase price.

As of December 31, 2002, the Company was not aware of any matters that would give rise to a material claim under any warranties and indemnities.

Environmental

Under various federal and state environmental laws and regulations, a current or previous owner or operator of real estate may be required to investigate and remediate certain hazardous or toxic substances or petroleum-product releases at the property, and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. The owner or operator of a site may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from or at the site, including the presence of asbestos containing materials. Insurance for such matters may not be available.

The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. There can be no assurance that Insignia, or any assets owned or controlled by Insignia (as on-site property manager), currently are in compliance with all of such laws and regulations or that Insignia will not become subject to liabilities that arise in whole or in part out of any such laws, rules or regulations. The liability may be imposed even if the original actions were legal and Insignia did not know of, or was not responsible for, the presence of such hazardous or toxic substances. Insignia may also be solely responsible for the entire payment of any liability if it is subject to joint and several liability with other responsible parties who are unable to pay. Insignia may be subject to additional liability if it fails to disclose environmental issues to a buyer or lessee of property. Management is not currently aware of any environmental liabilities that are expected to have a material adverse effect upon the operations or financial condition of the Company.

Operating Leases

The Company leases office space and equipment under noncancelable operating leases. Minimum annual rentals under operating leases for the five years ending after December 31, 2002 and thereafter are as follows:

	Amount (In thousands)
2003	$ 32,207
2004	30,231
2005	27,580
2006	25,386
2007	23,513
Thereafter	68,163
Total minimum payments	$ 207,080

Rental expense, which is recorded on a straight-line basis, was approximately $35,822,000 (2002) $29,282,000 (2001) and $26,579,000 (2000). Certain of the leases are subject to renewal options and annual escalation based on the Consumer Price Index or annual increases in operating expenses.

Convertible Preferred Stock

Insignia has 375,000 shares, or $37.5 million, of convertible preferred stock outstanding to investment funds affiliated with Blackacre Capital Management. The convertible preferred stock includes 250,000 shares, or $25.0 million, of Series A, initially purchased in February 2000, and 125,000 shares, or $12.5 million, of Series B purchased in June 2002. The initial preferred originally carried a 4% annual dividend and was exchanged in June 2002 for Series A convertible preferred stock. The convertible preferred stock carries an 8.5% annual dividend (totaling approximately $3.2 million), payable quarterly at Insignia's option in cash or in kind. The Company paid cash dividends of approximately $1.8 million in 2002.

The convertible preferred stock has a perpetual term, although Insignia may call the preferred stock, at stated value, after June 7, 2005. Upon the dissolution, liquidation or winding up of the Company, the holders of Series A and Series B convertible preferred stock are entitled to receive the stated value of $100.00 per share (totaling $37.5 million (2002) and $25.0 million (2001)) plus accrued and unpaid dividends.

Stock Repurchase

At December 31, 2002 and 2001, Insignia held in treasury 1,502,600 repurchased shares of its Common Stock. Such shares were repurchased at an aggregate cost of approximately $16.2 million and are reserved for issuance upon the exercise of warrants granted in 2001 to certain executive officers, non-employee directors and other employees of the Company.

In July 2002, the Company authorized a stock repurchase program of up to $5.0 million, subject to compliance with all covenants contained within the Company's existing debt agreements. As of December 31, 2002, the Company had not initiated any stock repurchases under this authorization.

Life Insurance Proceeds

In October 2000, Insignia collected $20 million in life insurance proceeds from a "key man" insurance policy on the life of Edward S. Gordon, a member of the Company's Office of the Chairman. The policy was purchased in connection with Insignia's acquisition of Edward S. Gordon Incorporated in June 1996. Insignia incurred approximately $900,000 in obligations payable to Mr. Gordon's estate at the time of his death. The Company recognized the resulting income of $19.1 million in the third quarter of 2000.

19. Industry Segments

As of December 31, 2002, Insignia's operating activities encompassed two segments that include (i) commercial real estate services, including principal investment activities, and (ii) residential real estate services. In 2001 and 2000, the Company's operating activities included internet-based initiatives as a third segment. The Company's segments include businesses that offer similar products and services and are managed separately because of the distinction between such services. The accounting policies of the segments are the same as those used in the preparation of the consolidated financial statements.

The commercial segment provides services including tenant representation, property and asset management, agency leasing and brokerage, investment sales, development and re-development, consulting and other services. The commercial segment also includes the Company's principal real estate investment activities and fund management. Insignia's commercial segment is comprised of the operations of Insignia/ESG in the U.S., Insignia Richard Ellis in the U.K., Insignia Bourdais in France and other businesses in continental Europe, Asia and Latin America. The residential segment provides services including apartment brokerage and leasing, rental brokerage, property management and mortgage brokerage services and consists of the New York based operations of

Insignia Douglas Elliman and Insignia Residential Group. The Company's unallocated administrative expenses and corporate assets, consisting primarily of cash and property and equipment, are included in "Other" in the segment reporting. The Company's internet-based initiatives launched in 1999 were terminated in 2001.

The following tables summarize certain financial information by industry segment:

	Year ended December 31, 2002			
	Commercial	Residential	Other	Total
	(In thousands)			
Revenues				
Real estate services	$ 577,544	$ 133,691	$ —	$ 711,235
Property operations	9,195	—	—	9,195
Equity earnings in unconsolidated ventures	3,482	—	—	3,482
Other income, net	589	—	204	793
	590,810	133,691	204	724,705
Operating income (loss)	37,318	7,888	(14,229)	30,977
Other income and expense:				
Interest income	2,300	15	1,636	3,951
Interest expense	(474)	(16)	(8,380)	(8,870)
Property interest expense	(2,122)	—	—	(2,122)
Income (loss) from continuing operations before income taxes	$ 37,022	$ 7,887	$ (20,973)	$ 23,936
Total assets	$ 724,330	$ 62,604	$ 85,905	$ 872,839
Real estate investments, net	134,135	—	—	134,135
Capital expenditures, net	7,136	3,267	—	10,403

	Year ended December 31, 2001				
	Commercial	Residential	Internet	Other	Total
	(In thousands)				
Revenues					
Real estate services	$ 613,253	$ 119,232	$ —	$ —	$ 732,485
Property operations	3,969	—	—	—	3,969
Equity earnings in unconsolidated ventures	13,911	—	—	—	13,911
Other income, net	1,765	—	—	331	2,096
	632,898	119,232	—	331	752,461

Operating income (loss)	43,244	(1,050)	—	(13,186)	29,008
Other income and expenses:					
Interest income	2,084	16	—	2,769	4,869
Interest expense	(639)	(38)	—	(11,730)	(12,407)
Property interest expense	(1,744)	—	—	—	(1,744)
Losses from internet investments	—	—	(10,263)	—	(10,263)
Other expenses	(661)	—	—	—	(661)
Income (loss) from continuing operations before income taxes	$ 42,284	$ (1,072)	$ (10,263)	$ (22,147)	$ 8,802
Total assets	$ 678,091	$ 147,654	$ 1,007	$ 91,630	$ 918,382
Real estate investments, net	95,710	—	—	—	95,710
Capital expenditures, net	11,704	3,815	—	85	15,604

	Year ended December 31, 2000				
	Commercial	Residential	Internet	Other	Total
			(In thousands)		
Revenues					
Real estate services	$ 639,447	$ 134,095	$ —	$ —	$ 773,542
Property operations	5,212	—	—	—	5,212
Equity earnings in unconsolidated ventures	3,912	—	—	—	3,912
Other income	—	—	—	1,365	1,365
	$ 648,571	$ 134,095	$ —	$ 1,365	$ 784,031
Operating income (loss)	58,265	5,450	(18,456)	(15,050)	30,209
Other income and expenses:					
Interest income	2,316	—	464	4,456	7,236
Interest expense	(1,032)	(48)	—	(10,665)	(11,745)
Property interest expense	(2,868)	—	—	—	(2,868)
Losses from internet investments	—	—	(18,435)	—	(18,435)
Life insurance proceeds	—	—	—	19,100	19,100
Minority interest	—	—	900	—	900
Income (loss) from continuing operations before income taxes	$ 56,681	$ 5,402	$ (35,527)	$ (2,159)	$ 24,397
Total assets	$ 645,989	$ 162,213	$ 10,963	$ 106,460	$ 925,625
Real estate investments, net	102,170	—	—	—	102,170
Capital expenditures, net	20,444	5,290	—	73	25,807

Certain geographic information is as follows:

	Year ended December 31, 2002		Year ended December 31, 2001		Year ended December 31, 2000	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	$ 539,889	$ 343,072	$ 631,986	$ 339,619	$ 637,067	$ 274,652
United Kingdom	121,746	115,029	105,896	106,701	133,809	90,781
France	43,058	30,189	—	12,800	—	—
Other countries	20,012	8,631	14,579	8,603	13,155	3,639
	$ 724,705	$ 496,921	$ 752,461	$ 467,723	$ 784,031	$ 369,072

Long-lived assets are comprised of property and equipment, real estate investments, goodwill and acquired intangibles.

20. Fair Values of Financial Instruments

The fair value estimates of financial instruments are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. The carrying amount reported on the balance sheet for cash and cash equivalents approximates its fair value. Receivables reported on the balance sheet generally consist of property and lease commission receivables and various note receivables. The property and note receivables approximate their fair values. Lease commission receivables are carried at their discounted present value; therefore the carrying amount and fair value amount are the same. The carrying amounts for notes payable and real estate mortgage notes payable approximate their respective fair value because the interest rates generally approximate current market interest rates for similar instruments.

21. Quarterly Financial Data (Unaudited)

2002

	Total	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data)				
Revenues	$ 724,705	$ 200,881	$ 191,547	$ 180,981	$ 151,296
Income (loss) from continuing operations	13,217	6,334	4,116	3,175	(408)
Discontinued operations	4,918	—	4,653	—	265
Income (loss) before cumulative effect of a change in accounting principle	18,135	6,334	8,769	3,175	(143)
Cumulative effect of a change in accounting principle	(20,635)	—	—	—	(20,635)
Net (loss) income	(2,500)	6,334	8,769	3,175	(20,778)
Per share amounts:					
Earnings per share—basic					
Income (loss) from continuing operations	$ 0.48	$ 0.24	$ 0.14	$ 0.12	$ (0.03)
Discontinued operations	0.21	—	0.20	—	0.01
Income (loss) before cumulative effect of a change in accounting principle	0.69	0.24	0.34	0.12	(0.02)
Cumulative effect of a change in accounting change in accounting principle	(0.89)	—	—	—	(0.89)
Net (loss) income	(0.20)	0.24	0.34	0.12	(0.91)
Earnings per share—assuming dilution					
Income (loss) from continuing operations	0.47	0.24	0.14	0.12	(0.03)
Discontinued operations	0.21	—	0.20	—	0.01
Income (loss) before cumulative effect of a change in accounting principle	0.67	0.24	0.34	0.12	(0.02)
Cumulative effect of a change in accounting principle	(0.87)	—	—	—	(0.88)
Net (loss) income	(0.20)	0.24	0.34	0.12	(0.86)

	2001				
	Total	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data)				
Revenues	$ 752,461	$ 255,963	$ 147,277	$ 172,239	$ 176,982
Income (loss) from continuing operations	5,721	12,648	(5,396)	(1,747)	216
Discontinued operations	(19,229)	(17,707)	926	302	(2,750)
Net loss	(13,508)	(5,059)	(4,470)	(1,445)	(2,534)
Per share amounts:					
Earnings per share—basic					
Income (loss) from continuing operations	$ 0.21	$ 0.55	$ (0.25)	$ (0.09)	$ 0.00
Discontinued operations	(0.87)	(0.79)	0.04	0.01	(0.13)
Net loss	(0.66)	(0.24)	(0.21)	(0.08)	(0.13)
Earnings per share—assuming dilution					
Income (loss) from continuing operations	0.20	0.50	(0.25)	(0.09)	0.00
Discontinued operations	(0.82)	(0.70)	0.04	0.01	(0.13)
Net loss	(0.62)	(0.20)	(0.21)	(0.08)	(0.13)

Fourth quarter earnings included a gain of approximately $10.4 million from the sale of a real estate property in which the Company held a 17.5% profits interest. In addition, the fourth quarter included impairment write-downs of $4.6 million in remaining internet investments and income of $3.2 million in connection with the liquidation of EdificeRex.

22. Subsequent Events

Proposed CB Richard Ellis Merger

On February 17, 2003, Insignia entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CBRE Holding, Inc., CB Richard Ellis Services, Inc. (“CB”) and Apple Acquisition Corp., a wholly owned subsidiary of CB, pursuant to which, upon the terms and subject to the conditions set forth therein, Apple Acquisition Corp. will be merged with and into Insignia (the “Merger”), with Insignia being the surviving corporation in the Merger and becoming a wholly owned subsidiary of CB. The Merger Agreement provides that Insignia’s Certificate of Incorporation and the Bylaws of Apple Acquisition Corp. will be the Certificate of Incorporation and the Bylaws, respectively, of the surviving corporation. Under the Merger Agreement, at closing each share of common stock, par value $0.01 per share, of Insignia (the “Common Stock”) will be converted into the right to receive $11.00 per share in cash (the “Common Merger Consideration”). In addition, Insignia has the right, but not the obligation, to sell certain real estate assets (excluding assets of the service businesses) prior to the closing of the Merger. If Insignia receives more than a specified amount of cash net proceeds (generally $45.0 million, net of expenses, plus any amounts contributed or transferred to the entities holding these assets between February 17, 2003 and the closing of the Merger) for these assets, the excess net cash proceeds will be paid to holders of Common Stock, options, warrants and unvested restricted stock as additional Common Merger Consideration, up to an additional $1.00 per share of Common Stock.

There can be no assurance that Insignia will sell any of these assets or, if it does, that it will receive more than the specified amount through the asset sales. Additional

Common Merger Consideration above $11.00 per share will be determined based on a denominator of approximately 26,500,000 common shares, options, warrants and unvested restricted stock. As a result, excess net cash proceeds of approximately $6.6 million over the

specified amount would be required for each additional $0.25 increment of Common Merger Consideration. Total net cash proceeds from asset sales necessary to achieve the maximum $1.00 of additional Common Merger Consideration would approximate $71.5 million.

The Merger Agreement further provides that all of Insignia's directors will resign immediately prior to the completion of the Merger. Following the Merger, Insignia will cease to be a reporting company under the Securities Exchange Act of 1934, as amended, and its Common Stock will cease to be traded on the New York Stock Exchange. Consummation of the Merger requires approval by Insignia's shareholders, CB's receipt of equity and debt financing, the receipt of regulatory approvals and other customary closing conditions. In connection with the Merger Agreement, several members of senior management of Insignia (who collectively own approximately 6.6% of voting common shares) entered into Voting Agreements with CB and Insignia (the "Voting Agreements"), pursuant to which these individuals agreed to vote their shares in favor of approving the Merger Agreement, the Merger and the other transactions contemplated by the Merger and the Merger Agreement and to vote their shares against any acquisition proposal from a third-party.

In early 2003, Insignia sold two minority-owned assets in the ordinary course of business and continues to consider or explore potentially selling certain other existing real estate investments, as permitted by the Merger Agreement, in an effort to provide additional Common Merger Consideration to the holders of Common Stock, options, warrants and unvested restricted stock. Due to the limited time available to market such investment assets for potential sale prior to the closing of the Merger, which is expected to occur no later than July 14, 2003, there can be no assurances that any asset sales would not result in losses.

In the event that the proposed Merger is consummated, Blackacre has agreed to the conversion of the convertible preferred stock into a cash amount equal to the stated value of $100.00 per share plus accrued and unpaid dividends. In addition, borrowings under the subordinated credit agreement would be repaid and the credit agreement terminated simultaneous with the closing of the Merger.

Sale of Insignia Residential Group and Insignia Douglas Elliman

On March 14, 2003, Insignia completed the sale of its New York-based residential businesses, Insignia Residential Group and Insignia Douglas Elliman, to Montauk Battery Realty, LLC. The financial terms of the sale included the payment of $66.75 million to Insignia at closing and a potential additional $1.0 million receivable one year from closing. In addition, the buyer acceded to additional contingent earnout obligations of Insignia Douglas Elliman totaling up to $4.0 million, depending on the future performance of the business. Insignia will discontinue the operations of these businesses for financial reporting purposes in the first quarter of 2003. These residential businesses collectively produced service revenues in 2002, 2001 and 2000 of $133.7 million, $119.2 million and $134.1 million, respectively. Simultaneous with closing, Insignia paid down $67.0 million on its senior revolving credit facility, decreasing outstanding borrowings to $28.0 million.

23. Supplemental Information

The following supplemental information includes: (i) condensed consolidating balance sheet as of December 31, 2002; (ii) condensed consolidating statement of operations for the year ended December 31, 2002 and (iii) condensed consolidating statement of cash flows for the year ended December 31, 2002 of the Company's domestic commercial service operations (including operations of Insignia/ESG, Inc. and unallocated administrative expenses and corporate assets of Insignia), all other operations (comprised of residential service operations, international service operations and real estate investment operations) and the Company on a consolidated basis. Investments in consolidated subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in consolidated subsidiaries and intercompany balances and transactions.

Condensed Consolidating Balance Sheet
As of December 31, 2002

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
		(In thousands)		
Assets				
Cash and cash equivalents	$ 72,245	$ 39,268	$ —	$ 111,513
Receivables, net of allowance	103,780	51,541	—	155,321
Restricted cash	17,277	4,241	—	21,518
Intercompany receivables	44,196	—	(44,196)	—
Investment in consolidated subsidiaries	246,184	—	(246,184)	—
Property and equipment, net	36,271	19,343	—	55,614
Real estate investments, net	—	134,135	—	134,135
Goodwill, net	112,662	176,899	—	289,561
Acquired intangible assets, net	1,345	16,266	—	17,611
Deferred taxes	42,805	4,804	—	47,609
Other assets, net	26,922	13,035	—	39,957
Total assets	$ 703,687	$ 459,532	$ (290,380)	$ 872,839
Liabilities and Stockholders' Equity				
Liabilities:				
Accounts payable	$ 5,510	$ 8,233	$ —	$ 13,743
Commissions payable	63,380	594	—	63,974
Accrued incentives	23,720	28,604	—	52,324
Accrued and sundry	54,560	63,430	—	117,990
Deferred taxes	14,299	1,496	—	15,795
Intercompany payables	—	44,196	(44,196)	—
Notes payable	126,889	—	—	126,889
Real estate mortgage notes	—	66,795	—	66,795

Total liabilities	288,358	213,348	(44,196)	457,510
Total stockholders' equity	415,329	246,184	(246,184)	415,329
Total liabilities and stockholders' equity	$ 703,687	$ 459,532	$ (290,380)	$ 872,839

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2002

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
		(In thousands)		
Revenues	$ 392,935	$ 331,770	$ —	$ 724,705
Costs and expenses				
Real estate services	366,904	280,555	—	647,459
Property operations	—	7,264	—	7,264
Administrative	14,344	—	—	14,344
Depreciation and amortization	14,292	8,449	—	22,741
Property depreciation	—	1,920	—	1,920
	395,540	298,188	—	693,728
Operating income (loss)	(2,605)	33,582	—	30,977
Other income and expenses				
Interest income	1,678	2,273	—	3,951
Interest expense	(8,380)	(490)	—	(8,870)
Property interest expense	—	(2,122)	—	(2,122)
Equity losses in consolidated subsidiaries	(2,480)	—	2,480	—
Income (loss) from continuing operations before income taxes	(11,787)	33,243	2,480	23,936
Income tax (expense) benefit	4,369	(15,088)	—	(10,719)
Income (loss) from continuing operations	(7,418)	18,155	2,480	13,217
Discontinued operations, net of applicable taxes:				
Income on disposal	4,918	—	—	4,918
Income (loss) before cumulative effect of a change in accounting principle	(2,500)	18,155	2,480	18,135
Cumulative effect of a change in accounting principle, net of applicable taxes	—	(20,635)	—	(20,635)
Net loss	$ (2,500)	$ (2,480)	$ 2,480	$ (2,500)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2002

	Domestic Commercial Service Operations	Other Operations	Consolidated Total
	(In thousands)		
Cash (used in) provided by operating activities	$ (48,536)	$ 61,371	$ 12,835
Investing activities			
Additions to property and equipment, net	(6,315)	(4,088)	(10,403)
Proceeds from real estate investments	—	44,648	44,648
Proceeds from sale of discontinued operation	23,250	—	23,250
Payments made for acquisition of businesses	(3,650)	(7,268)	(10,918)
Investment in real estate	—	(46,684)	(46,684)
Decrease (increase) in restricted cash	5,496	(1,532)	3,964
Cash provided by investing activities	18,781	(14,924)	3,857

Financing activities			
Decrease (increase) in intercompany receivables, net	27,513	(27,513)	—
Proceeds from issuance of common stock	903	—	903
Proceeds from issuance of preferred stock	12,270	—	12,270
Proceeds from exercise of stock options	674	—	674
Preferred stock dividends	(1,829)	—	(1,829)
Payments on notes payable	(59,785)	—	(59,785)
Proceeds from notes payable	15,000	—	15,000
Payments on real estate mortgage notes	—	(28,361)	(28,361)
Proceeds from real estate mortgage notes	—	20,000	20,000
Debt issuance costs	(1,415)	—	(1,415)
Cash used in financing activities	(6,669)	(35,874)	(42,543)
Net cash provided by discontinued operations	1,715	—	1,715
Effect of exchange rate changes in cash	—	3,789	3,789
Net decrease in cash and cash equivalents	(34,709)	14,362	(20,347)
Cash and cash equivalents at beginning of year	106,954	24,906	131,860
Cash and cash equivalents at end of year	$ 72,245	$ 39,268	$ 111,513
Supplemental Information:			
Cash paid for interest	$ 7,238	$ 1,718	$ 8,956
Cash paid for income taxes	2,784	6,743	9,527