TRAMMELL CROW CO
Form 10-Q
November 14, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THESECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2001,

or

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

For the transition period from ____________ to _____________

Commission file number 1-13531

Trammell Crow Company

(Exact name of registrant as specified in its charter)

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

(214) 863-3000

(Registrant's telephone number, including area code)

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

At November 7, 2001 there were 35,647,111 shares of Common Stock outstanding.

TRAMMELL CROW COMPANY AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

TRAMMELL CROW COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

		September 30, 2001 (Unaudited)		December 31, 2000
ASSETS				
Current assets				
Cash and cash equivalents	$	28,217	$	55,637
Accounts receivable, net of allowance for doubtful accounts of $4,864 in 2001 and $4,778 in 2000		155,115		151,069
Receivables from affiliates		2,777		4,306
Notes and other receivables		20,348		22,072
Deferred income taxes		2,275		2,219
Real estate held for sale		225,297		220,021
Other current assets		25,844		28,345
Total current assets		459,873		483,669
Furniture and equipment, net		35,077		35,200
Deferred income taxes		13,836		13,088
Investments in unconsolidated subsidiaries		65,952		55,603
Goodwill, net		98,722		100,440
Other assets		34,034		38,434
	$	707,494	$	726,434
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	50,638	$	44,114
Accrued expenses		91,267		101,157
Payables to affiliates		1,604		1,891
Income taxes payable		667		3,592
Current portion of long term debt		12,494		1,377
Current portion of capital lease obligations		3,973		5,219
Notes payable on real estate held for sale		139,956		148,098

Other current liabilities	7,246	6,808
Total current liabilities	307,845	312,256
Long term debt, less current portion	56,000	75,105
Capital lease obligations, less current portion	3,980	6,541
Other liabilities	4,108	572
Total liabilities	371,933	394,474
Minority interest	35,913	41,001
Stockholders' equity		
Preferred stock; $0.01 par value; 30,000,000 shares authorized; none issued or outstanding		
Common stock; $0.01 par value; 100,000,000 shares authorized; 35,879,515 shares issued and 35,642,111 shares outstanding in 2001, and 35,850,308 shares issued and 35,349,572 shares outstanding in 2000	359	358
Paid in capital	176,405	176,374
Retained earnings	128,525	123,207
Accumulated other comprehensive loss	(1,529)	(366)
Less: Treasury stock	(2,368)	(5,841)
Unearned stock compensation, net	(1,744)	(2,773)
Total stockholders' equity	299,648	290,959
	$ 707,494	$ 726,434

See accompanying notes.

TRAMMELL CROW COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2001	2000	2001	2000
	(in thousands, except share and per share data)			
REVENUES				
Global Services:				
Corporate:				
Facilities management	$ 47,304	$ 35,882	$ 132,172	$ 96,562
Corporate advisory services	26,352	35,850	79,137	100,367
Project management services	12,274	12,393	37,852	31,923
	85,930	84,125	249,161	228,852
Institutional:				
Property management	39,860	36,924	128,926	116,415
Brokerage	24,774	33,981	86,489	101,694
Construction management	2,741	6,189	10,707	15,748
	67,375	77,094	226,122	233,857
Income from investments in unconsolidated subsidiaries	249	523	1,059	523
Other	161	100	548	564
	153,715	161,842	476,890	463,796
Development and Investment:				
Development and construction fees	17,095	23,284	51,825	58,936
Income from investments in unconsolidated subsidiaries	831	612	5,550	3,175
Gain on disposition of real estate	11,087	16,769	15,654	25,241
Other	312	250	1,091	943
	29,325	40,915	74,120	88,295
	183,040	202,757	551,010	552,091
COSTS AND EXPENSES				
Salaries, wages and benefits	112,529	110,305	346,752	311,470
Commissions	19,228	27,976	65,679	80,243
General and administrative	24,221	26,044	81,050	79,846
Depreciation and amortization	6,820	6,077	20,711	17,094

Interest	3,750	4,020	11,971	11,764
Minority interest	3,104	740	2,905	3,920
Change in fair value of interest rate swap agreement	3,536		3,938	
Restructuring charges	3,480		4,427	
	176,668	175,162	537,433	504,337
Income before income taxes	6,372	27,595	13,577	47,754
Income tax expense	2,588	10,960	5,508	19,026
Net income	$ 3,784	$ 16,635	$ 8,069	$ 28,728
Earnings per share:				
Basic	$ 0.11	$ 0.48	$ 0.23	$ 0.83
Diluted	$ 0.10	$ 0.46	$ 0.22	$ 0.80
Weighted average common shares outstanding:				
Basic	35,481,625	34,956,918	35,352,878	34,798,545
Diluted	36,379,697	36,284,313	36,440,667	36,069,390

See accompanying notes.

TRAMMELL CROW COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Nine Months ended September 30, 2001 (Unaudited) and Year ended December 31, 2000

(in thousands, except share data)

	Common Shares		Common Stock Par	Paid In	Retained	Accumulated Other Comprehensive	Treasury	Stockholder	Unearned Stock	
	Issued	Treasury	Value	Capital	Earnings	Loss	Stock	Loans	Compensation	Total
Balance at January 1, 2000	35,581,620	801,725	$ 356	$ 174,645	$ 88,160	$	$ (9,363)	$ (98)	$ (2,048)	$ 251,652
Net income					35,454					35,454
Issuance of restricted stock		(219,053)		11	(49)		2,555		(2,517)	
Forfeiture of restricted stock		10,261		(110)			(123)		84	(149)
Amortization of unearned stock compensation									1,708	1,708
Issuance of common stock	268,688	(141,997)	2	1,828	(358)		1,656			3,128
Stock repurchase		49,800					(566)			(566)
Foreign currency translation adjustment, net of tax						(366)				(366)
Collection of stockholder loans								98		98
Balance at December 31, 2000	35,850,308	500,736	358	176,374	123,207	(366)	(5,841)		(2,773)	290,959
Net income					8,069					8,069
Issuance of restricted stock		(7,562)			(2)		88		(86)	
Forfeiture of restricted stock		22,123		(80)			(218)		153	(145)
Amortization of unearned stock compensation									962	962
Issuance of common stock	29,207	(671,093)	1	111	(2,749)		7,593			4,956
Stock repurchase		393,200					(3,990)			(3,990)
Foreign currency translation adjustment, net of						(1,163)				(1,163)

tax										
Balance at September 30, 2001	35,879,515	237,404	$ 359	$ 176,405	$ 128,525	$ (1,529)	$ (2,368)	$	$ (1,744)	$ 299,648

See accompanying notes.

TRAMMELL CROW COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended September 30	
	2001	2000
	(in thousands)	
Operating activities		
Cash flows from earnings:		
Net income	$ 8,069	$ 28,728
Reconciliation of net income to net cash provided by earnings:		
Depreciation and amortization	20,711	17,094
Amortization of employment contracts and unearned compensation	2,267	3,339
Bad debt expense	3,087	1,541
Minority interest	2,905	3,920
Deferred income tax provision	(119)	(72)
Change in fair value of interest rate swap agreement	3,938	
Income from investments in unconsolidated subsidiaries	(6,609)	(3,698)
Net cash provided by earnings	34,249	50,852
Cash flows from changes in working capital, net of acquisitions:		
Accounts receivable	(7,133)	(12,185)
Receivables from affiliates	1,529	(1,219)
Notes receivable and other assets	1,257	(31,552)
Real estate held for sale	(6,729)	(66,491)
Notes payable on real estate held for sale	(8,142)	55,106
Accounts payable and accrued expenses	(2,669)	11,010
Payables to affiliates	(287)	(460)
Income taxes payable	(2,925)	(2,720)
Other liabilities	36	6,074
Net cash flows from changes in working capital	(25,063)	(42,437)
Net cash provided by operating activities	9,186	8,415
Investing activities		
Expenditures for furniture and equipment	(9,470)	(11,470)
Acquisitions of real estate service companies	(1,403)	(7,981)
Investments in unconsolidated subsidiaries	(14,153)	(36,836)

Distributions from unconsolidated subsidiaries	9,429	10,106
Net cash used in investing activities	(15,597)	(46,181)
Financing activities		
Principal payments on long-term debt and capital lease obligations	(287,087)	(121,016)
Proceeds from long-term debt	273,105	133,218
Contributions from minority interest	1,400	6,943
Distributions to minority interest	(9,393)	(9,005)
Purchase of common stock	(3,990)	(566)
Proceeds from exercise of stock options	1,149	287
Proceeds from issuance of common stock	3,807	2,658
Collections of stockholder loans		98
Net cash provided by (used in) financing activities	(21,009)	12,617
Net decrease in cash and cash equivalents	(27,420)	(25,149)
Cash and cash equivalents, beginning of period	55,637	47,528
Cash and cash equivalents, end of period	$ 28,217	$ 22,379

See accompanying notes.

TRAMMELL CROW COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2001	2000	2001	2000
	(in thousands, except share and per share data)			
Net income	$ 3,784	$ 16,635	$ 8,069	$ 28,728
Other comprehensive loss:				
Foreign currency translation adjustments, net of tax benefit (expense) of $(160) and $683 in the three and nine months ended September 30, 2001, respectively	261	(585)	(1,163)	(585)
Comprehensive income	$ 4,045	$ 16,050	$ 6,906	$ 28,143

See accompanying notes.

TRAMMELL CROW COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2001

(in thousands, except share and per share data)

(Unaudited)

1. General

The consolidated interim financial statements of Trammell Crow Company (the Company) included herein have been prepared in accordance with the requirements for interim financial statements and do not include all disclosures required under accounting principles generally accepted in the United States (GAAP) for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2000. In the opinion of management, all adjustments and eliminations, consisting only of recurring adjustments, necessary for a fair presentation of the financial statements for the interim periods have been made. Interim results of operations are not necessarily indicative of the results to be expected for the full year.

The Company has experienced and expects to continue to experience quarterly variations in revenues and net income as a result of several factors. The Company's quarterly revenues tend to increase throughout the year, particularly in the last quarter of the year, because its clients have demonstrated a tendency to close transactions toward the end of the year. The timing and introduction of new contracts, the disposition of investments in real estate assets, the recognition of incentive fees towards the latter part of the fiscal year as contractual targets are met, and other factors may also cause quarterly fluctuations in the Company's results of operations.

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Company accounts for income taxes using the liability method. Deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for federal income tax purposes, and are measured using the enacted tax rates and laws that will be in effect when the differences reverse.

Earnings Per Share

The weighted average common shares outstanding used to calculate diluted earnings per share for the three and nine months ended September 30, 2001 include 898,072 and 1,087,789 shares, respectively, to reflect the dilutive effect of options to purchase shares of common stock. The weighted average common shares outstanding used to calculate diluted earnings per share for the three and nine months ended September 30, 2000 include 1,327,395 and 1,270,845 shares, respectively, to reflect the dilutive effect of options to purchase shares of common stock.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Based on goodwill recorded at September 30, 2001, application of the nonamortization provisions of the statement is expected to result in an increase in net income of $2,770 ($0.08 per share) per year. The Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and, therefore, has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

Reclassifications

The Company reorganized certain elements of its business effective January 1, 2001. Consequently, the Institutional and Corporate segments reported in 2000 have been reorganized into the Global Services segment and the Development and Investment segment in 2001. Within the Global Services segment, the Company delivers property and facilities management, brokerage and corporate advisory, and project and construction management services for both corporate customers (typically the primary occupants of commercial properties) and institutional customers (investors and landlords who typically do not occupy the properties). All of the Company s real estate development, capital markets and investment activities are conducted through the Development and Investment segment. Revenues for the three and nine months ended September 30, 2001 have been presented under this segment format. Revenues for the three and nine months ended September 30, 2000 have been reclassified to conform to the presentation for 2001. As a result, the classification of 2000 revenue items differs from the amounts reported in previously filed documents. These reclassifications did not impact net income (see Note 9).

2. Real Estate Held for Sale

During the nine months ended September 30, 2001, the Company sold 26 real estate projects for an aggregate net sales price of $95,108 resulting in an aggregate gain on disposition of $14,957. In four other transactions, the Company recognized an aggregate of $697 of net deferred gain resulting from dispositions in prior periods. During the nine months ended September 30, 2000, the Company sold 23 real estate projects for an aggregate sales price of $97,836, resulting in an aggregate gain on disposition of $25,241.

In addition, during the nine months ended September 30, 2001, the Company sold 75% of its interest in a partnership that owned real estate at a sales price equal to $2,238 (75% of the partnership s net book value) and provided partial financing of the purchase in the amount of $186. During the nine months ended September 30, 2000, the Company received $15,160 from a real estate partnership in which it has a 10% interest, representing reimbursement of costs expended in excess of the Company's required capital contribution of $354. In two other transactions during the nine months ended September 30, 2000, the Company sold its interest, at net book value, in partnerships which owned real estate with an aggregate cost of $16,827 and had debt and outstanding payables totaling the same amount. Also during the nine months ended September 30, 2000, the Company entered into two agreements with land sellers whereby the Company acquired property subject to a nonrecourse purchase money mortgage with the contractual right to deed back to the seller any property not sold by a certain date. During the nine months ended September 30, 2000, in accordance with its rights under this agreement, the Company deeded land with a fair market value of $6,108 back to the lender. No gains or losses were recognized on these transactions.

3. Investments in Unconsolidated Subsidiaries

Investments in unconsolidated subsidiaries consist of the following:

	September 30, 2001	December 31, 2000
Real estate development	$ 37,017	$ 29,443
Other	28,935	26,160
	$ 65,952	$ 55,603

On June 30, 2000, the Company purchased approximately 10.0% of the outstanding stock of Savills plc (Savills), a property services firm headquartered in the United Kingdom and a leading provider of real estate services in Europe, Asia-Pacific and Australia, for approximately $21,000. The investment is classified as an other investment in the table above.

Summarized operating results for unconsolidated subsidiaries accounted for on the equity method are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2001	2000	2001	2000
Real Estate Development:				
Total revenues	$ 20,637	$ 12,614	$ 50,102	$ 33,487
Total expenses	(9,728)	(14,434)	(30,159)	(23,476)
Net income (loss)	$ 10,909	$ (1,820)	$ 19,943	$ 10,011
Other:				
Total revenues	$ 85,796	$ 67,507	$ 253,292	$ 85,432
Total expenses	(82,084)	(62,128)	(239,650)	(78,570)
Net income	$ 3,712	$ 5,379	$ 13,642	$ 6,862
Total:				
Total revenues	$ 106,433	$ 80,121	$ 303,394	$ 118,919
Total expenses	(91,812)	(76,562)	(269,809)	(102,046)
Net income	$ 14,621	$ 3,559	$ 33,585	$ 16,873

4. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2001	December 31, 2000
Payroll and bonuses	$ 35,292	$ 38,422
Commissions	23,101	41,475
Deferred income	13,319	6,381
Development costs	5,369	2,724
Insurance	2,752	936
Restructuring charges	2,404	
Other	9,030	11,219
	$ 91,267	$ 101,157

5. Long-Term Debt

Long-term debt consists of the following:

	September 30, 2001	December 31, 2000
Borrowings under a $150,000 line of credit with a bank	$ 56,000	$ 75,105
Other	12,494	1,377
Total long term debt	68,494	76,482
Less current portion of long term debt	12,494	1,377
	$ 56,000	$ 75,105

At September 30, 2001, the Company had an unused borrowing capacity (taking into account letters of credit and borrowings outstanding) under its $150,000 line of credit of approximately $66,432.

6. Stockholders' Equity

A summary of the Company's stock option activity for the nine months ended September 30, 2001 is as follows:

	Exercise Price of $3.85 (below market price at grant date)	Exercise Price of $10.20 to $14.50 (at market price at grant date)	Exercise Price of $14.51 to $22.75 (at market price at grant date)	Exercise Price of $22.76 to $36.00 (at market price at grant date)	Total
Options outstanding:					
December 31, 2000	1,613,123	1,567,343	3,626,449	231,416	7,038,331
Granted		1,556,793			1,556,793
Exercised	(298,463)				(298,463)
Forfeited		(101,500)	(384,686)	(3,042)	(489,228)
September 30, 2001	1,314,660	3,022,636	3,241,763	228,374	7,807,433
Options exercisable at September 30, 2001	1,314,660	437,212	2,449,119	198,783	4,399,774

In May 2001, the Company announced that its Board of Directors had approved a stock repurchase program. The repurchase program authorized the repurchase of up to $15,000 of the Company s common stock from time to time in open market purchases or through privately negotiated transactions. Through September 30, 2001, the Company had repurchased 393,200 shares at an average cost of $10.15 per share with funds generated from operations and existing cash. The Company placed the repurchased shares in treasury. The Company intends to reissue such shares in connection with the Company s employee stock purchase plan and option exercises or restricted stock grants under the Company s Long-Term Incentive Plan and other equity-based incentive plans, as well as for other corporate purposes.

7. Financial Instruments

The Company s $150,000 line of credit agreement requires the Company to maintain an interest rate swap to manage market risks related to changes in interest rates. Through March 24, 2000, the Company had an interest rate swap outstanding with a notional amount of $125,000. This swap agreement established a fixed interest pay rate of 5.52% on a portion of the Company's variable rate debt. On March 24, 2000, the interest rate swap agreement was renewed for a twelve month period ending March 24, 2001, with a notional amount of $150,000 through June 26, 2000, a notional amount of $125,000 through September 25, 2000 and a notional amount of $100,000 through March 24, 2001. This swap agreement established a fixed interest pay rate of 6.65% on a portion of the Company's variable rate debt. On March 24, 2001, the interest rate swap agreement was renewed for a twenty-four month period ending March 24, 2003, with a notional amount of $150,000. This swap agreement established a fixed interest pay rate of 4.68% on a portion of the Company s variable rate debt. Under these swap agreements, if the actual LIBOR based rate is less than the specified fixed interest rate, the Company is obligated to pay the differential interest amount, such amount being recorded as incremental interest expense. Conversely, if the LIBOR based rate is greater than the specified fixed interest rate, the differential interest amount is paid to the Company and recorded as a reduction of interest expense. The weighted average receive rates under these swap agreements for the three and nine months ended September 30, 2001 were 3.65% and 4.66%, respectively, and 6.63% and 6.33% for the three and nine months ended September 30, 2000, respectively. In connection with these agreements, the Company recorded incremental interest expense of $395 and $630 for the three and nine months ended September 30, 2001, respectively, and incremental interest expense of $4 for the three months ended September 30, 2000 and a reduction to interest expense of $10 for the nine months ended September 30, 2000.

The Company's participation in derivative transactions has been limited to hedging purposes. Derivative instruments are not held or issued for trading purposes. The adoption of Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), on January 1, 2001 resulted in $3,536 and $3,938 being recognized as expense related to the interest rate swap agreement for the three and nine months ended September 30, 2001, respectively, due to a change in fair value of the interest rate swap agreement.

Effective November 1, 2001, the Company has elected hedge accounting treatment as defined by SFAS 133 for its interest rate swap agreement. Provided that a minimum level of effectiveness is maintained, the effective portion of future changes in fair value of the interest rate swap agreement will be reported as a separate component of other comprehensive income. Any remaining changes in fair value of the interest rate swap agreement will be recognized in current period earnings. The liability recorded prior to the hedge designation will be recognized in earnings based on future estimated payments over the remaining life of the interest rate swap agreement.

8. Commitments and Contingencies

At September 30, 2001, the Company had guaranteed $20,391 of real estate notes payable of unconsolidated subsidiaries. These notes are collateralized by the underlying real estate and have maturity dates through May 2005. The Company had outstanding letters of credit totaling $15,910 at September 30, 2001, which expire at varying dates through October 2003.

In addition, at September 30, 2001, the Company had several completion and budget guarantees relating to development projects. Management does not expect to incur any material losses under these guarantees.

The Company and its subsidiaries are defendants in lawsuits that arose in the normal course of business. In management's judgment, the ultimate liability, if any, from such legal proceedings will not have a material effect on the Company's results of operations or financial position.

9. Segment Information

Description of Services By Segment

During the first quarter of 2001, the Company announced an internal reorganization of its business, effective January 1, 2001, designed to consolidate all of the property and facilities management, brokerage and corporate advisory, and construction and project management services delivered to both corporate and institutional customers under a single leadership structure referred to as the Global Services Group. The reorganization also created a national organization, the Development and Investment Group, focused solely on the Company s development and investment activities, both those performed on behalf of institutional and corporate customers on a fee basis and those pursuant to which the Company takes an ownership position. While the services provided by the Company remained the same, the reorganization changed the way the Company s business is managed and financial resources are allocated. Therefore, the Company s reportable segments, Global Services and Development and Investment, have changed correspondingly for 2001.

The Company also separately reports its activities in e-commerce initiatives, including related overhead, in a third segment. The E-Commerce segment does not include investments in ongoing technology advancements internal to the Company s other two business segments.

Measurement of Segment Profit or Loss and Segment Assets

The Company evaluates performance and allocates resources among its three reportable segments based on income before income taxes and EBITDA (as defined in footnote 3 to the table below). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Factors Management Used to Identify the Company's Reportable Segments

The Company s reportable segments are defined by the nature of the service provided and activities conducted. Because development services require specialized knowledge, the new organizational structure allows the group of individuals with specialized knowledge and experience in development activities to perform these services with greater focus through the Company s Development and Investment segment. The structure of the Global Services segment allows the Company to better utilize resources for the provision of similar services in specific geographic areas. The E-Commerce segment captures distinct e-commerce business and investments and is separately managed.

Virtually all of the Company s revenues are from customers located in the United States. No individual customer accounts for more than 10% of the Company s revenues.

Summarized financial information for the Company's three reportable segments follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	**2000(1)**	**2001**	**2000(1)**
Global Services:				
Total revenues	$ 153,715	$ 161,842	$ 476,890	$ 463,796
Costs and expenses (2)	152,957	150,196	466,506	431,118
Income before income tax expense	758	11,646	10,384	32,678
Depreciation and amortization	5,978	5,265	18,059	14,641
Interest expense	1,527	1,415	4,490	3,970
EBITDA (3)	$ 8,263	$ 18,326	$ 32,933	$ 51,289
Development and Investment:				
Total revenues	$ 29,325	$ 40,915	$ 74,120	$ 88,295
Costs and expenses (2)	23,223	24,082	69,183	71,788
Income before income tax expense	6,102	16,833	4,937	16,507
Depreciation and amortization	842	812	2,652	2,453
Interest expense	2,223	2,605	7,481	7,794
EBITDA (3)	$ 9,167	$ 20,250	$ 15,070	$ 26,754
E-Commerce:				
Total revenues	$	$	$	$
Costs and expenses (2)	488	884	1,744	1,431
Income (loss) before income tax expense (benefit)	(488)	(884)	(1,744)	(1,431)
Depreciation and amortization				

Interest expense						
EBITDA (3)	$	(488)	$	(884)	$	(1,744)	(1,431)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000(1)
Total:				
Total revenues	$ 183,040	$ 202,757	$ 551,010	$ 552,091
Costs and expenses (2)				