INSIGNIA FINANCIAL GROUP INC /DE/
Form PRER14A
June 13, 2003

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SECURITIES AND EXCHANGE COMMISSION

SCHEDULE 14A/A-3 INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement

[ ] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[ ] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to Rule 14a-12

INSIGNIA FINANCIAL GROUP, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:
series A convertible preferred stock, par value $.01 per share, series B convertible preferred stock, par value $.01 per share, and common stock, par value $.01 per share, of Insignia Financial Group, Inc.

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(2) Aggregate number of securities to which transaction applies:
250,000 shares of series A convertible preferred stock, 125,000 shares of series B convertible preferred stock, 23,385,764 shares of common stock (including 80,528 shares of common stock subject to restricted stock awards) and 3,147,232 shares of common stock issuable upon the exercise of outstanding options and warrants.

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(3) Per unit price or other underlying value of transaction computed

pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee was determined based upon the sum of: (a) the product of 250,000 shares of series A convertible preferred stock and the merger consideration therefor of $100.00 per share; (b) the product of 125,000 shares of series B convertible preferred stock and the merger consideration therefor of $100.00 per share; (c) the product of 23,385,764 shares of common stock (including 80,528 shares of common stock subject to the restricted stock awards) and the highest potential merger consideration therefor of $12.00 per share; and (d) the difference between the highest potential merger consideration per share of common stock of $12.00 and the exercise price per share of each of 3,147,232 shares of common stock issuable upon the exercise of outstanding options and warrants with an exercise price below $12.00 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, and Rule 0-11 of the rules and regulations promulgated by the Securities and Exchange Commission pursuant to that Act, the filing fee was determined by multiplying the aggregate amount calculated pursuant to the preceding sentence by 0.00809 percent.

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(4) Proposed maximum aggregate value of transaction: $331,320,706

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(5) Total fee paid: $26,803.85

[X] Fee paid previously with preliminary materials:

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

INSIGNIA FINANCIAL GROUP, INC.
200 PARK AVENUE
NEW YORK, NEW YORK 10166

, 2003

Dear Fellow Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Insignia Financial Group, Inc. to be held at on

, 2003 at , local time. You may vote your shares at the special meeting only if you are present in person or represented by proxy.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt an amended and restated merger agreement providing for the merger of a wholly-owned subsidiary of CBRE Holding, Inc. into Insignia, with Insignia continuing as the surviving corporation and as a wholly-owned subsidiary of CBRE Holding. If the proposal is approved then, at the effective time of the merger, each outstanding share of our common stock (other than shares held by stockholders who perfect their appraisal rights under Delaware law and do not effectively withdraw or lose their right to appraisal) will be converted into the right to receive $11.00 in cash, subject to increase to $11.156 in cash per share if we complete the sale of our real estate investment assets prior to the merger to Island Fund I LLC, which is affiliated with the undersigned and other executive officers of Insignia. If the sale to Island Fund is not completed prior to the merger, we may attempt to sell any of our real estate investment assets to a different purchaser prior to or simultaneously with the merger. If we receive net cash proceeds from such other sale prior to or simultaneously with the merger in excess of a specified amount (generally $45 million, subject to adjustment), the $11.00 per share merger consideration may be increased by up to $1.00 per share. However, we believe that a sale of our real estate investment assets to a party other than Island Fund prior to or simultaneously with the merger and a resulting increase in the merger consideration to a price higher than $11.156 are not likely to occur. In addition, the completion of the sale of our real estate investment assets to Island Fund and a corresponding increase in the merger consideration to $11.156 are subject to conditions that are not expected to be fulfilled until after the special meeting. As a result, at the time you vote on the merger you will not know whether or not the merger consideration will be greater than $11.00 per share and you should not assume or expect that the merger consideration will be greater than $11.00 per share. A copy of the merger agreement is attached as Appendix A to this proxy statement and we urge you to read it in its entirety.

BOTH OUR BOARD OF DIRECTORS AND A SPECIAL COMMITTEE OF OUR BOARD OF DIRECTORS HAVE UNANIMOUSLY DETERMINED THAT THE MERGER IS ADVISABLE AND IN THE BEST INTERESTS OF OUR STOCKHOLDERS. Accordingly, our board of directors has approved the merger agreement and the merger and our board of directors and the special committee recommend that you vote "FOR" adoption of the merger agreement and approval of the merger. The affirmative vote of a majority of our outstanding shares of common stock is required for adoption and approval.

In considering the recommendation of the special committee and our board of directors, you should be aware that many of our directors and executive officers have interests in the merger that are in addition to, or different from, yours. See "The Merger--Interests of Executive Officers and Directors in the Merger."

Your vote is important. Whether or not you plan to attend the special meeting, please complete, sign and date the accompanying proxy card and return it in the enclosed prepaid envelope. You also may deliver your proxy by telephone at 1-866-580-7645 or through the Internet at http://www.proxyvotenow.com/ifs using the control number that appears on your proxy card. Failure to return a properly executed proxy card, to complete a proxy by telephone or through the Internet or to vote at the special meeting will have the same effect as a vote "AGAINST" the adoption of the merger agreement and the approval of the merger. If you attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card or completed your proxy by telephone or through the Internet. Your prompt cooperation will be greatly appreciated.

Sincerely,

/s/ Andrew L. Farkas
Andrew L. Farkas
Chairman of the Board and Chief Executive Officer

This proxy statement is dated , 2003 and is first being mailed to stockholders on or about , 2003.

THE TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF THIS TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE MEETING

THE SPECIAL MEETING

Q: What is the date, time, place and purpose of the special meeting?

A: The special meeting of stockholders of Insignia Financial Group, Inc. will be held on , 2003 at , local time, at , to consider and vote upon the proposal to adopt the merger agreement and approve the merger.

THE PROPOSED MERGER

Q: What is the proposed merger?

A: CBRE Holding, Inc. will acquire Insignia by means of a merger. After the merger, Insignia will be the surviving corporation and a wholly-owned subsidiary of CBRE Holding.

Q: What will holders of common stock be entitled to receive in the merger?

A: If the merger is completed,

- common stockholders will receive $11.00 in cash per share;

- if the sale of our real estate investment assets to Island Fund I LLC is completed, as described below, common stockholders will receive an additional $0.156 in cash per share;

- if the sale to Island Fund is not completed prior to the merger and we sell our real estate investment assets to a different purchaser prior to or simultaneously with the merger, common stockholders may receive, instead of the additional $0.156 in cash per share described above, up to $1.00 per share if we receive net cash proceeds from such other transaction in excess of a specified amount (generally $45 million, subject to adjustment) and do not retain any liabilities relating to the sold assets. However, we believe that a sale of our real estate investment assets to a party other than Island Fund prior to the merger and a resulting increase in the merger consideration to a price higher than $11.156 per share are not likely to occur;

- if the sale to Island Fund is not completed prior to or simultaneously with the merger or we terminate the purchase agreement, in either case because of specified circumstances, we and CBRE Holding are allowed to withhold $5 million in liquidated damages from amounts otherwise payable in connection with the merger to Andrew L. Farkas, our chief executive officer and the controlling person of Island Fund. If Island Fund and Mr. Farkas confirm in writing that the withholding has been or may be properly made by us and CBRE Holding, approximately 10% of the amount withheld will be paid to our stockholders and the merger consideration will increase to $11.019 per share; and

- common stockholders who properly exercise their appraisal rights will receive, instead of any of the amounts described above, the fair value of

their shares determined by a court under Delaware law.

You will not have any interest in Insignia after the merger is completed.

Q: How was the amount of merger consideration to be paid to holders of Insignia common stock determined?

A: The merger consideration resulted from arm's length negotiations between the management of CBRE Holding and its advisors, on the one hand, and the management of Insignia, its board of directors, a special committee of the board of directors and their respective advisors, on the other hand. CBRE Holding has informed us that the material factors it considered during the negotiation of the amount of the merger consideration were:

- CBRE Holding's view of the prospects for the combined CBRE/Insignia business based on the results of CBRE Holding's on-going due diligence review during the negotiations and its knowledge of the real estate services business;

- CBRE Holding's belief that it could obtain annual cost savings from the elimination of overlapping business resources and functions;

- CBRE Holding's assumption that it would be able to sell our real estate investment assets for at least the $67.2 million estimated book value of such assets as of December 31, 2002, which sale proceeds would be used to partially finance the merger, repay certain debt and pay related fees and expenses;

- the amount and terms of the debt and equity financing commitment CBRE Holding believed it could obtain, which commitments would be the primary source of its financings for the merger, the repayment of certain debt and the payment of related fees and expenses;

- our historical financial results and financial condition and CBRE Holding's view of our prospects as a stand-alone company;

- the market price of our common stock; and

- CBRE Holding's belief that our special committee and board of directors would not agree to a lower purchase price than the merger consideration provided in the merger agreement.

CBRE Holding has indicated to us that its proposals regarding the amount of the merger consideration were based on its consideration of all of these factors and that it is not possible to quantify the impact of any individual factor other than as described below with respect to the proceeds CBRE Holding believed it would receive from the sale of our real estate investment assets. CBRE Holding's initial proposal of $10.15 per share of our common stock in November 2002 was influenced by the market price for our common stock at that time. CBRE Holding's initial proposal also was influenced by the fact that CBRE Holding had not yet received any proposal for the debt financing for the merger. The absence of such a debt financing proposal adversely impacted CBRE Holding's initial merger proposal because CBRE Holding did not want to deliver a merger proposal to us that it was not confident it could ultimately finance. In addition, at the time of CBRE Holding's initial proposal, CBRE Holding had not yet been provided access by us to conduct due diligence regarding our business in

order to assess our financial condition and prospects and identify and analyze potential cost savings opportunities. The absence of this information about our business also adversely impacted CBRE Holding's initial proposal. During the course of negotiations, CBRE Holding was able to increase its offer to as high as $12.00 per share because it had been able to obtain a definitive commitment for up to $560 million of debt financing, which was the primary source of financing for the merger and related transactions, and was able to conduct significant business, financial and legal due diligence regarding our business and operations in order to assess our prospects and contingent liabilities, as well as cost savings opportunities in connection with the combination of the businesses, which savings CBRE Holding eventually estimated to be approximately $34 million per year. In addition, CBRE Holding also believed it was necessary to increase the amount it was willing to offer as a result of the insistence of our board of directors and the special committee that they would not enter into a transaction providing for the amount of merger consideration initially proposed by CBRE Holding. However, when CBRE Holding determined during the negotiations that it may not be able to sell our real estate investment assets for more than $45 million, CBRE Holding indicated that it would need to reduce the merger consideration to $11.00 per share, subject to adjustments described above, as a result of the reduction in this source of financing from its earlier expectation.

The material factors that we considered in negotiating the amount of the merger consideration were:

- the merger consideration of $10.15 per share initially offered by CBRE Holding;
- the view of our special committee and board of directors that CBRE Holding's first offer was not the highest price per share it would pay;
- the range of low and high sale prices of $5.45 to $13.24 per share of our common stock since January 1, 2001, as reported on the New York Stock Exchange;
- the adverse trend in the commercial real estate services business in the recent past;

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- the expectation that a strategic buyer like CBRE Holding would put a higher value on our business than a financial buyer;
- the view of our special committee and board of directors that CBRE Holding's debt to equity ratio prior to the proposed merger would limit its ability to borrow additional funds to finance the merger;
- our special committee's and board of director's view that we have obtained the highest price per share that CBRE Holding is willing to pay; and
- the presentations made by Bear Stearns to our special committee and board of directors and Bear Stearns' oral opinion on February 17, 2003, subsequently confirmed in writing, to the effect that, based upon the assumptions made, matters considered and limitations on the review described in the written opinion, the merger consideration was fair, from a financial point of view, to the holders of our common stock. Bear Stearns' opinion was provided prior to our agreement to sell our real estate investment assets to Island Fund, as discussed below and, therefore, does not address that transaction or the related increase in

the merger consideration.

Q: What is the purchase agreement with Island Fund I LLC regarding our real estate investment assets?

A: Insignia, CBRE Holding and its direct and indirect subsidiaries, CB Richard Ellis Services, Inc. and Apple Acquisition Corp., entered into a purchase agreement with Island Fund that provides for the purchase by Island Fund of our real estate investment assets immediately prior to the closing of the merger. Island Fund is a newly-formed limited liability company that is affiliated with each of Andrew L. Farkas, chairman of the board and chief executive officer of Insignia, James A. Aston, chief financial officer of Insignia and Ronald Uretta, chief operating officer of Insignia. Mr. Farkas also owns all of the equity interests of the managing member of Island Fund, and Messrs. Farkas, Aston and Uretta and Jeffrey P. Cohen, executive vice president of Insignia are officers of both Island Fund and its managing member. The purchase agreement provides that the cash purchase price for the real estate investment assets will be an aggregate of approximately $44 million, subject to adjustment if, prior to the effective time of the merger, we receive distributions from, or make capital contributions to, these assets. In addition to the cash purchase price, the purchase agreement provides that Island Fund will assume existing employment-related contractual obligations of Insignia to Messrs. Farkas, Aston and Uretta valued at approximately $7.8 million. If the transactions contemplated by the purchase agreement closes prior to the closing of the merger and certain conditions under the merger agreement are satisfied, our common stockholders will receive $11.156 in cash per share in connection with the merger. Under the merger agreement, the payment of this increased merger consideration is conditioned upon the performance by us of certain covenants and the accuracy of certain representations and warranties in the merger agreement that are related to the purchase agreement with Island Fund. In addition, under the Island Fund purchase agreement the completion of the sale of our real estate investment assets to Island Fund is conditioned on the receipt of certain third party consents and certain other customary conditions precedent.

Q: Why will the merger consideration be increased by $0.156 if the sale to Island Fund is completed prior to the closing of the merger?

A: The merger agreement provides that, if we sell any of our real estate investment assets without retaining any liabilities relating to such assets and receive net cash proceeds of more than approximately $45 million at or prior to the completion of the merger, common stockholders and holders of restricted stock, options and warrants will receive a portion of those excess proceeds as additional merger consideration. The maximum amount of additional merger consideration that may be received is $1.00 per share, regardless of the amount of the excess net cash proceeds we receive. Under these terms, our stockholders would not be entitled to any additional merger consideration as a result of the proposed sale of the real estate investment assets to Island Fund because, among other things, we would retain $11.7 million in letter of credit obligations and debt repayment guarantees related to the real estate investment assets following the closing of the merger. However, we and the other parties to the original merger agreement have entered into an amended and restated merger agreement, which provides that our stockholders will receive an additional $0.156 in cash per share

under the circumstances described in more detail in this proxy statement. See "Sale of Our Real Estate Investment Assets In Connection With the Merger."

Q: How did our board of directors and special committee determine that the sale of our real estate investment assets to Island Fund under terms and conditions that would provide an additional $0.156 per share in merger consideration was advisable and in the best interests of our stockholders?

A: Under the terms of the merger agreement, for our stockholders to receive more than $11.00 per share, we would have to sell our real estate investment assets and receive net cash proceeds at or prior to the closing of the merger in excess of the minimum amount described above. At the direction of the special committee, Frank Garrison, who is the President of Insignia Financial Services and Adam Gilbert, who is our general counsel, each of whom has indicated he does not intend to be affiliated with Island Fund, and other employees under the direction of Messrs. Garrison and Gilbert, solicited potential purchasers for our real estate investment assets and had discussions with a number of them, including Island Fund. The material factors that led our board of directors and the special committee to determine that the Island Fund proposal, which was the only proposal we received for all of the real estate investment assets, had a greater certainty of closing at or prior to the closing of the merger and would likely result in a greater increase in the cash merger consideration included:

- the difficulty of finding interested purchasers for some of the assets and the likelihood that the net proceeds from the sale of the real estate investment assets would be insufficient to result in any additional merger consideration unless all or substantially all of such assets were sold;

- the conditions to closing demanded by some of the proposed purchasers, which contrasted to the limited conditions contained in the purchase agreement with Island Fund;

- the uncertainty of obtaining aggregate net cash proceeds that would result in any increase in the merger consideration under the terms of the original merger agreement;

- even if agreements were entered into with multiple purchasers that would result in an increase in the merger consideration, the failure to close any one of those transactions could result in the failure to obtain any increase in the merger consideration; and

- the time needed for due diligence by certain purchasers and the uncertainty as to whether we would be able to enter into definitive agreements with such purchasers and, if such agreements were entered into, be able to close the sales at or prior to the closing of the merger.

Although under the terms of the original merger agreement the Island Fund proposal would not have resulted in an increase in the merger consideration, we were able to reach agreement with CBRE Holding to increase the merger consideration by $0.156 per share, but CBRE Holding would not agree to pay more. Our board of directors and the special committee believed, within the context of the pending merger and in light of management's efforts to sell the real estate investment assets, that the Island Fund purchase agreement and the related increase in merger consideration represented the best alternative reasonably available under the circumstances in order to increase the merger consideration to be received by our stockholders.

Q. Is the closing of the sale of our real estate investment assets to Island Fund a condition to the closing of the merger?

A: No. However, if the conditions to the completion of the merger have been satisfied or waived and the purchase of our real estate investment assets by Island Fund has not closed, we will complete the merger and our stockholders will not receive the additional merger consideration that would be payable if we completed the sale to Island Fund. See, "The Merger Agreement--Conditions to Payment of Increased Merger Consideration as a Result of a Sale of Real Estate Investment Assets to Island Fund."

Q: Why does the merger agreement provide that potential increases in the merger consideration generally would be based on Insignia having received net cash proceeds in excess of $45 million for the real estate investment assets?

A: In the negotiation of the merger agreement, CBRE Holding had proposed a price of $12.00 per share

of our common stock, which assumed the real estate investment assets could be sold for their book value which at that time was estimated by CBRE Holding to be approximately $67.2 million as of December 31, 2002, in a transaction that would close on or prior to the closing date of the merger. Although the completion of the sale of these assets for their estimated book value prior to the closing of the merger was not a condition to CBRE Holding's $12.00 per share proposal, the proposal contemplated that prior to executing a definitive merger agreement CBRE Holding would enter into an agreement to sell the real estate investment assets for such a price. In connection with CBRE Holding's $12.00 per share proposal it had attributed that value to the real estate investment assets for purposes of valuing Insignia as a whole. In addition, by entering into an agreement that was sufficiently certain of being completed prior to the merger, CBRE Holding expected it would be able to use these sale proceeds to partially finance the merger and related transactions. However, the only offer for the real estate investment assets at that time was for $45 million from Andrew L. Farkas. This offer was received prior to solicitation by us of any other offers. CBRE Holding rejected this offer as a result of its desire for a proposal with a higher price and a greater degree of certainty of closing. CBRE Holding then reduced the proposed price per common share to $11.00, but agreed with us to pay to our common stockholders as additional merger consideration any net cash proceeds received by us at or prior to the merger from the sale of these assets in excess of approximately $45 million (subject to adjustment), up to a maximum of $1.00 per share of our common stock.

Q: Why is any potential increase in the merger consideration under the merger agreement limited to a maximum of $1.00 per common share?

A: In the negotiation of the merger agreement, CBRE Holding was not willing to pay more than $12.00 per share of common stock, regardless of the amount that might be received for the real estate investment assets. As a result, CBRE Holding would not agree to a potential increase of the merger consideration of more than $1.00 per share of our common stock.

Q: When will I know if the merger consideration has been increased?

A: If the sale of the real estate investment assets to Island Fund is completed prior to the closing of the merger or in the unlikely event that we terminate our agreement with Island Fund and complete a sale of our real estate investment assets to a different purchaser prior to or simultaneously with the merger, we will promptly and publicly announce the completion of that transaction and the amount by which the merger consideration will be increased. However, the Island Fund transaction is subject to conditions that will not be satisfied until after the special meeting, or it may not be completed at all. As a result, at the time you vote on the merger you will not know whether or not the merger consideration will be greater than $11.00 per share and you should not assume or expect that the merger consideration to be greater than $11.00 per share. We will publicly announce the closing of the merger and the amount of additional merger consideration, if any, no later than 9:00 a.m., New York City time, on the day immediately following the closing date of the merger.

Q: Will the cash proceeds received from the sale of Insignia Residential Group and Insignia Douglas Elliman LLC have any effect on the merger consideration?

A: No. On March 14, 2003, we sold Insignia Residential Group, our formerly wholly-owned subsidiary and the owner of Insignia Douglas Elliman, to Montauk Battery Realty, LLC, for a purchase price of up to $71.75 million. Insignia Douglas Elliman and Insignia Residential Group are not included in the specified real estate investment assets we are permitted to sell under the merger agreement that may result in an increase in the merger consideration and the cash proceeds of this sale will not affect the consideration to be paid to you in the merger. We used $65 million of the net cash proceeds from this sale to repay some of our outstanding indebtedness under our senior revolving credit facility.

Q: Under what circumstances will the merger consideration otherwise be adjusted?

A: If, prior to the merger, proposed changes to U.S. tax laws are enacted that would reduce or eliminate the taxes that stockholders currently must pay on dividends received from Insignia, then Insignia and CB Richard Ellis Services may decide to have Insignia pay a dividend so that stockholders may take advantage of those tax savings. In that event, the per share cash payment that common stockholders

would have otherwise received in the merger will be reduced by the amount per share of common stock of that dividend. However, we do not currently expect to pay a dividend to our stockholders prior to the time of the merger.

Q: What do our board of directors and the special committee of our board of directors recommend?

A: BOTH OUR BOARD OF DIRECTORS AND THE SPECIAL COMMITTEE OF OUR BOARD OF DIRECTORS RECOMMEND THAT YOU VOTE "FOR" ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER. Our board of directors and the special committee of our board of directors unanimously determined that the merger is advisable and in the best interests of our stockholders. To review the background of, and reasons for, the merger, see "The Merger--Background of the Merger" and "--Our Reasons for the Merger and the Recommendations of the Special Committee and our Board of Directors."

In considering the recommendations of the special committee and of our board of directors, you should be aware that many of our directors and executive officers have interests in the merger that are different from, and in addition to, yours. See "The Merger--Interests of Executive Officers and Directors in the Merger."

Q: What function did the special committee serve with respect to the merger and who are its members?

A: The principal function of the special committee of independent directors with respect to the merger was to protect your interests from potential conflicts of interest of our executive officers and management directors in evaluating and negotiating the merger agreement. The special committee is composed of Robert J. Denison, Stephen M. Ross and H. Strauss Zelnick, none of whom is an employee of Insignia or an employee or director of CBRE Holding, CB Richard Ellis Services or Apple Acquisition. The special committee independently selected and retained legal and financial advisors to assist it. For more information regarding the special committee and its evaluation and negotiation of the merger, see "The Merger--Background of the Merger."

Q: What are the reasons for, and benefits of, engaging in the proposed merger?

A:
- o The merger consideration represents a substantial premium to the closing price per share of our common stock on February 6, 2003, the last full trading day prior to the public announcement of our discussions with CBRE Holding concerning the proposed merger and exceeds the market prices of our common stock for approximately 10 months prior to that date;
- o stockholders will be able to obtain liquidity for their shares without the usual transaction costs associated with open market sales; and
- o the merger will eliminate the risks to stockholders of a possible future decline in our business or the market price of our common stock.

Q: What are the detriments of engaging in the proposed merger?

A:
- o Stockholders will cease to participate in any potential future growth in our business or increase in the value of our common stock;
- o stockholders may incur taxable gain as a result of the receipt of cash for their common stock in the merger; and
- o substantial payments will be made to members of our management under their existing employment agreements and employee benefits in connection with the merger.

Q: When do you expect to complete the merger?

A: We are working to complete the merger as soon as possible and expect that it

will be completed promptly after the special meeting.

Q: Is the merger subject to the fulfillment of any conditions?

A: The merger is subject to CB Richard Ellis Services receiving at least $75 million under its amended and restated credit agreement, the satisfaction of the conditions to the release from escrow of $200 million from the sale of senior notes of CBRE Escrow, Inc., a wholly owned subsidiary of

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CB Richard Ellis Services, or alternatively, obtaining at least $560 million in debt financing on specified terms, the adoption of the merger agreement and the approval of the merger by the holders of our common stock, the receipt of governmental approvals and other customary conditions. We expect to complete the merger as soon as practicable after these conditions have been met or, when permitted under the merger agreement, waived. See "The Merger--Regulatory Approvals" and "The Merger Agreement--Conditions to the Merger."

VOTING AND RELATED MATTERS

Q: How do I vote?

A: After you read and consider carefully the information contained in this proxy statement, please fill out, sign and date your proxy card and mail your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the special meeting. You may also vote by telephone by calling 1-866-580-7645 or through the Internet at https://www.proxyvotenow.com/ifs using the control number that appears on your proxy card. Failure to return your proxy, to vote by telephone or through the Internet or to vote in person at the meeting will have the same effect as a vote against the adoption of the merger agreement and approval of the merger. See "Introduction--Voting and Revocation of Proxies."

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Yes, but only if you provide instructions to your broker on how to vote. You should fill out, sign, date and return the proxy card and otherwise follow the directions provided by your broker regarding how to instruct your broker to vote your shares. See "Introduction--Voting and Revocation of Proxies."

Q: Can I change my vote or revoke my proxy after I have mailed my signed proxy card or completed it by telephone or through the Internet?

A: Yes, you can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice to our corporate secretary stating that you would like to revoke your proxy. Second, you can complete and submit a new, later dated

proxy card or complete a new, later dated proxy by telephone or through the Internet. If you choose either of these methods, you must submit your notice of revocation or your new proxy card to us so that we receive it by , 2003. Third, you can attend the special meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy; you must vote at the meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote. See "Introduction--Voting and Revocation of Proxies."

Q: Should I send in my stock certificates now?

A: No. If the merger is completed, shortly thereafter you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to the exchange agent. You should use the letter of transmittal to exchange stock certificates for the merger consideration to which you are entitled as a result of the merger. YOU SHOULD NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY CARD. You should follow the procedures described in "The Merger--Payment of Merger Consideration and Surrender of Stock Certificates."

Q: Who can help answer my other questions?

A: If you have more questions about the merger, you should contact our proxy solicitation agent:

D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005

Call Toll-Free: 888-887-1266

SUMMARY TERM SHEET

This summary term sheet highlights material information from this proxy statement relating to the proposed merger and the meeting and does not contain all of the information that is important to you. To understand fully the merger and the other matters to be considered at the special meeting, you should read carefully this entire proxy statement, including the information incorporated by reference, the appendices and the additional documents referred to in this proxy statement.

THE COMPANIES

INSIGNIA FINANCIAL GROUP, INC.
200 Park Avenue
New York, New York 10166
(212) 984-8033

Insignia Financial Group, Inc. is an international real estate services company with operations in the United States, the United Kingdom and France, as

well as other operations in continental Europe, Asia and Latin America. Insignia's real estate service businesses specialize in commercial leasing, sales brokerage, corporate real estate consulting, property management, property development and re-development, apartment brokerage and leasing, condominium and cooperative apartment management, real estate oriented financial services, equity co-investment and other services. In addition to traditional real estate services, Insignia has previously invested its own capital, together with the capital of third party investors, in principal real estate oriented ventures, including co-investment in existing property assets, real estate development and managed private investment funds. Currently, Insignia does not intend to invest in new principal real estate oriented ventures even if the merger is not consummated. In addition to venture related investment returns, Insignia generates revenues from fee-based services provided to minority owned real estate investment entities.

CBRE HOLDING, INC.
CB RICHARD ELLIS SERVICES, INC.
355 South Grand Avenue
Suite 3100
Los Angeles, California 90071
(213) 613-3226

CBRE Holding is a holding company that owns all of the outstanding capital stock of CB Richard Ellis Services, which is also a holding company that conducts its operations primarily through its direct and indirect subsidiaries. CBRE Holding is one of the world's largest global commercial real estate services firms in terms of revenue, offering a full range of services to commercial real estate occupiers, owners, lenders and investors. Its operations are conducted through 206 offices located in 47 countries with approximately 9,500 employees. CBRE Holding has worldwide capabilities to assist buyers in the purchase and sellers in the disposition of commercial property, assist tenants in finding available space and owners in finding qualified tenants, provide valuation and appraisals for real estate property, assist in the placement of financing for commercial real estate, provide commercial loan servicing, provide research and consulting services, help institutional investors manage commercial real estate portfolios, provide property and facilities management service and serve as the outsource service provider to corporations seeking to be relieved of the burden of managing their real estate operations. For additional information regarding CBRE Holding and CB Richard Ellis Services, see "CBRE Holding, Inc." and Appendix D to this proxy statement.

APPLE ACQUISITION CORP.
355 South Grand Avenue
Suite 3100
Los Angeles, California 90071
(213) 613-3226

Apple Acquisition Corp., a Delaware corporation, is an indirect wholly owned subsidiary of CBRE Holding and a direct wholly owned subsidiary of CB Richard Ellis Services and has not engaged in any business except in furtherance of effecting the merger and the related transactions.

We sometimes refer to CBRE Holding, CB Richard Ellis Services and Apple Acquisition collectively in this proxy statement as the "CBRE Companies."

THE SPECIAL MEETING

DATE, TIME, PLACE AND PROPOSALS TO BE CONSIDERED (SEE PP.)

The special meeting of stockholders of Insignia will be held on , 2003 at , local time, at . At the special meeting, stockholders will consider and vote upon a proposal to adopt the Amended and Restated Agreement and Plan of Merger, dated as of May 28, 2003, by and among Insignia, CB Richard Ellis Services, CBRE Holding and Apple Acquisition and to approve the merger of Apple Acquisition with and into Insignia. A copy of the merger agreement is attached as Appendix A to this proxy statement. For additional information regarding the proposal to be considered at the special meeting, see "Introduction--Record Date; Proposal to be Considered at the Special Meeting."

RECORD DATE FOR VOTING (SEE PP.)

Only holders of record of our common stock at the close of business on May 19, 2003 are entitled to notice of and to vote at the special meeting. On that date, there were 1,416 holders of record of our common stock and 24,070,493 shares of our common stock outstanding. For additional information regarding the record date for voting, see "Introduction--Voting Rights; Vote Required for Approval."

VOTE REQUIRED FOR APPROVAL (SEE PP.)

Adoption of the merger agreement and approval of the merger require the affirmative vote of the holders of a majority of the shares of our common stock outstanding on the record date. A failure to return a properly executed proxy card or to vote at the special meeting, including abstentions and broker non-votes will have the effect of a vote "AGAINST" the adoption of the merger agreement and approval of the merger. Some of our officers who collectively owned on the record date approximately 6.4% of our outstanding common stock entitled to vote at the special meeting have entered into voting agreements in which they have agreed to vote their shares in favor of adoption of the merger agreement and approval of the merger. Holders of shares of our series A convertible preferred stock and series B convertible preferred stock are not entitled to vote with respect to the merger.

THE MERGER

MERGER CONSIDERATION (SEE PP.)

In the merger:

- each outstanding share of our common stock will be converted into the right to receive the following, as applicable (in each case, subject to decrease if we pay a dividend under specified circumstances prior to the merger):
  - $11.00 per share;
  - an additional $0.156 per share, if the sale of our real estate investment assets to Island Fund is completed prior to the merger and the conditions provided in the merger agreement for the payment of this increased merger consideration are satisfied; and

- o if the sale to Island Fund is not completed prior to the merger and we sell our real estate investment assets to a different purchaser prior to or simultaneously with the merger, common stockholders may receive, instead of the additional $0.156 in cash per share

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described above, up to $1.00 per share if we receive net cash proceeds from such other transaction in excess of a specified amount (generally $45 million, subject to adjustment) and do not retain any liabilities relating to the sold assets. However, we believe that a sale of our real estate investment assets to a party other than Island Fund prior to the merger and a resulting increase in the merger consideration to a price higher than $11.156 per share are not likely to occur; and

- o if the sale to Island Fund is not completed prior to the merger or we terminate the purchase agreement, in either case because of specified circumstances, we and CBRE Holding are allowed to withhold $5 million in liquidated damages from amounts otherwise payable in connection with the merger to Andrew L. Farkas, our chief executive officer and the controlling person of Island Fund. If Island Fund and Mr. Farkas confirm in writing that the withholding has been or may be properly made by us and CBRE Holding, approximately 10% of the amount withheld will be paid to our stockholders and the merger consideration will increase to $11.019 per share; and

- o each outstanding share of our series A convertible preferred stock will be converted into the right to receive $100.00 in cash, plus an amount equal to any compound dividends accrued and unpaid on the share; and

- o each outstanding share of our series B convertible preferred stock will be converted into the right to receive $100.00 in cash, plus an amount equal to any compound dividends accrued and unpaid on the share;

in each case, without interest and less any applicable withholding taxes and other than shares held by us as treasury stock or owned by CBRE Holding, CB Richard Ellis Services or Apple Acquisition or their respective subsidiaries, or held by stockholders who perfect their appraisal rights under Delaware law and do not effectively withdraw their right to appraisal. Although the consideration payable for outstanding shares of our common stock may be decreased or increased as generally described above, we do not expect to pay a dividend on the common stock prior to the time of the merger and, as a result, it is unlikely that the merger consideration will be less than $11.00 per share. In addition, the completion of the sale of our real estate investment assets to Island Fund and a corresponding increase in the merger consideration to $11.156 are subject to conditions that are not expected to be fulfilled until after the special meeting. As a result, at the time you vote on the merger you will not know whether or not the merger consideration will be greater than $11.00 per share and you should not assume or expect that the merger consideration will be greater than $11.00 per share.

TREATMENT OF OTHER SECURITIES (SEE PP.)

STOCK OPTIONS AND WARRANTS. In the merger, all outstanding warrants and all outstanding options other than those described below, whether vested or unvested, to purchase our common stock will be canceled and will represent the

right to receive a cash payment, without interest, equal to the excess, if any, of the merger consideration over the per share exercise price of the option or warrant, multiplied by the number of shares of common stock subject to the option or warrant, less any applicable withholding taxes.

Outstanding options to purchase our common stock granted pursuant to our 1998 Stock Incentive Plan, whether vested or unvested, will be cancelled and will represent the right to receive a cash payment, without interest, equal to the excess, if any, of the higher of (a) the merger consideration, and (b) the highest final sale price per share of our common stock as reported on the New York Stock Exchange on any day during the 60-day period preceding the closing of the merger, over the exercise price of the options, multiplied by the number of shares of common stock subject to the options, less any applicable withholding taxes. For example, the highest final sale price per share of our common stock reported on the NYSE during the 60-day period preceding the date of this proxy statement was $11.28 per share on May 9, 2003, which is higher than the merger consideration.

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RESTRICTED STOCK AWARDS. In the merger, all outstanding restricted stock awards will be canceled and will represent the right to receive an amount in cash, without interest, equal to the merger consideration multiplied by the number of shares of common stock subject to such awards, less any applicable withholding taxes.

SALE OF OUR REAL ESTATE INVESTMENT ASSETS IN CONNECTION WITH THE MERGER (SEE PP.)

Insignia, CBRE Holding, CB Richard Ellis Services, Apple Acquisition and Island Fund I, LLC have entered into a purchase agreement providing for the purchase by Island Fund of all of our real estate investment assets immediately prior to the closing of the merger. Island Fund is a newly formed limited liability company that is affiliated with each of Andrew L. Farkas, chairman of the board and chief executive officer of Insignia, James A. Aston, chief financial officer of Insignia and Ronald Uretta, chief operating officer of Insignia. Mr. Farkas also owns all of the equity interests of the managing member of Island Fund, and Messrs. Farkas, Aston and Uretta and Jeffrey P. Cohen, executive vice president of Insignia, are officers of both Island Fund and its managing member. The purchase agreement provides that the cash purchase price for these assets will be an aggregate of approximately $44 million, subject to adjustment if, prior to the effective time of the merger, we receive distributions from, or make capital contributions to, these assets. In addition to the cash purchase price, the purchase agreement provides that Island Fund will assume existing employment-related contractual obligations of Insignia to Messrs. Farkas, Aston and Uretta valued at approximately $7.8 million.

The merger agreement provides that if we are able to realize more than $45 million in net proceeds from the sale of our real estate investment assets, the amount received over $45 million will be paid to our stockholders, up to an additional $1.00 per share of our common stock. The merger agreement also provides that liabilities related to the real estate assets to be sold that are retained by us after the merger would reduce the amount of net proceeds from the sale of the real estate investment assets. The purchase agreement with Island Fund provides that we would remain liable for $11.7 million in letter of credit obligations and debt repayment guarantees related to the real estate investment assets, with the result that the net proceeds would be less than $45 million and, our stockholders would not receive any additional consideration under the merger agreement.

However, we and the CBRE Companies have amended the original merger agreement to provide that if the sale to Island Fund is completed immediately prior to the merger and the conditions under the merger agreement described below are satisfied, the merger consideration will nonetheless increase from $11.00 per share to $11.156 per share. There can be no assurance that the transactions contemplated by the purchase agreement will be consummated prior to the completion of the merger. The consummation of the transactions contemplated by the purchase agreement with Island Fund and any payment of the increased merger consideration are subject to conditions that are not expected to be fulfilled until after the special meeting. As a result, at the time you vote on the merger, you will not know whether or not the common stock merger consideration will be greater than $11.00 per share and you should not assume or expect that the merger consideration will be greater than $11.00 per share.

Under the merger agreement, the payment of any increased merger consideration as a result of the sale of real estate investment assets to Island Fund is conditioned upon the performance by us of certain covenants and the accuracy of certain representations and warranties in the merger agreement that are related to the purchase agreement with Island Fund. In addition, under the Island Fund purchase agreement the completion of the sale of our real estate investment assets to Island Fund is conditioned on the receipt of certain third party consents and certain other customary conditions precedent.

OUR REASONS FOR ENGAGING IN THE MERGER (SEE PP.)

The principal purpose of the merger is to enable holders of our common stock to receive cash for their shares at a significant premium over (a) the $8.37 closing price per share of our common stock on February 6, 2003, the last full trading day before the public announcement of our discussions with CBRE Holding concerning the proposed merger and (b) the average price per share of $9.21 during the 360-day period immediately preceding February 6, 2003. A special committee of our board of directors and our board of directors believe that the merger is advisable and in the best interests of our stockholders. See "The Merger--Our Reasons for the Merger and the Recommendation of the Special Committee and our Board of Directors."

CBRE HOLDING'S REASONS FOR ENGAGING IN THE MERGER (SEE PP.)

CBRE Holding has indicated to us that its reasons for engaging in the merger generally are to (1) broaden the strength of its business in key commercial centers around the world, including New York, London and Paris, (2) enhance the service offerings available to its clients around the world, (3) benefit from our additional client relationships, (4) combine the most talented commercial real estate services personnel from the two businesses in order to provide the best possible service to its clients, and (5) obtain estimated annual costs savings of approximately $34 million from the elimination of overlapping business resources and functions after the merger.

RECOMMENDATIONS OF THE SPECIAL COMMITTEE AND OUR BOARD OF DIRECTORS (SEE PP.)

Each of the members of the special committee voted in favor of the adoption of the merger agreement and the approval of the merger. Our board of directors also has unanimously determined that the merger is advisable and in the best interests of our stockholders and approved the merger agreement and the merger. Accordingly, our board of directors and the special committee recommend that you vote "FOR" the proposal to adopt the merger agreement and approve the merger. For a discussion of the material factors considered by the special committee and our board of directors in reaching their recommendations,

see "The Merger--Our Reasons for the Merger and the Recommendations of the Special Committee and our Board of Directors."

OPINION OF BEAR, STEARNS & CO. INC. (SEE PP.)

In connection with the merger, the special committee and our board of directors considered the opinion of Bear, Stearns & Co. Inc. as to the fairness of the merger consideration, from a financial point of view, to the holders of our common stock. Bear Stearns rendered its oral opinion on February 17, 2003, the date of the original merger agreement, and subsequently confirmed in writing as of that date, to the special committee and our board of directors to the effect that, based upon the assumptions made, matters considered and limitations on the review described in the written opinion, the merger consideration was fair from a financial point of view to the holders of our common stock. Bear Stearns's opinion was provided for the information of the special committee and our board of directors and does not constitute a recommendation to any stockholder with respect to any matter relating to the proposed merger. Bear Stearns' opinion was provided prior to our agreement to sell our real estate investment assets to Island Fund and, therefore, does not address that transaction or the related increase in the merger consideration. See "The Merger--Opinion of Bear, Stearns & Co. Inc."

The full text of Bear Stearns' written opinion is attached as Appendix B to this proxy statement. We encourage you to read Bear Stearns' opinion in its entirety for a description of the assumptions made, matters considered and limitations on the review undertaken.

INTERESTS OF OUR DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER (SEE PP.)

In considering the recommendation of the special committee and our board of directors with respect to the merger agreement and the merger, you should be aware that many of our executive officers and members of our board of directors have interests in the merger that are in addition to, or different from, the interests of our stockholders generally and include the following payments, each of which is included in the summary table below.

- Alan C. Froggatt and Frank M. Garrison, executive officers of Insignia, have unvested options to purchase our common stock or restricted stock awards. The merger agreement provides that all outstanding options, warrants and restricted stock awards will become fully vested at the time of the merger, including options, warrants and restricted stock awards held by our executive officers and directors.

- Andrew L. Farkas, Frank M. Garrison, James A. Aston, Adam B. Gilbert, Ronald Uretta and Jeffrey P. Cohen, executive officers of Insignia, are entitled to receive substantial payments and benefits in connection with the merger.

- Messrs. Denison, Ross and Zelnick, the members of the special committee, have each received $35,000 for serving on that committee and will receive an additional $35,000 upon consummation of the merger.

The following table summarizes the aggregate payments to be received by each of our executive officers and director, and by all of our executive officers and directors as a group, as a result of the payment for their options, warrants and restricted stock awards, payments under their existing employment agreements with us and the other payments and benefits to be received by them in connection with the merger, based upon the outstanding shares of common stock, options, warrants and restricted stock awards as of the

record date and assuming that the merger were to occur on June 30, 2003:

NAME OF EXECUTIVE OFFICER OR DIRECTOR	AGGREGATE PAYMENTS TO BE RECEIVED ASSUMING MERGER CONSIDERATION OF $11.00 PER SHARE	AGGREGATE PAYMEN TO BE RECEIVED ASSUMING AN INCREASED MERGE CONSIDERATION O APPROXIMATELY $11.156 PER SHAR
James A. Aston(1)(4)	$ 3,099,997	$ 3,149,972
Jeffrey P. Cohen(1)	$ 1,724,710	$ 1,724,710
Robert J. Denison(2)	$ 147,560	$ 152,084
Andrew L. Farkas(1)(2)(3)	$15,380,244	$15,573,794
Robin L. Farkas(2)	$ 77,560	$ 82,084
Alan C. Froggatt(2)(5)	$ 67,346	$ 69,186
Frank M. Garrison(1)(4)	$ 3,779,827	$ 3,845,402
Adam B. Gilbert(1)	$ 2,125,146	$ 2,125,146
Robert G. Koen(2)	$ 77,560	$ 82,084
Stephen M. Ross(2)	$ 72,560	$ 72,872
Stephen B. Siegel(1)(2)(5)	$ --	$ --
Ronald Uretta(1)(4)	$ 3,461,103	$ 3,511,078
H. Strauss Zelnick(2)	$ 147,560	$ 152,084
All executive officers and directors as a group	$30,161,173	$30,540,496

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(1) Executive officer of Insignia.

(2) Director of Insignia.

(3) Includes a "material asset disposition" payment of $3,022,754 and a bonus of $1,820,000. If the sale of our real estate investment assets to Island Fund is completed as described below, the "material asset disposition" payment will be increased to $3,060,304 as a result of the higher per share merger consideration and the obligation to make the "material asset disposition" and bonus payment will be assumed by Island Fund.

(4) Includes a "material asset disposition" payment of $1,511,377. If the sale of our real estate investment assets to Island Fund is completed prior to the merger, this payment will be increased to $1,530,152 as a result of the higher per share merger consideration and the obligation to make this payment to each of Messrs. Aston and Uretta will be assumed by Island Fund.

(5) Stephen B. Siegel and Alan C. Froggatt will be employed by a subsidiary of CB Richard Ellis Services, Inc. following the merger. The payments to be received by them under their respective new employment agreements are described below.

In addition to the payments summarized above, our executive officers and directors will receive the following benefits in connection with the merger:

o Each of Messrs. Farkas, Garrison, Aston, Uretta, Gilbert and Cohen will be entitled to receive the balances of their respective accounts under our 401(k) restoration plan in accordance with the terms of such plan. Based on the balances as of May 19, 2003, Mr. Farkas will be entitled to

receive $2,369,529, Mr. Garrison will be entitled to receive $1,028,064, Mr. Aston will be entitled to receive $557,539, Mr. Uretta will be entitled to receive $1,459,318, Mr. Gilbert will be entitled

to receive $182,795 and Mr. Cohen will be entitled to receive $270,297. These payments represent amounts previously withheld from compensation due to these individuals, employer matching contributions and accrued interest.

- Stephen B. Siegel, one of our executive officers, who is also a director, has entered into a new employment agreement with CB Richard Ellis, Inc. that will become effective and supersede his existing employment agreement with us upon the completion of the merger. Under the terms of his agreement Mr. Siegel will be entitled to (a) a cash signing bonus of $1.6 million, (b) a cash retention bonus of $5.4 million, (c) an annual forgivable draw of $2.5 million for a period of five years following the closing of the merger, (d) a $200,000 annual bonus at the end of each of the next five calendar years, (e) brokerage commission equal to the highest percentage agreed by CB Richard Ellis with any of its real estate brokers of the commissions earned, received or retained by CB Richard Ellis upon transactions as to which Mr. Siegel provided services recognized by CB Richard Ellis, (f) forgiveness following the merger of a $1.5 million loan granted to him by Insignia/ESG, Inc., including all accrued and unpaid interest on this loan, and (g) reimbursement of certain expenses and other perquisites and benefits as more fully described in this proxy statement under the caption "--Stephen B. Siegel Employment Agreement."

- Alan C. Froggatt, our director and officer, is expected to enter into an amended employment agreement with Insignia Richard Ellis that will become effective and supersede his existing employment agreement upon the completion of the merger. Under the terms of his agreement Mr. Froggatt is expected to be employed by Insignia Richard Ellis through at least December 31, 2005 and will be entitled to (a) a fixed salary at the rate of (pounds sterling)250,000 per year and the opportunity to earn an annual target bonus of (pounds sterling)250,000 under the Executive Bonus Plan of CB Richard Ellis, Inc., (b) an annual bonus under this Executive Bonus Plan of no less than (pounds sterling)150,000 for calendar year 2003, and (c) reimbursement of business related expenses, and (d) other benefits and perquisites as more fully described in this proxy statement under the caption "--Alan C. Froggatt Employment Agreement."

- The profit participation interests of the executive officers named above in respect of our real estate investment assets will remain in place following the merger.

- Subject to specified limitations, CBRE Holding and CB Richard Ellis Services will continue the indemnification arrangements and directors' and officers' liability insurance for our past and present directors and officers following the merger.

- As described above, Island Fund, which is affiliated with Andrew L. Farkas, our chairman of the board and chief executive officer, James A. Aston, our chief financial officer, Ronald Uretta, our chief operating officer, and Jeffrey P. Cohen, our executive vice president, has entered into an agreement with us to purchase our real estate investment assets in connection with the merger. In connection with the purchase agreement

with Island Fund, Island Fund has agreed to assume our contingent obligations to make "material asset disposition" payments to Mr. Farkas in the amount of approximately $3,060,304 and to each of Messrs. Aston and Uretta in the amount of approximately $1,530,152, which would otherwise have been payable to each of them under their respective employment agreements in connection with the merger. Island Fund also has agreed to assume our contingent obligation to pay Mr. Farkas a bonus of $1,820,000 in connection with the merger.

- The purchase agreement with Island Fund provides that we, and after the closing of the merger the CBRE Companies, will indemnify Island Fund and our directors and executive officers who are affiliates of Island Fund for any claims arising out of, caused by or resulting from the fact that the affiliates of Island Fund are or were directors, officers and employees of Insignia and that we entered into the purchase agreement with Island Fund and/or consummated transactions contemplated by the purchase agreement.

See "The Merger--Interests of Executive Officers and Directors in the Merger."

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES (SEE PP.)

The receipt of cash in exchange for stock surrendered in the merger will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, a stockholder generally will realize taxable gain or loss as a result of the merger measured by the difference, if any, between the merger consideration received for such shares and the stockholder's adjusted tax basis of such shares. For additional information regarding material U.S. federal income tax consequences of the merger to our stockholders, see "The Merger--Material U.S. Federal Income Tax Consequences of the Merger to our Stockholders."

THE MERGER AGREEMENT (SEE PP.)

The full text of the merger agreement between Insignia and the CBRE Companies is attached as Appendix A to this proxy statement. We encourage you to read the merger agreement in its entirety.

CONDITIONS TO THE MERGER

The obligations of Insignia, CBRE Holding, CB Richard Ellis Services and Apple Acquisition to effect the merger are subject to the satisfaction of the following conditions, among others:

- the merger agreement must be adopted and the merger must be approved by holders of a majority of the outstanding shares of our common stock;

- CBRE Holding or CB Richard Ellis Services must have received at least $560 million in debt financing on specified terms, which financing is itself subject to a number of important conditions (for additional information, see "The Merger--Financing of the Merger; Fees and Expenses of the Merger");

- the applicable waiting period or required approval under U.S. antitrust laws and other similar non-U.S. laws must expire or be earlier terminated and other regulatory approvals must be obtained (early termination of the waiting period under U.S. antitrust laws was granted on April 2, 2003 and

approval was granted under French antitrust laws as of April 17, 2003);

- no law, injunction or order restraining, enjoining or otherwise prohibiting or making illegal the consummation of the merger may be in effect;

- the parties' respective representations and warranties in the merger agreement must be materially true and correct; and

- the parties must have materially complied with their respective covenants in the merger agreement.

The closing of the sale of our real estate investment assets under the purchase agreement with Island Fund is not a condition to the consummation of the merger. However, the payment of the $0.156 per share increased merger consideration to holders of our common stock is conditioned upon the sale of our real estate investment assets to Island Fund prior to the consummation of the merger, as well as the performance by us of certain covenants and the accuracy of certain representations and warranties in the merger agreement that are related to the purchase agreement. For additional information regarding the conditions of each party's obligation to effect the merger, see "The Merger Agreement--Conditions to the Merger."

NO SOLICITATION

The merger agreement contains detailed provisions prohibiting us from seeking an alternative transaction to the merger. These "no solicitation" provisions prohibit us from taking any action to solicit or knowingly encourage an acquisition proposal from a third party. The merger agreement does not, however, prohibit us, the special committee or our board of directors from considering and potentially approving and recommending an unsolicited superior proposal from a third party, if we, the special committee and our board of directors comply with the appropriate provisions of the merger agreement. For additional information regarding these "no solicitation" provisions, see "The Merger Agreement--No Solicitation."

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TERMINATION OF MERGER AGREEMENT

The merger agreement may be terminated, and the merger may be abandoned, at any time prior to the effective time of the merger, whether before or after adoption of the merger agreement and approval of the merger by our stockholders:

- by mutual written agreement of CBRE Holding, CB Richard Ellis Services, Apple Acquisition and us;

- by either Apple Acquisition or us, if the merger is not completed on or before July 31, 2003, so long as the failure of the merger to occur is not the result of the breach by the terminating party of a provision of the merger agreement;

- by either Apple Acquisition or us, if any final government action makes illegal or prohibits completion of the merger;

- by either Apple Acquisition or us, if our stockholders do not adopt the merger agreement and approve the merger at the special meeting or any adjournment of the special meeting;

- by either Apple Acquisition or us, if the other party materially breaches or fails to perform any of its representations, warranties or covenants in the merger agreement and fails to cure the breach;

- by us, concurrently with the execution of an acquisition agreement permitted under the merger agreement in connection with a superior proposal and the payment to Apple Acquisition of the termination fee described below;

- by Apple Acquisition, if our board of directors or the special committee of our board of directors withdraws, changes or modifies their approval or recommendation of the merger or the merger agreement or approve or recommend an alternative transaction; or

- by Apple Acquisition if any other person or entity acquires beneficial ownership of a majority of our outstanding common stock.

For additional information regarding the ability of the parties to terminate the merger agreement, see "The Merger Agreement--Termination of the Merger Agreement."

TERMINATION FEES; INDEMNIFICATION

The merger agreement provides that, in specified circumstances in which the merger agreement is terminated, we must pay to Apple Acquisition a termination fee of $7 million. One effect of the termination fee provisions is to make an acquisition of us more expensive for any other potential acquiror of us, which might discourage a potential acquiror from making an offer to acquire us. The merger agreement also includes an agreement of the CBRE Companies to indemnify us for up to $50 million of specified damages in the event the merger agreement is terminated under limited circumstances. For additional information regarding the termination fee and the circumstances under which it is payable, as well as the indemnification obligation of the CBRE Companies, see "The Merger Agreement--Termination Fee; Indemnification; Amendment of No Raid Agreement."

APPRAISAL RIGHTS (SEE PP.)

Holders of our common stock who object to the merger may elect to pursue their appraisal rights to receive the judicially determined "fair value" of their shares, which could be more or less than the per share merger consideration for the common stock, but only if they comply with the procedures required under Delaware law. In order to qualify for these rights, you must (1) not vote in favor of the adoption of the merger agreement or the approval of the merger, (2) make a written demand for appraisal prior to the taking of the vote on the adoption of the merger agreement and the approval of the merger at the special meeting and (3) otherwise comply with the Delaware law procedures for exercising appraisal rights. For a summary of these Delaware law procedures, see "The Merger--Appraisal Rights." An executed proxy that is not marked "AGAINST" or "ABSTAIN" will be voted for adoption of the merger agreement and approval of the merger and will disqualify the stockholder submitting that proxy from demanding appraisal rights.

REGULATORY APPROVALS (SEE PP.)

CBRE Holding and we are required to make filings with or obtain approvals from United States regulatory authorities in connection with the merger, including a filing under the Hart-Scott-Rodino Antitrust Improvements Act of

1976. CBRE Holding and we each filed a notification form under the Hart-Scott-Rodino Act with the Federal Trade Commission and the Department of Justice on March 14, 2003. In addition, CBRE Holding and some of its stockholders are required to make a filing under the Hart-Scott-Rodino Act in connection with the equity financing to be provided to CBRE Holding in connection with the merger, which filing was made with the Federal Trade Commission and the Department of Justice on March 20, 2003. On April 2, 2003, the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Act with respect to each filing. CBRE Holding has also made a filing with the French antitrust authority, which approved the merger as of April 17, 2003. CBRE Holding, CB Richard Ellis Services, some of CBRE Holding's stockholders and their affiliates and we are required to make filings with a regulatory authority in the United Kingdom in connection with the proposed merger. These filings were made on March 28, 2003, April 14, 2003 and April 22, 2003. For additional information regarding regulatory approvals, see "The Merger--Regulatory Approvals."

FINANCING OF THE MERGER (SEE PP.)

Based upon our total outstanding shares of common stock options, warrants and restricted stock awards as of the record date for the special meeting and the outstanding indebtedness of us and CB Richard Ellis Services as of March 31, 2003, the total amount of funds required to consummate the merger, repay some of our and CB Richard Ellis Services' indebtedness and to pay our and the CBRE Companies' fees and expenses in connection with the merger and related financings is estimated to be approximately $432 million if the sale of our real estate investment assets to Island Fund is not completed and the common stock merger consideration equals $11.00 per share, and approximately $436 million if the sale to Island Fund is completed and the merger consideration is increased to $11.156 per share and Island Fund assumes approximately $7.8 million of our contingent obligations to Messrs. Farkas, Aston and Uretta that we would otherwise pay in connection with the merger. The CBRE Companies plan to fund these amounts with the following sources of cash:

- $145 million if the sale to Island Fund is not completed, or at least $101 million of equity financing if the sale to Island Fund is completed (such equity financing will be provided pursuant to a subscription agreement and a commitment letter delivered to CBRE Holding by Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P. and Blum Strategic Partners II GmbH & Co. KG, which together currently own a majority of CBRE Holding's capital stock);

- an estimated $40 million of cash proceeds from the sale of the real estate investment assets to Island Fund, if completed;

- $200 million of gross proceeds from the sale and issuance of senior notes by a wholly-owned subsidiary of CB Richard Ellis Services;

- up to $75 million of additional term loan borrowings under CBRE's amended and restated senior secured credit agreement; and

- cash from the general working capital of CB Richard Ellis Services and Insignia.

For additional information regarding the financing of the merger, see "The Merger--Financing of the Merger; Fees and Expenses of the Merger."

FORWARD LOOKING STATEMENTS MAY PROVE INACCURATE

Some statements contained in this proxy statement are forward-looking statements. The words and phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "plans" or similar expressions, are intended to identify "forward-looking statements" and include, without limitation, our expectations regarding revenues, earnings or other future financial performance and liquidity, and general statements about future operations and operating results. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from our expectations. Factors that could cause actual results to differ from expectations include, without limitation:

- our real estate investments carry inherent risk, including the potential loss of our entire investment in any single asset;

- covenants in our revolving credit facility restrict our ability to incur indebtedness and to raise additional capital in many respects, which may restrict our ability to acquire additional investments and thereby adversely affect our realization of investment gains in future periods;

- since we are a minority owner in some of our investments, we have limited control over the timing of the disposition of these investments and the realization of any gain or the limitation of any loss;

- our operations are concentrated in the world's largest financial centers, including New York, London and Paris; in addition to risks related to the local real estate markets and economies of these cities, there is the risk that unusual and unforeseen events, including events such as those of September 11, 2001 in one or more of these cities could have a material adverse effect on our business and financial performance;

- the increased international scope of our operations may lead to more volatile financial results and difficulties in managing our businesses for a number of reasons, including: unexpected changes in regulatory requirements; the burden of complying with multiple and potentially conflicting laws in different jurisdictions; the impact of regional or country-specific business cycles and economic instability; currency restrictions and exchange rate fluctuations; limited familiarity with local business customers and operating environments; difficulties and costs of staffing and managing international operations; potentially adverse tax and tariff consequences; the geographic, time zone, language and cultural differences between personnel in different areas; and war, civil disturbances and terrorist acts;

- each of the businesses in which we compete is highly competitive on an international, national, regional and local level and we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms;

- the failure to comply with governmental regulations, including licensing procedures, prescribed fiduciary responsibilities, anti-fraud prohibitions, advertising, trade, environmental, housing and real estate settlement laws and regulations could adversely affect us;

- many of our property management agreements are cancelable by the client on as little as 30 to 60 days' notice;

- the failure to secure renewals of our existing property management contracts or the necessity of entering into new contracts on less favorable terms;

- we may not be able to obtain, at a reasonable price or at all, certain types of insurance, such as insurance for acts of terrorism, or the insurance that we do maintain may contain restrictions, deductibles or limitations, in either case, with the result that our insurance coverage would be insufficient to pay the full value of some types of damages suffered by us;

- we may be unable to attract and retain qualified personnel;

- the termination by any of our commercial real estate services brokers or independent contractors as of February 7, 2003, the day we announced our discussions regarding the merger, of their relationship with us and the termination or substantial diminution by any of our clients as of that date of their commercial real estate services with us, in each case during the period from February 7, 2003, until the termination of the merger agreement;

- the loans under our senior revolving credit facility bear interest at LIBOR plus a margin that varies according to the ratio of debt to consolidated net income before interest expense, taxes, depreciation, amortization and specified other costs, and, therefore, we are vulnerable to increases in interest rates as a result of either increases in the base rate or the variable LIBOR margin;

- our senior revolving credit agreement contains covenants that could materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be in our best interest, and our ability to comply with these covenants may be affected by events beyond our control;

- our revenue from property management services is generally based upon percentages of the revenue generated by the properties that we manage and, therefore, our revenue would be adversely affected by decreases in the performance of the properties we manage; many of the factors affecting property performance are partially or completely outside of our control;

- we plan our capital and operating expenditures based on our expectations of future revenues; if revenues are below expectations in any given quarter, we may be unable to adjust expenditures to compensate for any unexpected revenue shortfall; and

- we may become subject to environmental liabilities with respect to properties owned or controlled by us, including properties formerly owned or controlled by us, even if the original actions giving rise to such liabilities were legal and we did not know of, or were not responsible for, the presence of hazardous or toxic substances relating to such properties.

We undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere whether as a result of new information, future events or otherwise.

INTRODUCTION

This proxy statement is furnished in connection with the solicitation of proxies by our board of directors for a special meeting of our stockholders to be held on , 2003 at , local time, at , or at any adjournment or postponement of the special meeting. Shares of our common stock represented by properly executed proxies received by us will be voted at the special meeting or any adjournment or postponement of the special meeting in accordance with the terms of those proxies, unless revoked.

PROPOSAL TO BE CONSIDERED AT THE SPECIAL MEETING

At the special meeting, you will consider and vote upon a proposal to adopt the Amended and Restated Agreement and Plan of Merger, dated as of May 28, 2003, by and among Insignia, CBRE Holding, CB Richard Ellis Services and Apple Acquisition and to approve the merger of Apple Acquisition with and into Insignia.

At the effective time of the merger, the separate corporate existence of Apple Acquisition will cease, and Insignia will be the surviving corporation and a direct wholly-owned subsidiary of CB Richard Ellis Services and an indirect subsidiary of CBRE Holding. In the merger:

- each outstanding share of our common stock will be converted into the right to receive the following, as applicable (in each case, subject to decrease if we pay a dividend under specified circumstances prior to the merger):
  - $11.00 in cash per share;
  - an additional $0.156 in cash per share, if the sale of our real estate investment assets to Island Fund is completed immediately prior to the merger and the conditions provided in the merger agreement for the payment of this increased merger consideration are satisfied;
  - if the sale to Island Fund is not completed prior to the merger and we sell our real estate investment assets to a different purchaser prior to or simultaneously with the merger, common stockholders may receive, instead of the additional $0.156 in cash per share described above, up to $1.00 per share if we receive net cash proceeds from such other transaction in excess of a specified amount (generally $45 million, subject to adjustment) and do not retain any liabilities relating to the sold assets. However, we believe that a sale of our real estate investment assets to a party other than Island Fund prior to or simultaneously with the merger and a resulting increase in the merger consideration to a price higher than $11.156 per share are not likely to occur; and
  - if the sale to Island Fund is not completed prior to or simultaneously with the merger or we terminate the purchase agreement, in either case because of specified circumstances, we and CBRE Holding are allowed to withhold $5 million in liquidated damages from amounts otherwise payable in connection with the merger to Andrew L. Farkas, our chief executive officer and the controlling person of Island Fund. If Island Fund and Mr. Farkas confirm in writing that the withholding has been or may be properly made by us and CBRE Holding, approximately 10% of the amount withheld will be paid to our stockholders and the merger

consideration will increase to $11.019 per share;

- each outstanding share of our series A convertible preferred stock will be converted into the right to receive $100.00 in cash, plus an amount equal to any compound dividends accrued and unpaid on the share; and
- each outstanding share of our series B convertible preferred stock will be converted into the right to receive $100.00 in cash, plus an amount equal to any compound dividends accrued and unpaid on the share;

in each case, without interest and less any applicable withholding taxes and other than shares held in our treasury, held by CBRE Holding, CB Richard Ellis Services or Apple Acquisition or their respective subsidiaries or held by stockholders who perfect their appraisal rights under Delaware law and to not

effectively withdraw or lose their right to appraisal. Although the consideration payable for outstanding shares of our common stock may be decreased or increased as generally described above, we do not expect to pay a dividend on our common stock. In addition, although we have entered into an agreement with Island Fund for the sale of our real estate investment assets immediately prior to the closing of the merger, the completion of that sale and a corresponding increase in the merger consideration to $11.156 per share are subject to conditions that are not expected to be fulfilled until after the special meeting. As a result, at the time you vote on the merger, you will not know whether or not the merger consideration will be greater than $11.00 per share and you should not assume or expect that the merger consideration will be greater than $11.00 per share of common stock.

Also under the merger agreement:

- all outstanding warrants and all outstanding options other than those described below, whether vested or unvested, will be canceled and will represent the right to receive a cash payment, without interest, less any applicable withholding taxes, equal to the excess, if any, of (a) the common stock merger consideration described above over (b) the per share exercise price of the option or warrant, multiplied by the number of shares of common stock subject to the option or warrant;
- outstanding options to purchase our common stock granted pursuant to our 1998 Stock Incentive Plan, whether vested or unvested, will be cancelled and will represent the right to receive a cash payment, without interest, equal to the excess, if any, of the higher of (a) the merger consideration, and (b) the highest final sale price per share of our common stock as reported on the New York Stock Exchange on any date during the 60-day period preceding the closing of the merger, over the exercise price of the options, multiplied by the number of shares of common stock subject to the options, less any applicable withholding taxes;
- all outstanding restricted stock awards will be canceled and will represent the right to receive a cash payment, without interest, less any applicable withholding taxes, equal to the common stock merger consideration described above multiplied by the number of shares of common stock subject to such awards; and
- each outstanding share of common stock of Apple Acquisition will be converted into one share of common stock of the surviving corporation.

Stockholders who perfect their appraisal rights under Delaware law will be

entitled to receive from the surviving corporation, instead of the common stock merger consideration described above, a cash payment in the amount of the "fair value" of their shares, determined in accordance with Delaware law. After the merger, these shares will not represent any interest in the surviving corporation other than the right to receive this cash payment. See "The Merger--Appraisal Rights."

RECORD DATE; VOTING RIGHTS; VOTE REQUIRED FOR APPROVAL

Only holders of record of our common stock at the close of business on May 19, 2003, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting. On that date there were 1,416 holders of record of our common stock and 24,070,493 shares of our common stock outstanding, of which 1,864,512 shares, or approximately 7.75% of our outstanding common stock on that date, were held by our directors and executive officers and their affiliates.

Any stockholder entitled to vote may vote either in person or by properly executed proxy delivered by mail, telephone or the Internet. The presence, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding on the record date is necessary to constitute a quorum at the special meeting. Abstentions and broker non-votes are counted for the purpose of establishing a quorum at the special meeting. In the event that a quorum is not present at the special meeting, we expect to adjourn or postpone the meeting to solicit additional proxies. Holders of record on the record date are entitled to one vote per share at the special meeting on the proposal to adopt the merger agreement and approve the merger.

The merger agreement must be adopted and the merger must be approved by the holders of at least a majority of the outstanding shares of our common stock. Failure to return a properly executed proxy

card or to vote at the special meeting, including abstention and broker non-votes will have the effect of a vote "AGAINST" the adoption of the merger agreement and approval of the merger.

If the special meeting is adjourned for any reason, the adoption of the merger agreement may be considered and voted upon by our stockholders at a subsequent reconvened meeting. All proxies will be voted in the same manner as they would have been voted at the original meeting, except for any proxies that have been properly withdrawn or revoked.

Executive officers of Insignia who collectively owned on the record date approximately 6.4% of our outstanding common stock entitled to vote at the special meeting have entered into voting agreements in which they have agreed to vote their shares in favor of the adoption of the merger agreement and approval of the merger. In addition, each of our directors and executive officers who has not entered into a voting agreement has indicated that he intends to vote his shares in favor of the adoption of the merger agreement and approval of the merger. See "The Merger--Interests of Executive Officers and Directors in the Merger."

If the special committee or our board of directors withdraws or changes its recommendation with respect to the merger agreement and the merger, and the merger agreement has not been terminated by us or Apple Acquisition, the merger agreement provides that we will still hold the special meeting for stockholders to vote on the adoption of the merger agreement and the approval of the merger.

VOTING AND REVOCATION OF PROXIES

All shares of our common stock represented by properly executed proxies received prior to or at the special meeting and not revoked will be voted in accordance with the instructions indicated in those proxies. To vote by proxy, a stockholder must fill out, sign and date the proxy card included with this proxy statement and mail the signed proxy in the enclosed return envelope as soon as possible. Alternatively, stockholders may deliver proxies by telephone at 1-866-580-7645 or through the Internet at http:// www.proxyvotenow.com/ifs using the control number that appears on the proxy card. If no instructions are indicated, the proxies will be voted "FOR" the proposal to adopt the merger agreement and approve the merger.

A stockholder giving the proxy may revoke it by:

- delivering to our corporate secretary at our corporate offices at 200 Park Avenue, New York, New York 10166, on or before the business day prior to the special meeting, a written revocation of the proxy or a later dated, signed proxy card;

- delivering a new, later dated proxy by telephone or through the Internet until immediately prior to the special meeting;

- delivering a written revocation or a later dated, signed proxy card to us at the special meeting prior to the taking of the vote on the matters to be considered at the special meeting;

- attending the special meeting and voting in person; or

- if you have instructed a broker to vote your shares, following the directions received from your broker to change those instructions.

Revocation of the proxy will not affect any vote previously taken. Attendance at the special meeting will not in itself constitute the revocation of a proxy; you must vote in person at the special meeting to revoke a previously delivered proxy.

Our board of directors is not currently aware of any business to be brought before the special meeting other than that described in this proxy statement. However, if other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to those matters.

SOLICITATION OF PROXIES; EXPENSES OF SOLICITATION

We will bear the expenses in connection with the solicitation of proxies. Upon request, we will reimburse brokers, dealers and banks, or their nominees, for reasonable expenses incurred in forwarding

copies of the proxy material to the beneficial owners of shares which those persons hold of record. Solicitation of proxies will be made principally by mail. Proxies also may be solicited in person or by telephone, facsimile or other permitted means by our directors, officers and regular employees. These individuals will receive no additional compensation for these services, but will be reimbursed for any expenses incurred by them in connection with these services.

We have retained D.F. King & Co., Inc. for a fee of $5,000, plus expenses, to assist in the solicitation of proxies from stockholders, including brokerage houses and other custodians, nominees and fiduciaries. D.F. King may solicit proxies by mail, telephone, facsimile or other permitted means.

We are mailing this proxy statement to stockholders on or about , 2003.

MARKET PRICE DATA

Our common stock trades on the New York Stock Exchange under the symbol "IFS." The following table sets forth the high and low daily closing sales prices per share of our common stock, as reported by the New York Stock Exchange, for the quarters indicated:

	HIGH	LOW
YEAR ENDING DECEMBER 31, 2003:		
First quarter	$ 10.99	$ 7.31
Second quarter (through June 12, 2003)	$ 11.28	$ 10.91
YEAR ENDED DECEMBER 31, 2002:		
Fourth quarter	$ 8.00	$ 5.45
Third quarter	$ 9.54	$ 7.45
Second quarter	$ 11.31	$ 9.35
First quarter	$ 11.65	$ 10.08
YEAR ENDED DECEMBER 31, 2001:		
Fourth quarter	$ 10.95	$ 9.15
Third quarter	$ 12.80	$ 9.50
Second quarter	$ 12.82	$ 10.45
First quarter	$ 13.24	$ 11.30

On February 6, 2003, the last full trading day before the public announcement of our discussions with CBRE Holding concerning the proposed merger, the closing sale price per share of our common stock was $8.37. On February 14, 2003, the last full trading day before the public announcement of the execution of the merger agreement, the closing sales price per share was $10.63. On , 2003, the most recent practicable trading day prior to the date of this proxy statement, the closing sales price per share was $. You should obtain current market price quotations for the common stock in connection with voting your shares.

DIVIDENDS

We have never declared a dividend on our common stock. Under the merger agreement, we have agreed not to declare or pay any dividends on our common stock prior to the closing of the merger or the earlier termination of the merger agreement except with the consent of CB Richard Ellis Services.

RECENT DEVELOPMENTS

SALE OF INSIGNIA RESIDENTIAL GROUP AND INSIGNIA DOUGLAS ELLIMAN

On February 6, 2003, we entered into a non-binding letter of intent with Montauk Battery Realty, LLC regarding the sale of our then wholly-owned subsidiary, Insignia Residential Group, which is the owner of Insignia Douglas Elliman LLC, for a purchase price of up to $73.5 million. On March 14, 2003, we sold Insignia Residential Group to Montauk Battery Realty for a purchase price of up to $71.75 million paid or payable as follows:

- $66.75 million was paid in cash at the closing of the transaction;

- $500,000 in cash held in escrow on the closing date of the transaction and up to another $500,000 held in escrow upon receipt of specified pending commissions; and

- the assumption by the buyer of up to $4 million in existing earn-out payment obligations of Insignia Douglas Elliman.

The escrowed amounts are available to secure our indemnity obligations under our agreement with Montauk Battery Realty. Any amounts remaining in escrow on March 14, 2004 and not securing previously made indemnity claims will be released to us.

Insignia Douglas Elliman, founded in 1911 and acquired by Insignia in June 1999, provides sales and rental services in the New York City residential cooperative, condominium and rental apartment market. Insignia Douglas Elliman also operates in upscale suburban markets in Long Island (Manhasset, Locust Valley and Port Washington/Sands Point). Insignia Douglas Elliman has approximately 830 brokers, supported by approximately 120 corporate employees in 12 offices in the New York City area. In 2002, Insignia Douglas Elliman generated service revenues of approximately $133.7 million, or 19% of our total service revenues for the year. Insignia Residential Group provides property management services. It operates the largest manager of cooperative, condominium and rental apartments in the New York metropolitan area, providing full service third-party fee management for more than 250 properties, comprising approximately 60,000 residential units. Among the notable properties currently managed by Insignia Residential Group in the New York metropolitan area are the Worldwide Plaza, London Terrace and Peter Cooper Village/Stuyvesant Town, an 11,000-unit residential community owned by Metropolitan Life. Insignia Residential Group generated total service revenues of $26.5 million in 2002.

Insignia Douglas Elliman and Insignia Residential Group are not included in the specified real estate investment assets we are permitted to sell under the merger agreement that may result in an increase in the common stock merger consideration and the cash proceeds received by us from this sale will not affect the consideration to be paid to you in the merger. We used $65 million of the net cash proceeds from this sale to repay some of our outstanding indebtedness under our senior revolving credit facility.

The employment agreements of Messrs. Farkas, Garrison, Aston and Uretta provide for the payment of certain incentives to each of them in connection with a "material asset disposition," as defined in their respective employment agreements, subject to the terms and conditions of these employment agreements. "Material asset disposition" payments payable to these individuals as a result of the sale of Insignia Douglas Elliman and Insignia Residential Group are expected to aggregate approximately $1,669,000 and will only be paid if the merger is not consummated. If the merger is consummated, these individuals have agreed to waive their "material asset disposition" payments resulting from such

sale and will instead be entitled to the material asset disposition payments with respect to the merger. See "The Merger--Interests of Executive Officers and Directors in the Merger."

AGREEMENT TO SELL REAL ESTATE INVESTMENT ASSETS

On May 28, 2003, we entered into a purchase agreement with the CBRE Companies and Island Fund I LLC, pursuant to which agreement we agreed to sell our real estate investment assets to Island Fund upon the terms and subject to the conditions set forth in the purchase agreement. For additional information regarding the sale of our real estate investment assets and the purchase agreement, see "Sale of Our Real Estate Investment Assets in Connection with the Merger." A copy of the purchase agreement with Island Fund is attached as Appendix C to this proxy statement.

EFFECTS OF THE ANNOUNCEMENT OF THE MERGER ON OUR BUSINESS

Since the merger was announced on February 7, 2003, there have been adverse consequence to our operations, including the resignation of professionals and the termination of client relationships. The resignations and terminations following the announcement of the merger have mainly been confined to markets where there is a substantial overlap between CB Richard Ellis Services' operations and our operations, and includes the termination of one of our major property services relationships. Specific examples of the adverse consequences include the following:

- the resignation of a substantial majority of the our personnel in Phoenix, AZ;
- difficulty in attracting new business in Asia as a result of CB Richard Ellis Services' indication that it expects to divest or discontinue these operations;

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- the loss of approximately 29.4 million square feet of property services assignments, of which approximately 23.6 million square feet is concentrated in one large portfolio.
- the loss of 120 employees, including 38 brokers in the U.S. (in markets other than Phoenix); and
- the termination of our affiliation with a local services provider in Indianapolis, IN. Other affiliates have also expressed their intention to terminate their agreements prior to the closing of the merger.

We anticipated some level of employee and client attrition prior to the merger's consummation, and the occurrence to date has been in line with our expectations. There remains the possibility of further losses of affiliates, employees, brokers, independent contractors and clients before the closing of the merger. However, the adverse consequences described above and any future similar developments are contemplated by the merger agreement and should not affect our ability to consummate the merger.

STOCKHOLDER LITIGATION

Kurland Litigation On May 22, 2003, Sheldon Kurland filed a purported class action complaint in the Court of Chancery of the State of Delaware, New Castle County, on behalf of himself and all other stockholders of Insignia

except those named as defendants, against Andrew L. Farkas, Stephen B. Siegel, Alan C. Froggatt, Robert G. Koen, Robin L. Farkas, Robert J. Denison, H. Strauss Zelnick and Stephen M. Ross, who are all of our directors, and Insignia and CBRE Holding.

The complaint alleges, among other things, that: (1) Insignia's directors violated their duty of loyalty to the public stockholders of Insignia by renewing Mr. Andrew L. Farkas' employment agreement in December 2002, resulting in the public shareholders effectively paying for the severance payments payable to Mr. Andrew L. Farkas in connection with the closing of the merger; (2) the merger vote is structured unfairly and violates the class's right to vote for the merger without their votes unjustly enriching Mr. Andrew L. Farkas; and (3) CBRE Holding knowingly aided and abetted the alleged breaches of fiduciary duty committed by the director defendants.

The complaint seeks, among other things, to: (1) enjoin the defendants from proceeding with, consummating and closing the proposed merger or, alternatively to rescind the proposed merger in the event it has been consummated and award rescissory damages to the class; and (2) declare Mr. Andrew L. Farkas' renewed employment agreement null and void and to distribute to the class members their proportionate share of any severance benefits Mr. Andrew L. Farkas would otherwise receive as a result of the merger.

Breakwater Litigation On May 28, 2003, Breakwater Partners LP filed a purported class action complaint in the Court of Chancery of the State of Delaware, New Castle County, on behalf of itself and all other stockholders of Insignia (except those named as defendants and their affiliates), against Andrew L. Farkas, Alan C. Froggatt, Robin L. Farkas, Stephen B. Siegel, Robert G. Koen, Robert J. Denison, H. Strauss Zelnick and Stephen M. Ross, who are all of our directors, and Insignia and CBRE Holding.

The complaint alleges, among other things, that: (1) the merger consideration is inadequate and the additional benefits that Messrs. Andrew L. Farkas, Siegel and Froggatt will receive as a result of the proposed merger may result in a further reduction in the merger consideration; (2) Mr. Andrew L. Farkas' employment agreement was improperly ratified and/or extended by Insignia's Board; (3) Insignia's directors violated their fiduciary duties by their failure to maximize the merger consideration; and (4) CBRE Holding knowingly aided and abetted the alleged breaches of fiduciary duty committed by the director defendants.

The complaint seeks to enjoin the merger. Alternatively the complaint seeks rescission of the merger or compensatory and/or rescissory damages.

Lewis Litigation On May 30, 2003, Robert Lewis filed a purported class action complaint in the Court of Chancery of the State of Delaware, New Castle County, on behalf of himself and all other stockholders of Insignia (except those named as defendants and their affiliates), against Andrew L. Farkas, Stephen B. Siegel, Alan C. Froggatt, Robert G. Koen, Robin L. Farkas, Robert J. Denison, H. Strauss Zelnick and Stephen M. Ross, who are all of our directors, and Insignia, CBRE Holding, Apple Acquisition and Island Fund.

The complaint alleges, among other things, that: (1) the Island Fund transaction is an improper self-interested transaction that was approved at an inadequate price solely to facilitate the proposed merger; (2) the special committee was improperly constituted because its members were not disinterested; and (3) CBRE Holding knowingly aided and abetted the alleged breaches of

fiduciary duty committed by the director defendants.

The complaint seeks injunctive relief against consummation of the proposed merger and the sale to Island Fund. Alternatively, the complaint seeks, among other things, rescission of the merger, or an award of rescissory or compensatory damages to the class.

We intend to vigorously defend each of these actions.

THE MERGER

BACKGROUND OF THE MERGER

Our senior management and board of directors regularly discuss and evaluate our long-term strategy. Our senior management is generally of the view that the real estate services business in the United States, while remaining significantly fragmented, has been in recent years characterized by consolidation, which has been driven in large measure by the economies of scale available to larger entities in the industry, as well as the geographic expansion of entities. In order to take advantage of these trends to benefit our stockholders, our senior management and our board have consistently remained receptive to opportunities to acquire other businesses or to be acquired by another entity.

In late 1998 and early 1999, we negotiated the terms of a stock-for-stock merger with CB Richard Ellis Services and a definitive merger agreement was presented to the board of directors of each company for their consideration. This merger agreement was approved by our board of directors. The board of directors of CB Richard Ellis Services failed to approve the merger agreement that had been negotiated, and discussions between the parties were terminated. During the summer of 1999, Raymond Wirta, then the chief operating officer of CB Richard Ellis Services, and Andrew L. Farkas, the chairman and chief executive officer of Insignia, had discussions to explore whether there was any continuing interest in a combination of the two entities, but no proposals resulted from the discussions. In early 2000, Mr. Wirta, who at that time was chief executive officer of CB Richard Ellis Services, and Mr. Farkas again explored whether there was any continuing interest in a combination of the two entities, but again no proposals resulted from the discussions. In July 2001, CBRE Holding acquired CB Richard Ellis Services.

During the summer of 2002, Raymond Wirta, the chief executive officer of CBRE Holding, and Andrew L. Farkas again began to discuss a possible combination of the two companies. Messrs. Wirta and Farkas discussed developments in the real estate services industry, including declining profit margins, the increased importance of reducing fixed costs, and the benefits of increasing the size of the business to take advantage of economies of scale. They concluded that the business environment made a resumption of discussions regarding a combination of the two entities desireable. In September 2002, Mr. Wirta and Frank M. Garrison, office of the chairman of Insignia, began negotiating the terms of a proposed confidentiality agreement, and on October 14, 2002, we entered into a confidentiality agreement with CBRE Holding. After the signing of this agreement, we immediately established a data room and CBRE Holding began a limited due diligence process. The confidentiality agreement that was agreed upon did not contain a provision restricting or prohibiting either party's ability to hire the other party's employees, although such a provision was discussed in connection with the negotiation of that agreement.

Also on October 14, 2002, our board of directors formed a special committee to evaluate the merits of any proposed transaction with CBRE Holding,

including the fairness to our stockholders, and to consider any alternative transactions that may be avai