

INSIGNIA FINANCIAL GROUP INC /DE/
Form 8-K/A
March 04, 2002

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

FORM 8-K/A

AMENDMENT NO. 1

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

DATE OF REPORT: December 19, 2001
(Date of earliest event reported)

INSIGNIA FINANCIAL GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State of Incorporation)

COMMISSION FILE NUMBER
(1-14373)

56-20
(I.R.S. Employer I

200 PARK AVENUE, NEW YORK, NEW YORK
(Address of Principal Executive Officers)

10
(Zip

(212) 984-8033
(Registrant's Telephone Number, Including Area Code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Report on Form 8-K dated December 19, 2001 and filed on December 28, 2001 as set forth in the pages attached hereto:

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

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- (a) Financial Statements of Businesses Acquired:
- (i) Consolidated Financial Statements for Insignia Bourdais Holding (formerly Societe Financiere Bourdais) as of March 31, 2001 and March 31, 2000 and for the years then ended, with Report of Independent Auditors, and the six month periods ended September 30, 2001 and 2000 (unaudited).
- (b) Pro Forma Financial Information:
- (i) Unaudited Pro Forma Condensed Consolidated Statements of Income for the nine months ended September 30, 2001 and the year ended December 31, 2000.
 - (ii) Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2001.
 - (iii) Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.
- (c) Exhibits

The following are furnished as exhibits to this report:

Exhibit No.

10.1 Share Purchase Agreement, dated as of December 16, 2001, between Jean Claude Bourdais and others listed therein as sellers, Insignia Financial Group, Inc. and Insignia France SARL as buyer.*

23.1 Consent of ERNST & YOUNG Audit.

99.1 Press release dated December 19, 2001. *

* Previously filed.

SIGNATURE

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

INSIGNIA FINANCIAL GROUP, INC.

By: /s/ Adam B. Gilbert

Adam B. Gilbert
Executive Vice President

DATE: March 4, 2002

REPORT OF ERNST & YOUNG AUDIT, INDEPENDENT AUDITORS

ON INSIGNIA BOURDAIS HOLDING

(FORMERLY SOCIETE FINANCIERE BOURDAIS)

PREPARED AS OF MARCH 31, 2001

We have audited the accompanying consolidated balance sheets of Insignia Bourdais Holding (formerly Societe Financiere Bourdais) as of March 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended.

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 audit.

We conducted our audits 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 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 Bourdais Holding (formerly Societe Financiere Bourdais) as at March 31 2001 and March 31, 2000, and the consolidated results of its operations and its cash-flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Paris, February 15, 2002

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ERNST & YOUNG Audit

Jean Louis ROBIC

1. FINANCIAL STATEMENTS

1.1 CONSOLIDATED BALANCE SHEETS

| | MARCH 31 | | |
|--|-----------------------|-----------------------|--------------|
| | 2001 | 2000 | |
| | (IN FRENCH FRANCS) | | |
| ASSETS | AUDITED | AUDITED | UN |
| Cash and cash equivalents | FF 115,398,239 | FF 101,894,995 | FF 8 |
| Receivables, net of allowance | 56,543,434 | 39,492,764 | 6 |
| Prepaid expenses | 1,428,970 | 320,021 | |
| Restricted cash | 26,270,495 | 31,726,681 | 2 |
| Property and equipment | 49,257,366 | 49,666,203 | 4 |
| Costs in excess of net assets of acquired businesses net of amortization of FF 4,425,258 (March 2001) and of FF 1,640,387 (March 2000) | 24,441,325 | 9,295,523 | 2 |
| Deferred taxes | 7,844,067 | 6,193,300 | |
| Other assets | 9,300,222 | 8,182,825 | |
| TOTAL ASSETS | FF 290,484,118 | FF 246,772,312 | FF 25 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities | | | |
| Accounts payable | FF 49,622,204 | FF 47,309,302 | FF 2 |
| Commissions payable | 6,158,883 | 6,567,898 | |
| Accrued employee profit sharing | 11,745,129 | 6,934,369 | |
| Accrued and sundry liabilities | 16,186,103 | 10,348,705 | 1 |
| Restricted cash | 26,270,495 | 31,726,681 | 2 |
| Deferred taxes | 505 | 264,288 | |
| Borrowings | 1,148,876 | 6,645,567 | |
| Obligations under Finance Leases | 42,105,582 | 45,520,620 | 4 |
| Contingencies and litigation | 5,478,526 | 3,067,450 | |
| TOTAL LIABILITIES | FF 158,716,303 | FF 158,384,880 | FF 11 |
| MINORITY INTEREST | 6,950,226 | 9,782,551 | |
| STOCKHOLDERS' EQUITY | | | |
| Common Stock, par value FF 10 per share | 5,601,400 | 5,601,400 | |

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- authorized 560,140 shares

| | | | |
|--|----------------|----------------|-------|
| Additional paid-in capital | 319,584 | 319,584 | |
| Retained earnings | 118,896,605 | 72,683,897 | 12 |
| TOTAL STOCKHOLDERS' EQUITY | FF 124,817,589 | FF 78,604,881 | FF 13 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | FF 290,484,118 | FF 246,772,312 | FF 25 |

See accompanying notes.

1.2. CONSOLIDATED STATEMENTS OF INCOME

| | YEARS ENDED MARCH 31 | | SIX MONTH P |
|--|----------------------|----------------|-------------|
| | 2001 | 2000 | 2001 |
| | (IN FRENCH FRANCS) | | |
| | AUDITED | AUDITED | UNAUDITE |
| REVENUES | | | |
| REAL ESTATE SERVICES | FF 329,829,816 | FF 280,864,421 | FF 113,499, |
| COSTS AND EXPENSES | | | |
| Real estate services | (145,112,963) | (122,814,625) | (46,627, |
| Provision for retirement indemnities | (1,081,076) | (329,061) | |
| Administrative | (96,513,034) | (76,334,788) | (54,075, |
| Depreciation | (5,682,339) | (5,042,988) | (3,284, |
| | (248,389,412) | (204,521,462) | (103,987, |
| OPERATING INCOME | 81,440,404 | 76,342,959 | 9,512, |
| OTHER INCOME AND EXPENSES | | | |
| Gain (loss) on sales of investments | 3,652,148 | (559,175) | 2,909, |
| Provisions for losses and contingencies | (2,543,905) | (230,000) | (300, |
| Capital gains on marketable securities | 4,059,097 | 1,278,357 | 1,480, |
| Interest income on Restricted cash | 1,377,795 | 694,035 | 603, |
| Equity earnings | 1,084,938 | 1,293,530 | 1,652, |
| Interest expense | (2,391,264) | (2,149,476) | (1,248, |
| Other income | 1,974,970 | 2,423,239 | 730, |
| Amortization of goodwill | (2,784,871) | (1,640,387) | (2,886, |
| Minority interests | (4,278,956) | (5,379,148) | (658, |
| INCOME BEFORE INCOME TAXES (GROUP SHARE) | 81,590,356 | 72,073,934 | 11,795, |

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| | | | |
|----------------------------|---------------|---------------|-----------|
| Provision for income taxes | (32,760,010) | (29,476,893) | (4,702,) |
| NET INCOME | FF 48,830,346 | FF 42,597,041 | FF 7,093, |

See accompanying notes.

1.3 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| (in French Francs) | COMMON STOCK | ADDITIONAL PAID-IN CAPITAL | R EAR |
|--|-----------------|----------------------------------|----------|
| Balances at March 31, 1999 | FF 5,601,400 | FF 319,584 | FF 30 |
| Dividends paid | - | - | |
| Net income (April 1, 1999 through March 31, 2000) | - | - | 42 |
| Balances at March 31, 2000 | 5,601,400 | 319,584 | 72 |
| Dividends paid | - | - | (2 |
| Net income (April 1, 2000 through March 31, 2001) | - | - | 48 |
| Balances at March 31, 2001 | FF 5,601,400 | FF 319,584 | FF 118 |

- 1) Of which restricted retained earnings FF 559,846 (March 2001) and FF 556 862 (March 2000).

See accompanying notes.

POST BALANCE SHEET EVENTS :

SHARE AND WARRANT ISSUES:

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On December 19, 2001 the shareholders approved a 37,702 shares issue with par value of 10 FF and issue premiums of FF 447,36 FF per share. The shares were issued in the context of the buyback of all minority interests in Insignia Bourdais Holdings's subsidiaries.

On the same date, the Company issued 87,080 warrants with the following conditions:

- (1) Warrant issue price: FF 24,11 per warrant totaling 87,080 XFF24, 11 = 2,099,499 (the Company granted loans to each warrant holder so that no cash was collected as a result of the issue).
- (2) Exercisable from January 1st 2004 to January 31st 2004
- (3) Each warrant entitles the holder to acquire one newly issued share for a price corresponding to the "market value" of Insignia Bourdais Holding (determination of "market value" in purchase agreement with Insignia Financial Group) at a minimum price of FF 241,13 per share.
- (4) Warrants are pledged to guarantee the FF 2,099,499 loans to holders
- (5) Call and put options between Insignia Financial Group and warrant holders.

1.4. CONSOLIDATED STATEMENTS OF CASH FLOWS

| In French Francs | YEAR ENDED MARCH 31 | | S |
|--|---------------------|---------------|----|
| | 2001 | 2000 | |
| | Audited | Audited | |
| OPERATING ACTIVITIES | | | |
| NET (LOSS) INCOME | FF 48,830,346 | FF 42,597,041 | FF |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | | |
| Allocation to minority interests | 4,278,956 | 5,379,148 | |
| Depreciation of tangible & intangible assets | 5,682,339 | 5,042,988 | |
| Amortization of additional acquired businesses | 2,784,871 | 1,640,387 | |
| Net gain (loss) on sale of investments | (3,652,148) | 559,175 | |
| Provision for losses and contingencies | 2,543,905 | (230,000) | |
| Provisions for pensions costs | 1,081,076 | 329,061 | |
| Deferred income taxes | (1,914,553) | 2,672,906 | |
| Other | 229,075 | - | |
| CHANGE IN OPERATING ASSETS AND LIABILITIES : | | | |
| Receivables | (18,938,935) | (7,746,031) | |
| Prepaid expenses | (1,108,949) | 149,440 | |

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| | | |
|--|----------------|---------------|
| Rent Security Deposits | (283,033) | (288,419) |
| Accounts payable | 2,312,902 | 6,652,849 |
| Commissions payable | (409,015) | |
| Accrued employee profit sharing | 4,810,760 | |
| Accrued and sundry liabilities | 5,837,398 | 10,875,278 |
| | | |
| Cash provided by (used in) operating activities | 52,084,995 | 67,633,823 |
| INVESTING ACTIVITIES | | |
| Additions to property and equipment | (7,765,717) | (3,732,101) |
| Proceeds from capital lease financings | 1,137,258 | 165,396 |
| Acquisitions of investments | (2,951,631) | (109,434) |
| Proceeds from sale of investments | 7,580,976 | - |
| | | |
| Cash provided by (used in) investing activities | (1,999,114) | (3,676,139) |
| FINANCING ACTIVITIES | | |
| Dividends paid | (6,699,078) | (1,490,906) |
| Principal repayments on Finance Lease obligations | (3,415,038) | (3,295,966) |
| Borrowings | (5,496,691) | 5,116,369 |
| Purchase of minority interests in consolidated companies | (20,971,830) | (14,489,373) |
| | | |
| Cash used in financing activities | (36,582,637) | (14,159,876) |
| Net increase in cash and cash equivalents | 13,503,244 | 49,797,808 |
| Cash and cash equivalents at the beginning of the year | 101,894,995 | 52,097,187 |
| | | |
| Cash and cash equivalents at the end of the year | FF 115,398,239 | FF101,894,995 |
| | | |

See accompanying notes

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

The Bourdais group (or the "Group"), incorporated and headquartered in Paris, is a real estate services company with operations throughout France. The Group provides diversified real estate services including brokerage, appraisal, property management, investment sales, development, redevelopment and consulting services and other services to owners and users of real estate.

The consolidated financial statements include the accounts of the entities listed below:

- (1) Insignia Bourdais Holding SAS (formerly Societe Financiere Bourdais)
- (2) Insignia Bourdais SAS (formerly Bourdais SA)
- (3) Insignia Bourdais Gerance SAS (formerly Bourdais Gerance)

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- (4) Insignia Bourdais Mediterranee SARL
- (5) Insignia Bourdais Rhones Alpes SAS (formerly Bourdais Rhones Alpes SA)
- (6) Insignia Bourdais Expertises SAS (formerly Bourdais Expertises SA)
- (7) Insignia Bourdais Consultants SARL

All significant intercompany balances and transactions have been eliminated.

REVENUE RECOGNITION

Real estate services revenue includes commercial leasing, property management, investment sales, consulting, and commission revenue related to real estate sales.

Such revenues are 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 specified events are recognized upon the occurrence of such events.

OTHER COMPREHENSIVE INCOME

The Company has no other comprehensive income.

2.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following

[OBJECT OMITTED]

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

| | MARCH 31 | 2000 | SEPTEMBER 30 |
|--------------------------|--------------------|----------------|---------------|
| | 2001 | 2000 | 2001 |
| | (In French Francs) | | (In French Fr |
| | AUDITED | AUDITED | UNAUDITED |
| Cash in bank | FF 103,308,305 | FF 100,432,781 | FF 2,049,610 |
| Cash in hand | 10,754 | 3,843 | - |
| Money market investments | 12,079,180 | 1,458,371 | 84,602,674 |
| | ----- | ----- | ----- |
| | FF 115,398,239 | FF 101,894,995 | FF 86,652,284 |
| | ===== | ===== | ===== |

2.3 RECEIVABLES

Accounts receivable consist primarily of property management fees and cost reimbursements. Commissions receivable consist primarily of brokerage and

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leasing commissions from users of the Company's real estate services.

Receivables, which are all due within one year, consist of the following:

| | MARCH 31 | | |
|--|--------------------|---------------|------|
| | 2001 | 2000 | |
| | (IN FRENCH FRANCS) | | |
| | AUDITED | AUDITED | |
| Fees receivable | FF 19,241,719 | FF 19,073,227 | FF 2 |
| Refurbishment expenses to be reimbursed by lessors | 18,847,347 | - | 1 |
| Property management fees receivable | 1,235,502 | 1,038,457 | |
| Corporate Tax (instalements paid in excess of expense) | | | |
| Receivable with non-consolidated affiliated companies : | | | |
| SPGI | 6,301,985 | 6,696,637 | |
| Martel & Bourdais | 4,354,506 | 6,430,557 | |
| Engerand & Gardy | 2,259,849 | 1,655,715 | |
| FDS | 1,900,764 | - | |
| Belvar | 1,501,339 | 1,001,339 | |
| SCI 160 Haussmann | 683,918 | 742,101 | |
| Easy Buro | - | - | |
| Miscellaneous | 1,929,829 | 2,999,423 | 1 |
| | 58,256,758 | 39,637,456 | 6 |
| Less : provision for losses | (1,713,324) | (144,692) | (|
| | FF 56,543,434 | FF 39,492,764 | FF 6 |

2.4 INTANGIBLE ASSETS

The Company's intangible assets consist of property management contracts and costs paid in excess of net assets of acquired businesses.

Property management contracts are fully amortized as of March 31, 2001. These contracts were amortized using the straight-line method over 5 years.

Costs in excess of net assets of acquired businesses are also amortized by the straight-line method, over 5 years. They are comprised of the excess of purchase price paid by the Company in successive acquisitions of minority interests in Bourdais SA in 1999 and 2001.

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2.5 RESTRICTED CASH

Restricted cash consisted of FF 26,270,495 at March 31, 2001 and FF 31,726,681 at March 31, 2000, corresponding to bank accounts opened for clients of the property management line of service. The same balance is shown on the asset and on the liability sides.

2.6 PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, typically ranging from 3 years (IT equipment) to 25 years (headquarters property disposed of in December 2001)

Property and equipment consist of the following:

| | MARCH 31 | | SEPTEMBER |
|-------------------------------------|--------------------|---------------|----------------|
| | 2001 | 2000 | 2001 |
| | (In French Francs) | | (In French Fra |
| | AUDITED | AUDITED | UNAUDITED |
| Property (held under Finance lease) | FF 60,560,000 | FF 60,560,000 | FF 60,560,000 |
| IT equipment | 10,165,039 | 8,480,290 | 10,517,629 |
| Commercial softwares | 2,556,051 | 2,015,331 | 2,566,811 |
| Furniture and fixtures | 5,709,609 | 3,447,974 | 5,800,413 |
| Leasehold improvements | 1,285,026 | 7,884,229 | 2,850,092 |
| Other equipment | 2,397,334 | 787,025 | 99,049 |
| | 82,673,059 | 83,174,849 | 82,393,994 |
| Less : Accumulated depreciation | (33,415,693) | (33,508,646) | (36,699,953) |
| | FF 49,257,366 | 49,666,203 | FF 45,694,041 |

2.7 MINORITY INTEREST

Minority interests consist of:

| | MARCH 31 | | SEPTEMBER 30 | |
|-------------------------------|----------|---------|--------------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | AUDITED | AUDITED | UNAUDITED | UNAUDIT |
| BOURDAIS SA | 8.60% | 11.99% | 8.60% | 11.99% |
| BOURDAIS RHONE ALPES | 8.92% | 12.28% | 8.92% | 12.28% |
| BOURDAIS MEDITERRANEE | 9.51% | 12.87% | 9.51% | 12.87% |
| BOURDAIS EXPERTISES | 16.06% | 19.17% | 16.06% | 19.17% |
| BOURDAIS GERANCE | 0.67% | 0.50% | 0.67% | 0.50% |
| BOURDAIS CONSULTANTS ASSOCIES | 13.05% | 16.28% | 13.05% | 16.28% |

2.8 ACQUISITIONS

At March 31, 2000, cost in excess of net assets amount to FF 9,295,523 and refer to Societe Financiere Bourdais' stake in Bourdais SA.

During the year ended March 31, 2001, Societe Financiere Bourdais increased its stake in Bourdais SA; a consolidated subsidiary. Cost in excess of net assets in connection with this acquisition amounted to FF 17,930,673 and is included in "Cost in excess of net assets of acquired businesses" in the accompanying balance sheet.

During the six month period ended September 30, 2001, Insignia Bourdais Holding SAS (formerly Societe Financiere Bourdais) increased its stake in Insignia Bourdais SAS (formerly Bourdais SA). Cost in excess of net assets in connection with this acquisition amounted to FF 727 947.

2.9 FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, restricted cash, receivables and payables approximate their respective fair values due to the short term nature of these accounts.

The carrying value of capital lease obligations approximate their fair value as such obligations bear interest which is based upon a floating rate which re-prices quarterly.

The carrying value of borrowings/current accounts with shareholders approximate fair value because such borrowings bear interest at market rates.

2.10 ACCOUNTS PAYABLE

Accounts payable consist of the following:

| | MARCH 31 | | SEPTEMBER 30 | |
|------------------------------------|--------------------|---------------|--------------------|---------------|
| | 2001 | 2000 | 2001 | |
| | (In French Francs) | | (In French Francs) | |
| | AUDITED | AUDITED | UNAUDITED | UNAUDITED |
| Suppliers payable | FF 10,949,613 | FF 7,928,914 | FF 913,793 | FF 1,000,000 |
| Employee compensation and benefits | 18,873,236 | 16,096,240 | 14,379,357 | 14,379,357 |
| Corporate tax payable | 8,989,355 | 13,405,185 | - | - |
| VAT payable | 10,667,825 | 9,719,697 | 6,501,842 | 6,501,842 |
| Other accounts payable | 142,175 | 159,266 | 182,948 | 182,948 |
| | FF 49,622,204 | FF 47,309,302 | FF 21,977,940 | FF 21,977,940 |

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2.11 ACCRUED AND SUNDRY LIABILITIES

Accrued and sundry liabilities consist of the following:

| | MARCH 31 | | |
|---|--------------------|---------------|-----|
| | 2001 | 2000 | |
| | (In French Francs) | | |
| | AUDITED | AUDITED | |
| Accrued paid holidays | FF 4,889,504 | FF 4,635,141 | FF |
| Accrued taxes (training, Organic, professional tax) | 4,172,081 | 3,114,494 | |
| Deferred revenue | 3,150,876 | 144,656 | |
| Accrued fees to be retroceded | 1,427,000 | 1,321,000 | |
| Payable on refurbishment Hausmann building | 1,200,000 | - | |
| Other accrued and sundry liabilities | 1,346,642 | 1,133,414 | |
| | FF 16,186,103 | FF 10,348,705 | FF1 |

2.12 CONTINGENCIES AND LITIGATION

Accruals of contingencies and litigations consist of the following:

| | MARCH 31 | | SEPTE |
|----------------------------|--------------------|--------------|--------------|
| | 2001 | 2000 | 2001 |
| | (In French Francs) | | (In Fre |
| | AUDITED | AUDITED | UNAUDITED |
| Pension costs | FF 3,828,526 | FF 2,747,450 | FF 3,828,526 |
| Provisions for litigations | 1,650,000 | 320,000 | 1,650,000 |
| | FF 5,478,526 | FF 3,067,450 | FF 5,478,526 |

Net allowances to provisions for litigations amount to FF 1,330,000. The amount is included in "Provision for losses and contingencies" in the Statement of Income. Other allowances relate to current accounts and receivables.

2.13 INCOME TAX

Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences of revenue and expense items for financial statement and income tax purposes. 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

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amounts used for income tax purposes. Significant components of the deferred tax assets are as follows:

| | MARCH 31 | |
|---|---------------------------------|--------------|
| | 2001 | 2000 |
| | (In thousands of French Francs) | |
| | AUDITED | AUDITED |
| Employee profit sharing (tax deductible when paid) | FF 4,237,136 | FF 2,972,673 |
| Retirement indemnities accrued (tax deductible when paid) | 1,356,447 | 1,007,490 |
| Fees and expenses deferred on account of SAB 101 | 431,335 | 315,277 |
| Amortization of acquired contracts | 816,317 | 844,887 |
| Finance leases capitalized - Head-office office building | 576,305 | 584,588 |
| Finance leases capitalized - other (IT) | 46,554 | 37,299 |
| Other | 379,973 | 431,086 |
| | FF 7,844,067 | FF 6,193,300 |

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

| | MARCH 31 | | 2000 | 2001 |
|----------------------------------|--------------------|---------------|---------|-------|
| | 2001 | 2000 | | |
| | (IN FRENCH FRANCS) | | AUDITED | UNA |
| | AUDITED | AUDITED | | |
| Pretax income (loss) group share | FF 81,590,356 | FF 72,073,934 | | FF 11 |
| Minority interest | 4,278,956 | 5,379,148 | | |
| TOTAL PRETAX INCOME | FF 85,869,312 | FF 77,453,082 | | FF 12 |

Significant components of the provision for income taxes are as follows :

| | MARCH 31 | | SEPTEMBER 30 | |
|----------|--------------------|-----------------|--------------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| | (In French Francs) | | (In French Francs) | |
| | AUDITED | AUDITED | UNAUDITED | UNAUDITED |
| Current | FF (34,674,563) | FF (26,803,987) | FF (642,000) | FF (642,000) |
| Deferred | 1,914,553 | (2,672,906) | (4,060,000) | (4,060,000) |

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FF (32,760,010) FF (29,476,893) FF (4,702,000) FF

=====

Reconciliation of income tax computed at the French statutory rate to income tax expense for last two fiscal years is shown below (In FF):

| | March 31, 2001 | | |
|--|--------------------|---------|-------------|
| | (In French Francs) | | (I |
| | AMOUNT | PERCENT | AMOUNT |
| | AUDITED | | |
| Tax at French statutory rates | FF 31,291,223 | 36.44% | FF 28,446,8 |
| Effect of change in tax rates | 97,500 | 0.11% | |
| Effect of non-deductible goodwill amortization | 1,014,528 | 1.18% | 601,5 |
| Other | 356,759 | 0.42% | 428,4 |
| | FF 32,760,010 | 38.15% | FF 29,476,8 |

Income tax payments were approximately FF 38,974,000 in the year ended March 31, 2001 and FF 54,191,000 in the year ended March 31, 2000.

2.14 COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

The group employees benefit from the real-estate industry bargaining Agreement (Convention Collective de l'Immobilier). The applicable collective bargaining agreement that was negotiated between employers' and employees' unions contain provisions regarding the status of employees, and address the following matters: duration of trial period and notice of termination; termination and retirement entitlements; indemnification for absence due to illness, maternity or injury; exceptional holidays for family reasons; seniority bonus; and additional retirement benefits.

Total retirement benefits accrued and included in accounts payable in the accompanying a balance sheets as at March 31, 2001 amount to FF 3,828,526 and FF 2,747,450 as at March 31, 2000.

Total retirement benefits accrued and included in accounts payable in the accompanying unaudited balance sheets as at September 30, 2000 amount to FF 3,828,526 and FF 3,216,255 as at September 30, 2000.

Additionally, the group employees benefit from the French legal compulsory regime for interested salaried employees. In this context, the amount of the benefit is calculated each year, based on the legal compulsory formula and accrued.

Total commitments accrued and included in accounts payable in the accompanying balance sheet amount to FF 11,745,129 and FF 6,934,369 as at March 31, 2000).

Total commitments accrued and included in accounts payable in the accompanying

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balance sheet amount to FF 259,497 as at September 30, 2001 and FF 4,914,464 as at September 30, 2000.

2.15 OPERATING LEASES

The Company leases office space under non-cancelable operating leases. Minimum annual rentals under operating leases for the five fiscal years ending after March 31, 2001 and thereafter are as follows (In French Francs):

| | MARCH 31 | |
|------------------------|--------------------|---------------|
| | 2001 | 2000 |
| | (In French Francs) | |
| | AUDITED | AUDITED |
| March 31, 2002 | FF 9,183,022 | FF 9,490,458 |
| March 31, 2003 | 6,985,639 | 9,183,022 |
| March 31, 2004 | 3,873,984 | 6,985,639 |
| March 31, 2005 | 2,962,008 | 3,873,984 |
| March 31, 2006 | 2,962,008 | 2,962,008 |
| Thereafter | 2,962,008 | 5,924,016 |
| | | |
| TOTAL MINIMUM PAYMENTS | FF 28,928,669 | FF 38,419,127 |
| | | |

Rental expense, which is recorded on a straight-line basis, was approximately FF 9,490,000 in fiscal year 2001 and FF 5,067,000 in fiscal year 2000.

All the leases are subject to renewal options and annual escalation based on the National Construction Price Index.

CAPITAL LEASE

As at March 31, 2001 and 2000, finance lease obligations are as follows :

| | MARCH 31 | |
|---------------------------------|--------------------|---------------|
| | 2001 | 2000 |
| | (In French Francs) | |
| Companies headquarters building | FF 40,874,085 | FF 42,774,985 |
| IT Equipment | 1,231,497 | 2,745,635 |
| | | |
| | FF 42,105,582 | FF 45,520,620 |
| | | |

The Company's headquarters in Paris is held through a floating rate capital lease that started in December 1989 and will end on March 31, 2008. The contract is indexed on the EURIBOR rate.

The lease provides for a transfer of title of the property at the end of the lease term for a payment of FF 25,000,001.

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Lease payments made under that lease were FF 4,008,159 in 2001 and FF 3,572,614 in 2000. Principal repayments for the companies headquarters lease obligations for the next five years are as follows :

| | MARCH 31 | |
|----------------------------|--------------------|---------------|
| | 2001 | 2000 |
| | ----- | |
| | (In French Francs) | |
| March 31, 2002 | FF 2,005,339 | FF 1,900,900 |
| March 31, 2003 | 2,115,582 | 2,005,339 |
| March 31, 2004 | 2,231,956 | 2,115,582 |
| March 31, 2005 | 2,354,806 | 2,231,956 |
| March 31, 2006 | 2,484,497 | 2,354,806 |
| Thereafter | 29,681,905 | 32,166,402 |
| | ----- | |
| TOTAL PRINCIPAL REPAYMENTS | FF 40,874,085 | FF 42,774,985 |
| | ===== | |

Amortization of the capital lease asset is included in depreciation.

(b) PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following Unaudited Pro Forma Condensed Consolidated Statements of Income for the nine months ended September 30, 2001 and the year ended December 31, 2000 and Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2001 give effect to the acquisition of Societe Financiere Bourdais ("Groupe Bourdais" or "Bourdais") and related borrowings under Insignia's revolving credit facility, as if effected at that date, in the case of the pro forma consolidated balance sheet, or on January 1, 2000, in the case of the pro forma consolidated statements of income. The pro forma consolidated statement of income for the year ended December 31, 2000 includes the results of Bourdais for its fiscal year ended March 31, 2001.

Insignia, through its subsidiary Insignia France SARL, acquired all of the outstanding share capital of Groupe Bourdais on December 19, 2001. Headquartered in Paris, France and founded in 1954, Bourdais is one of France's premier commercial real estate services companies with operations in eight offices in Greater Paris (Ile de France region), Lyon, Aix and Marseille. The base purchase price for Bourdais was approximately \$21.4 million, comprised of \$17.4 million paid in cash and the issuance of 402,645 shares of Insignia's common stock (valued at approximately \$4 million). The cash portion of the purchase was funded by borrowings on Insignia's revolving credit facility and cash on hand at closing. Additional purchase consideration of up to approximately \$25 million is contingent on the future performance of Bourdais over the three years ending December 31, 2004. The acquisition has been accounted for as a purchase and is substantially comprised of goodwill and other intangibles. Group Bourdais adopted the name Insignia Bourdais from the date of closing.

The pro forma statements have been prepared by management of Insignia and are

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based on the historical financial statements of Insignia and Bourdais, giving effect to the transaction under the purchase method of accounting and to the assumptions and adjustments in the accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements. These pro forma statements may not be indicative of the actual results that may have occurred if the combinations had been in effect on the dates indicated or which may be experienced in the future. These pro forma financial statements should be read in conjunction with the historical financial statements and footnote disclosures of (i) Insignia included on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 28, 2001 and Form 10-Q filed with the SEC on November 14, 2001, incorporated herein by reference, and (ii) Insignia Bourdais Holding (formerly Societe Financiere Bourdais), included elsewhere herein.

INSIGNIA FINANCIAL GROUP, INC.
(i) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(In thousands, except per share data)

| | HISTORICAL | | OTHER |
|---|-------------|-----------|-------------|
| | INSIGNIA | BOURDAIS | ADJUSTMENTS |
| REVENUES | (Unaudited) | | |
| Real estate services | \$ 569,486 | \$ 27,084 | \$ -- |
| Property operations | 3,189 | | |
| | 572,675 | 27,084 | -- |
| COSTS AND EXPENSES | | | |
| Real estate services | 526,408 | 23,037 | 428 |
| | | | 195 |
| Property operations | 2,376 | | |
| Indemnity settlement | 1,500 | | |
| Administrative | 8,781 | | |
| Depreciation | 13,971 | 651 | (202) |
| Property depreciation | 810 | | |
| Amortization of intangibles | 20,020 | 560 | (560) |
| | | | 105 |
| | 573,866 | 24,248 | (34) |
| Operating Income | (1,191) | 2,836 | 34 |
| OTHER INCOME AND EXPENSES | | | |
| Provisions for loss on Internet investments | (8,920) | | |
| Provisions for losses and contingencies | | (391) | 190 |
| Gain on sales of investments | | 1,092 | (1,092) |
| Interest and other income | 4,919 | 811 | 87 |
| | | | (310) |
| Interest expense | (10,681) | (270) | 245 |
| | | | (675) |
| Foreign currency gains | 356 | | |
| Equity earnings | 1,288 | 318 | (318) |
| Minority interests | | (292) | 292 |

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| | | | |
|---|------------|----------|----------|
| (Loss) income before income taxes | (14,229) | 4,104 | (1,547) |
| Benefit (provision) for income taxes | 5,780 | (1,642) | 619 |
| Net (loss) income | (8,449) | 2,462 | (928) |
| Preferred stock dividends | (750) | -- | -- |
| Net (loss) income available to common shareholders | \$ (9,199) | \$ 2,462 | \$ (928) |
| EARNINGS PER COMMON SHARE: | | | |
| Basic | \$ (0.42) | | |
| Assuming dilution | \$ (0.42) | | |
| Weighted average common shares and assumed conversions: | | | |
| Basic | 21,932 | | 403 |
| Assuming dilution | 21,932 | | 403 |

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

INSIGNIA FINANCIAL GROUP, INC.
(i) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2000
(In thousands, except per share data)

| | HISTORICAL | | OTHER ADJUSTMENTS | PR I ST |
|-----------------------------|------------|----------|----------------------|---------------|
| | INSIGNIA | BOURDAIS | | |
| | (Audited) | | | |
| REVENUES | | | | |
| Real estate services | \$ 875,151 | \$45,809 | \$ -- | |
| Property operations | 5,212 | | | |
| | 880,363 | 45,809 | -- | |
| COSTS AND EXPENSES | | | | |
| Real estate services | 776,505 | 33,709 | 571 (a) | |
| | | | 260 (b) | |
| Property operations | 4,214 | | | |
| Internet based businesses | 17,168 | | | |
| Administrative | 16,355 | | | |
| Depreciation | 13,679 | 789 | (268) (a) | |
| Property depreciation | 1,623 | | | |
| Amortization of intangibles | 25,894 | 387 | (387) (c) | |
| | | | 140 (c) | |

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| | | | | |
|--|------------|----------|----------|-----|
| | 855,438 | 34,885 | 316 | |
| Operating Income | 24,925 | 10,924 | (316) | |
| OTHER INCOME AND EXPENSES | | | | |
| Provisions for loss on Internet investments | (18,435) | | | |
| Provisions for losses and contingencies | | (353) | 169 | (d) |
| Life insurance proceeds | 19,100 | | | |
| Gain on sale of marketable securities | 811 | | | |
| Gain on sales of investments | | 507 | (507) | (d) |
| Interest and other income | 8,454 | 1,029 | 122 | (b) |
| | | | (338) | (d) |
| Interest expense | (13,061) | (332) | 293 | (a) |
| | | | (1,125) | (e) |
| Foreign currency gains | 1,365 | | | |
| Equity earnings | 1,455 | 151 | (151) | (d) |
| Minority interests | 900 | (594) | 594 | (f) |
| Income before income taxes and cumulative effect of a change in accounting principle | | | | |
| | 25,514 | 11,332 | (1,259) | |
| Provision for income taxes | (3,727) | (4,550) | 504 | (g) |
| Income before cumulative effect of a change in accounting principle | | | | |
| | 21,787 | 6,782 | (755) | |
| Cumulative effect of a change in accounting principle, net of applicable taxes | | | | |
| | (30,420) | -- | -- | |
| Net (loss) income | | | | |
| | (8,633) | 6,782 | (755) | |
| Preferred stock dividends | | | | |
| | (890) | -- | -- | |
| Net (loss) income available to common shareholders | | | | |
| | \$ (9,523) | \$ 6,782 | \$ (755) | |

EARNINGS PER COMMON SHARE:

Basic

Income before cumulative effect of a change in accounting principle

\$ 0.99

Net loss

\$ (0.45)

Assuming dilution

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| | | |
|---|-----------|---------|
| Income before cumulative effect of a change in accounting principle | \$ 0.89 | \$ |
| Net loss | \$ (0.35) | \$ |
| Weighted average common shares and assumed conversions: | | |
| Basic | 21,200 | 403 (e) |
| Assuming dilution | 24,428 | 403 (e) |

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

INSIGNIA FINANCIAL GROUP, INC.
(ii) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2001
(In thousands)

| | HISTORICAL | | NET ASSET ADJUSTMENTS |
|---|-------------------|------------------|--------------------------|
| | INSIGNIA | BOURDAIS | |
| ASSETS | (Unaudited) | | (h) |
| Cash and cash equivalents | \$ 50,086 | \$ 12,016 | \$ (9,603) |
| Receivables | 137,302 | 8,704 | (1,868) |
| Mortgage loans held for sale | 14,458 | | |
| Restricted cash | 26,651 | 3,069 | (3,069) |
| Property and equipment | 71,500 | 6,336 | (5,910) |
| Real estate interests | 70,390 | | |
| Investments | 5,332 | | |
| Property management contracts | 17,302 | | |
| Costs in excess of net assets acquired | 319,226 | 3,090 | (3,090) |
| Other assets | 61,831 | 1,788 | 407 |
| TOTAL ASSETS | \$ 774,078 | \$ 35,003 | \$ (23,133) |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Liabilities: | | | |
| Accounts payable | \$ 11,093 | \$ 3,048 | \$ -- |
| Commissions payable | 43,285 | 1,058 | |
| Accrued incentives | 35,381 | 36 | |
| Accrued and sundry liabilities | 85,339 | 2,780 | |
| Restricted cash | -- | 3,069 | (3,069) |
| Mortgage warehouse line of credit | 12,527 | | |
| Obligations under finance lease | -- | 5,596 | (5,487) |
| Notes payable | 167,671 | 128 | |
| Real estate mortgage notes payable | 15,796 | | |

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| | | | |
|---|------------|-----------|-------------|
| TOTAL LIABILITIES | 371,092 | 15,715 | (8,556) |
| Minority interests | -- | 996 | (996) |
| Stockholders' Equity: | | | |
| Common stock | 224 | 777 | (777) |
| Preferred stock | 3 | -- | |
| Additional paid-in capital | 417,755 | 44 | (44) |
| Notes receivable for Common Stock | (1,932) | | |
| Retained earnings | (6,603) | 17,471 | (12,760) |
| Accumulated other comprehensive income loss | (6,461) | | |
| | ----- | | |
| TOTAL STOCKHOLDERS' EQUITY | 402,986 | 18,292 | (13,581) |
| | ----- | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 774,078 | \$ 35,003 | \$ (23,133) |
| | ----- | | |

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

INSIGNIA FINANCIAL GROUP, INC.

(iii) NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PRO FORMA ADJUSTMENTS

(a) As a condition precedent to closing, a capital lease arrangement (together with the associated debt obligations) on the head office location of Bourdais was assumed by a company owned by the seller with the consent of the finance lessor. Such entity subleased the premises to the acquired entity under an operating lease that expires in December 2010. The removal of historical depreciation and interest charges related to the capital lease and the provision for rental expense under terms of the operating lease are reflected as adjustments to pro forma earnings.

(b) As a part of the Bourdais acquisition, the present value of future other lease obligations of Bourdais pertaining to the difference between the rental rates pursuant to that lease and current market rents is recorded as an asset. Adjustments are made to reflect the applicable market rent and interest on the favorable lease asset.

(c) Under purchase accounting, adjustments are made to eliminate amortization expense of pre-acquisition goodwill of Bourdais and to include estimated amortization of purchase price allocated to property management contracts. The portion of purchase price allocated to goodwill is not amortized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. The amortization provisions of SFAS No. 142 apply to goodwill acquired after June 30, 2001. Amortization is not provided for other acquired intangibles, consisting of backlog, trademarks and franchises, as valuations of these present intangibles are not complete at the date of this report. Further, the amount of such other intangibles existing and their recognition's during the pro forma periods presented is unknown.

(d) Bourdais was a family owned business that held investments, including excess working capital, which Insignia did not wish to acquire. During the periods prior to closing, the identified investments were sold and the proceeds therefrom, together with the excess cash calculated pursuant to the terms of the purchase agreement, were segregated into a restricted cash account at closing.

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These proceeds will be paid to the sellers as soon as practical after closing. To the extent the identified investments had not been sold at closing, such investments were transferred to the sellers. All income or loss associated with such investments, together with earnings on the excess cash determined under the purchase agreement, is excluded from pro forma earnings.

(e) Insignia paid the initial purchase price from borrowings of \$15 million on its revolving credit facility, cash on hand and the issuance of 402,645 shares of its common stock (valued at approximately \$4 million). Interest on the borrowed funds is at LIBOR plus 2.25% for the periods presented [estimated at 7.5% for the year ended March 31, 2001 and 6% for the nine months ended September 30, 2001]. A 1/8 of a percent change in interest rates would change pro forma interest by less than \$20,000 for each of the periods presented.

(f) Under the terms of the purchase agreement, all historical minority equity of consolidated subsidiaries was acquired. An adjustment is made to eliminate such minority interest from pro forma earnings.

(g) Income taxes are provided on pro forma adjustments at the effective tax rate of 40%.

(h) Represents the purchase adjustments to historical assets and liabilities of Bourdais under the terms of the purchase agreement and under purchase accounting. See also Notes (a) and (d) above with respect to excluded assets and liabilities of Bourdais pursuant to the terms of the purchase agreement.

(i) Represents the adjustments to reflect Insignia's funding of the acquisition and the related allocation of purchase consideration under purchase accounting. Purchase price allocated to goodwill and other acquired intangibles is as follows:

| | | |
|-----|-------------------------------|--------------|
| [] | Goodwill | \$12,527,000 |
| [] | Property management contracts | 1,035,000 |
| [] | Favorable lease | 2,126,000 |
| [] | Other | 1,000,000 |
| | | ----- |
| | Total | 16,688,000 |
| | | ----- |

Other intangibles present in the Bourdais purchase include backlog, trademarks and franchises. Tentative estimates of value of such intangibles approximate an aggregate \$1 million. Insignia's evaluation of these intangibles has not been finalized as of the date of this report.

OTHER NOTES

NOTE 1

The financial statements of Insignia Bourdais Holding have been translated from French Francs to US Dollars using exchange rates of 7.20 for the statements of income for the nine months ended September 30, 2001 and year ended December 31, 2000 and 7.21 for the September 30, 2001 balance sheet. The exchange rates represent the estimated average rate of exchange between the French Franc and US Dollar for each period, in the case of the statements of income, and the end of period exchange rate, in the case of the balance sheet.

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NOTE 2

Certain items in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and, as such, may involve known and unknown risks, uncertainties and other factors which may cause these pro forma financial statements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements. You can identify such statements by the fact that they do not relate strictly to historical or current facts. Actual results will be affected by a variety of risks and factors, including, without limitation, the valuation and allocation of intangibles acquired in the Bourdais transaction, economic conditions, real estate risks and financing risks.

Such forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances upon which any such statement is based.

(c) EXHIBITS

23.1 Consent of ERNST & YOUNG Audit

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated February 15, 2002, with respect to the financial statements of Insignia Bourdais Holdings (formerly Societe Financiere Bourdais) included in Form 8-K/A of Insignia Financial Group, Inc. dated March 4th 2002.

ERNST & YOUNG Audit

Paris, France
March 1, 2002