CELGENE CORP /DE/
Form 8-K
October 25, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): October 25, 2007

CELGENE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**0-16132**	**22-2711928**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

86 Morris Avenue, Summit, New Jersey	**07901**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: **(908) 673-9000**

(Former name or former address if changed since last report.)
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On October 25, 2007, Celgene Corporation announced its earnings for the quarter ended September 30, 2007. Attached hereto and incorporated herein by reference as Exhibit 99.1 is the Press Release announcing such results.

The information in this Report, including the exhibits attached hereto, is furnished solely pursuant to Item 2.02 of this Form 8-K and shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section. Furthermore, the information in this Report, including the exhibits, shall not be deemed to be incorporated by reference into the filings of the Registrant under the Securities Act of 1933.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibit 99.1 Press Release dated October 25, 2007.

These exhibits are furnished pursuant to Item 2.02 and shall not be deemed to be filed.

SIGNATURES

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

CELGENE CORPORATION

Date: October 25, 2007

By: /s/ David W. Gryska
Name: David W. Gryska
Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated October 25, 2007 announcing results for the quarter ended September 30, 2007.

3

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS The following discussion should be read in conjunction with the Company's unaudited Consolidated Financial Statements and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q. OVERVIEW Trammell Crow Company is one of the largest diversified commercial real estate service firms in North America. Effective January 1, 2001, the Company reorganized its business to consolidate all of the property and facilities management, brokerage and corporate advisory, and project and construction management services delivered to both corporate and institutional customers under a single leadership infrastructure referred to as the Global Services Group. The reorganization also created a national organization, referred to as the Development and Investment Group, through which all of the Company's real estate, capital markets and investment activities are conducted. The Company continues to capture all activities related to e-commerce, including related overhead, in a third segment. Because the reorganization changed the way the Company's business is managed and financial resources are allocated, the Company's reportable segments changed correspondingly in 2001 although the services provided by the Company remained the same. Within the Global Services segment, with approximately 7,000 employees, the Company provides institutional customers (investors and landlords who typically do not occupy the properties) with services relating to all aspects of building operations, tenant relations and oversight of building improvement processes. In addition, corporate customers (typically the primary occupants of commercial properties) are provided with comprehensive day-to-day occupancy-related services, including administration, maintenance and repair of facilities, office services (such as security, reprographics, mail, cafeteria, shipping and receiving, and reception services) and call center services (including work-order, dispatch, vendor management, and emergency response) which are provided 24 hours a day through the Company's centralized call center. As a result of the reorganization, the brokerage business is comprised of project leasing (leasing space for institutional customers) and investment sales (representing institutional customers in buying or selling land or income-producing properties). The corporate advisory services business includes tenant representation for corporate clients and other transaction services such as acquisitions, dispositions, lease administration and lease audits on a customer's entire portfolio. The Company's project and construction management services include space planning, construction, site consolidations, workspace moves, and management of furniture, signage, and cabling requirements. The Global Services group is organized into 14 different geographic and customer-centric "mega markets," many of which are multi-city. The Company's focus on establishing itself as a dominant brand facilitates the accumulation of strong resources within the "mega-markets." Through the Development and Investment segment, encompassing approximately 250 to 300 employees, the Company provides development services for institutional customers--both those pursuant to which the Company takes an ownership position and those pursuant to which the Company provides development services for others on a fee basis--as well as development services for corporate customers. The Company provides comprehensive project development and construction services and acquires and disposes of commercial real estate projects. The development services provided include financial planning, site acquisition, procurement of approvals and permits, design and engineering coordination, construction bidding and management, tenant finish coordination, project closeout, general contracting and project

finance coordination. The Company will continue to focus its efforts in this area on risk-mitigated opportunities for institutional customers and fee development and build-to-suit projects for corporate customers, including those in higher education and healthcare. With an organization comprised of professionals dedicated fully to development and investment activities, the 17 Company expects to be better positioned to pursue and execute new development business, particularly programmatic business with the Company's large customers, and exploit niche market opportunities. The Company's activities related to e-commerce, including related overhead, are captured in the E-Commerce segment. The E-Commerce segment also includes the Company's investments in e-commerce related companies. In 2000, the Company entered into an alliance with other leading real estate service companies to develop e-commerce initiatives that leverage the collective experience and delivery capabilities of the alliance members to benefit their customers and the real estate industry generally. Investments in a web-based procurement platform and a web-based transaction platform, including an Internet listing site for properties available for sale or lease, are intended to make real estate professionals more effective by helping them save time in completing their job responsibilities. RESULTS OF OPERATIONS--THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000 REVENUES. The Company's total revenues increased $11.3 million, or 6.9%, to $174.5 million in the first quarter of 2001 from $163.2 million in the first quarter of 2000. GLOBAL SERVICES REVENUE CORPORATE REVENUES Facilities management revenue, which represented 24.0% of the Company's total revenue in the first quarter of 2001, increased $12.4 million, or 42.2%, to $41.8 million in the first quarter of 2001 from $29.4 million in the first quarter of 2000. The revenue growth primarily resulted from (i) the operations of Trammell Crow Savills, a joint venture with Savills plc, headquartered in London, formed in June 2000 to provide real estate outsourcing services in Europe and Asia, (ii) the addition of several new customers, and (iii) the expansion of services provided to existing customers. Corporate advisory services revenue, which represented 14.8% of the Company's total revenue in the first quarter of 2001, decreased $0.2 million, or 0.8%, to $25.9 million in the first quarter of 2001 from $26.1 million in the first quarter of 2000. The slight decrease is a result of a decrease in the number of brokers employed during the first quarter of 2001, as compared to the first quarter of 2000, and a reduction in transaction volume as a result of increasing reluctance on the part of customers and others to make new real estate commitments due to their uncertainty regarding the economy. Revenues from project management services totaled $12.6 million, and represented 7.2% of the Company's total revenue in the first quarter of 2001. These revenues increased $2.9 million, or 29.9%, from $9.7 million in the first quarter of 2000. The revenue growth was primarily due to the (i) the operations of Trammell Crow Savills, (ii) the addition of several new customers, and (iii) the expansion of services provided to existing customers. INSTITUTIONAL REVENUES Property management revenue, which represented 24.6% of the Company's total revenue in the first quarter of 2001, increased $3.1 million, or 7.8%, to $43.0 million in the first quarter of 2001 from $39.9 million in the first quarter of 2000. This increase was primarily due to an overall increase of 6% in the total number of square feet under management and in the percentage of managed space represented by office product, which generates higher property management revenues per square foot than other product types. Brokerage services revenue, which represented 15.4% of the Company's total revenue in the first quarter of 2001, decreased $2.2 million, or 7.7%, to $26.9 million in the first quarter of 2001 from $29.1 million in the first quarter of 2000. The decrease is a result of a decrease in the number of brokers employed during the first quarter of 2001, as compared to the first quarter of 2000, and a 18 reduction in transaction volume as a result of increasing reluctance on the part of customers and others to make new real estate commitments due to their uncertainty regarding the economy. Construction management revenue which totaled $4.4 million and represented 2.5% of the Company's total revenue in the first quarter of 2001 remained consistent with the first quarter of 2000. DEVELOPMENT AND INVESTMENT REVENUE Revenues from development and construction fees totaled $16.4 million and represented 9.4% of the Company's total revenue in the first quarter of 2001. These revenues decreased $0.8 million, or 4.7%, from $17.2 million in the first quarter of 2000. The decrease is due to a decrease of $3.3 million in development fees and incentive development fees as a result of a reduction in transaction volume due to an increasing reluctance on the part of customers and others to make new real estate commitments due to their uncertainty regarding the economy. This was offset by an increase of $2.5 million of rental revenue from real estate properties held for sale as the Company made more opportunistic acquisitions of operational projects in late 2000 and the first quarter of 2001 than in previous years. Income from investments in unconsolidated subsidiaries, which represented 0.2% of the Company's total revenue in the first quarter of 2001, decreased $1.0 million, or 71.4%, to $0.4 million in the first quarter of 2001 from $1.4 million in the first quarter of 2000. The decrease is primarily a result of two larger transactions in 2000 with aggregate revenue of $1.0 million. There were no comparable transactions in the same period of 2001. Gain on disposition of real estate totaled $2.3 million and represented 1.3% of the Company's total revenue in the first quarter of 2001. These revenues decreased $3.3 million, or 58.9% from $5.6 million in the first quarter of 2000. During the first quarter of 2001, the Company sold eight real estate projects for an aggregate net sales price of $19.4 million, resulting in an aggregate gain on disposition of $1.5 million and recognized deferred gain of $0.7 million relating to dispositions in previous periods. During the first quarter of 2000, the Company sold six real estate projects for an aggregate net sales price of $32.8 million, resulting in an aggregate gain on disposition of $5.6 million. The Company's corporate development activity continues to grow in the form of corporate build-to-suits and fee development services. Some of the Company's development resources focus on providing development services to institutional clients that invest in speculative commercial real estate projects. Since the latter part of 1999, the Company has become more cautious in developing speculative real estate. The caution reflects the Company's observation that demand for new product in many of the markets in which the Company operates is leveling off with the overall slowing in the economy. COSTS AND EXPENSES. The Company's costs and expenses increased $17.4 million, or 11.1%, to $174.5 million in the first quarter of 2001 from $157.1 million in the first quarter of 2000. The increase in costs and expenses was largely due to a $16.5 million, or 16.4%, increase in salaries, wages, and benefits to $117.4 million in the first quarter of 2001 from $100.9 million in the first quarter of 2000. The increase is primarily due to increases in staffing to support internal growth in the Company's business, including new assignments for the Company's outsourcing business, rising pressure on labor costs, and the operations of Trammell Crow Savills. This was offset by a change in the Company's bonus plan in the first quarter of 2001. Under the new bonus plan, a substantial majority of employee bonuses will be paid from a pool, the size of which will be determined by the Company's pre-bonus income before income taxes. Consistent with the new plan, the portion of the subject bonuses accrued each quarter is based on the percentage of targeted pre-bonus income before income taxes achieved in that quarter. In 2000 and prior years, there was no such company-wide bonus plan; as a result, estimated employee annual incentive bonuses were generally accrued evenly 19 throughout the year. The new bonus plan benefited 2001 first quarter income before income taxes by approximately $8.2 million. Commissions decreased $1.1 million, or 5.2%, to $20.2 million, in the first quarter of 2001 from $21.3 million in the first quarter of 2000. The decrease in commissions expense corresponds to the decrease in the Company's corporate advisory services and brokerage revenue, which was driven by a decrease in the number of brokers employed during the first quarter of 2001, as compared to the first quarter of 2000, and a reduction in transaction volume as a result of increasing reluctance on the part of customers' to make new real estate commitments. General and administrative expenses increased $0.3 million, or 1.2%, to $25.8 million in the first quarter of 2001 from $25.5 million in the first quarter of 2000. The increase is primarily due to a company-wide increase in administrative costs resulting from the overall increase in number of employees (approximately 6,400 at March 31, 2000 and approximately 7,400 at March 31, 2001). However, general and administrative expenses as a percentage of revenues have decreased slightly from 15.6% in the first quarter of 2000 to 14.8% in the first quarter of 2001. Other expenses (consisting of depreciation, amortization and interest) increased $3.0 million, or 36.6%, to $11.2 million in the first quarter of 2001 from $8.2 million in the first quarter of 2000. Depreciation and amortization increased $2.2 million and interest expense increased $0.8 million. The increase in depreciation and amortization is primarily related to depreciation expense on information systems-related assets accounted for as capital leases and amortization of transition costs incurred in connection with certain outsourcing contracts. The increase in interest expense is attributable to an increase in the number of real estate properties held for sale that have become operational (under GAAP, once a property is operational, interest is expensed rather than capitalized as it is during the construction period) and increased interest expense related to the Company's revolving line of credit resulting from higher interest rates and higher average outstanding balances. Minority interest decreased $1.5 million, or 125.0%, to ($0.3) million in the first quarter of 2001 from $1.2 million in the first quarter of 2000. The decrease is primarily a result of two larger transactions with an aggregate expense of $0.9 million in the first quarter of 2000 compared to two larger transactions with an aggregate income of $0.6 million in the first quarter of 2001. INCOME BEFORE INCOME TAXES. The Company's income before income taxes decreased $6.1 million to $0.03 million in the first quarter of 2001 from $6.2 million in the first quarter of 2000 due to the fluctuations in revenues and expenses above. The Company believes that the current quarter results are not indicative of full year results due to changes in revenue composition from quarter to quarter. NET INCOME. Net income decreased $3.68 million, to $0.02 million in the first quarter of 2001 from $3.70 million in the first quarter of 2000, due to the fluctuations in revenues and expenses described above. QUARTERLY RESULTS OF OPERATIONS AND SEASONALITY The results of operations for any quarter are not necessarily indicative of results for any future period. The Company's revenues and net income during the fourth fiscal quarter historically have been greater than in each of the first three fiscal quarters, primarily because its clients have demonstrated a tendency to close transactions toward the end of the fiscal year. The timing and introduction of new contracts, the disposition of investments in real estate assets, 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. 20 LIQUIDITY AND CAPITAL RESOURCES The Company's liquidity and capital resources requirements include the funding of working capital needs, primarily accounts receivable from its clients; the funding of capital investments, including the acquisition of or investments in other real estate service companies; capital payments to obtain service contracts; the repurchase of its shares; expenditures for real estate held for sale and payments on notes payable associated with its development and investment activities; and expenditures related to upgrading the Company's management information systems. The Company finances its operations with internally generated funds and borrowings under the Credit Facility (described below) and has an unused borrowing capacity under its line of credit of $53.1 million at March 31, 2001. The portion of the Company's development and investment business that includes the acquisition and development of real estate is financed with loans secured by underlying real estate, external equity, internal sources of funds, or a combination thereof. Net cash used in operating activities totaled $30.4 million for the three months ended March 31, 2001, compared to $35.0 million for the same period in 2000. This change is primarily due to less cash used in the first quarter of 2001 to reduce payables related to development and construction activity and project management than in the comparable period of 2000, as well as less cash expended in 2001 for escrow deposits and other pursuit costs for real estate development than in the comparable period of 2000. This decrease was somewhat offset by $6.3 million cash used, net of related borrowings, to acquire real estate held for sale in the first quarter of 2001 compared to $6.3 provided by the disposition of real estate held for sale, net of repayment of borrowings, for the same period in 2000. Net cash used in investing activities totaled $7.6 million for the three months ended March 31, 2001, compared to net cash provided by investing activities of $2.5 million for the same period in 2000. This change is primarily due to an increase in cash used for investments in unconsolidated subsidiaries, net of distributions, of $2.8 million in 2001 compared to cash provided by investments in unconsolidated subsidiaries, net of contributions, of $5.1 million in 2000. Also, there was an increase of cash used for furniture and equipment expenditures, primarily computer equipment under capital leases, of $3.7 million in 2001 compared to $1.5 million in 2000. 16 Net cash provided by financing activities totaled $4.6 million for the three months ended March 31, 2001, compared to $18.9 million for the same period in 2000. This change is attributable to borrowings, net of payments, in 2001 of $7.2 million, primarily under the Credit Facility (described below), compared to net borrowings of $19.6 million in 2000. In addition, the Company made distributions to minority interest holders of $4.8 million in 2001, compared to distributions to minority interest holders, net of contributions, of $1.5 million in 2000. The Company also received $2.2 million in 2001 from the exercise of stock options and issuance of common stock, compared to $1.4 million from issuance of common stock in 2000. In addition, the Company repurchased common stock in 2000 for $0.6 million, but had no repurchases of common stock in the first quarter of 2001. In December 2000, the Company obtained a $150 million revolving line of credit (the "Credit Facility") arranged by Bank of America, N.A., as the administrative agent (the "Administrative Agent"), which replaced the Company's prior revolving line of credit. Under the terms of the Credit Facility, the Company can obtain loans, which are Base Rate Loans, or Eurodollar Rate Loans. Base Rate Loans bear interest at a base rate plus a margin, which ranges from 0% to 0.50% depending on the Company's leverage ratio. The base rate is the higher of the prime-lending rate announced from time-to-time by the Administrative Agent or an average federal funds rate plus 0.5%. Eurodollar Rate Loans bear interest at the Eurocurrency rate plus a margin, which ranges from 1.625% to 2.25%, depending upon the Company's leverage ratio. The Credit Facility contains various covenants such as the maintenance of minimum equity, liquidity, revenues, interest coverage ratios and fixed charge ratios. The Credit Facility also includes limitations on payment of cash dividends or other distributions of assets, restrictions on recourse indebtedness, restrictions on liens and certain restrictions on 21 investments and acquisitions that can be made by the Company. The covenants contained in the Credit Facility and the amount of the Company's other borrowings and contingent liabilities may have the effect of limiting the credit available to the Company under the Credit Facility to an amount less than the $150 million commitment. The Credit Facility is guaranteed by certain significant subsidiaries of the Company and is secured by a pledge of a stock of such significant subsidiaries and a pledge of certain intercompany indebtedness. At March 31, 2001, the Company had outstanding borrowings of $76.0 million under the Credit Facility. The Credit Facility requires the Company to enter into one or more interest rate swap agreements for the Company's indebtedness in excess of $50 million ensuring the net interest is fixed, capped or hedged. In March 2000, the Company renewed an existing interest rate swap agreement for a twelve-month period ending March 24, 2001 with a fixed interest pay rate of 6.65% and 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. On March 24, 2001, the interest rate swap agreement was renewed for a twenty-four month period ending March 24, 2003 with a fixed interest pay rate of 4.68% and a notional amount of $150,000. The weighted average receive rate for the swap agreement was 5.87% for the three months ended March 31, 2001. The Company's participation in derivative transactions has been limited to hedging purposes, and derivative instruments are not held for trading purposes. The Company expects to continue to borrow under the Credit Facility to finance future strategic acquisitions, fund its co-investment activities and provide the Company with an additional source of working capital. In August 1997, Trammell Crow BTS, Inc., a wholly-owned subsidiary of the Company ("TC BTS"), obtained a $20.0 million credit facility (the "Retail BTS Facility") from KeyBank National Association ("KeyBank"). In September 1999, the Retail BTS Facility was modified to increase the credit facility to $30.0 million. Under the modified terms of the Retail BTS Facility, until July 31, 2001, subsidiaries of TC BTS can obtain loans at one of a LIBOR-based interest rate, KeyBank's prime rate or a combination of the two interest rates. The proceeds of any such loans must be used for the construction of retail facilities. On March 31, 2001, the outstanding balance owed under the Retail BTS Facility was $4.3 million. The Retail BTS facility is secured by a first mortgage on and assignment of all rents from the constructed facilities. In addition, TC BTS must guarantee all obligations of its subsidiaries for loans made pursuant to the Retail BTS Facility. The Company must also guarantee the repayment obligations under the Retail BTS Facility with respect to such loans and must guarantee the timely lien-free completion of each retail facility to which such loans relate. As guarantor, the Company is subject to various covenants such as maintenance of net worth and liquidity and key financial data. The Retail BTS Facility also contains various covenants, such as the maintenance of a minimum net worth and liquidity of TC BTS and prohibition on other TC BTS guarantees of build-to-suit retail projects. In December 1998, TCC NNN Trading, Inc. ("TCC Triple Net") obtained a two-year $20.0 million revolving line of credit ("Triple Net Facility") from KeyBank. Under the terms of the Triple Net Facility, TCC Triple Net could obtain loans at a LIBOR-based interest rate or prime rate, the proceeds of which must have been used for the acquisition of retail properties subject to "triple net" leases. The Triple Net Facility expired in December 2000; therefore, no new loans could be made under the Triple Net Facility. On March 31, 2001, the outstanding balance under the Triple Net Facility was $3.3 million, and the loans mature in September 2001. The Triple Net Facility is nonrecourse to TCC Triple Net and is secured by a first mortgage and assignment of all rents from the acquired properties. The Company guaranteed from 10% to 40% of each such loan depending on the credit rating of the tenant occupying the acquired property. The Company's guarantee percentage will be reduced to 10% for any loan upon the receipt of a qualifying purchase agreement relating to the property underlying such loan. The maximum amount of any advance related to a single property was either (i) 90% of the property's acquisition costs and certain related costs (if the property's tenant has a debt rating of BBB or higher), or (ii) 80% of the property's acquisition costs and certain related costs (if the property's tenant has a debt rating of BB+ or lower). The Triple Net Facility also contains various covenants, such as the 22 maintenance of minimum equity and liquidity of the Company and covenants relating to certain key financial data of the Company. The Company does not anticipate paying any dividends in the foreseeable future. The Company believes that funds generated from operations, together with existing cash and available credit under the Credit Facility and loans secured by underlying real estate will be sufficient to finance its current operations, planned capital expenditure requirements, payment obligations for development purchases, acquisitions of service companies and internal growth for the foreseeable future. The Company's need, if any, to raise additional funds to meet its working capital and capital requirements will depend upon numerous factors, including the success and pace of its implementation of its growth strategy. The Company regularly considers capital raising alternatives to be able to take advantage of available avenues to supplement its working capital, including strategic corporate partnerships or other alliances, bank borrowings and the sale of equity and/or debt securities. FORWARD-LOOKING STATEMENTS Certain statements contained or incorporated by reference in this Quarterly Report on Form 10-Q, including without limitation statements containing the words "believes" "anticipates," "expects", "projects" and words of similar import, are forward-looking statements within the meaning of the federal securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other matters which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other matters include, but are not limited to (i) the timing of individual transactions, (ii) the ability of the Company to identify and implement cost containment measures (including those undertaken in connection with the previously announced internal reorganization) and achieve economies of scale, (iii) the ability of the Company to implement and manage effectively its e-commerce initiatives, (iv) the ability of the Company to compete effectively in the international arena, (v) the ability of the Company to attract new corporate and institutional customers; (vi) the ability of the Company to manage fluctuations in net earnings and cash flow which could result from the Company's participation as a principal in real estate investments, (vii) the Company's ability to continue to pursue its growth strategy, (viii) the Company's ability to compete in highly competitive national and local business lines and (ix) the Company's ability to attract and retain qualified personnel in all areas of its business (particularly management). In addition, the Company's ability to achieve certain anticipated results will be subject to other factors affecting the Company's business that are beyond the Company's control, including but not limited to general economic conditions (including the cost and availability of capital for investment in real estate and customers' willingness to make real estate commitments) and the effect of government regulation on the conduct of the Company's business. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such statements or publicly announce any updates or revisions to any of the forward-looking statements contained herein to reflect any change in the Company's expectation with regard thereto or any change in events, conditions, circumstances or assumptions underlying such statements. Reference is hereby made to the disclosures contained under the heading "Risk Factors" in "Item 1. Business"' of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2001. ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK The Company's primary market risk exposure is to changes in interest rates. The Company is exposed to market risk related to its Credit Facility and loans secured by real estate properties as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." The Credit Facility and the majority of the loans secured by real estate bear interest at variable rates and are subject to fluctuations in the market. However, due to its purchase of an interest rate swap agreement, which the Company uses to hedge a portion, but not all, of its exposure to fluctuations in interest rate, the effects of interest rate changes are limited. The Company's earnings are also somewhat affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies as a result of its operations in Europe, Asia and Australia. There have been no significant changes in the interest rate or foreign currency market risks since December 31, 2000. 23 PART II--OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS From time to time, the Company is involved in litigation incidental to its business. In the Company's opinion, no litigation to which the Company is currently a party, if decided adversely to the Company, is likely to have a material adverse effect on the Company's results of operations, cash flows or financial condition. ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) Exhibits: None (b) Reports on Form 8-K filed since December 31, 2000: None 24 SIGNATURE 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, thereunto duly authorized. TRAMMELL CROW COMPANY By: /s/ DEREK R. MCCLAIN -- Derek R. McClain CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER AND DULY AUTHORIZED TO SIGN THIS REPORT ON BEHALF OF THE REGISTRANT) Date: May 15, 2001 25