CB RICHARD ELLIS SERVICES INC
Form S-1
February 17, 2004
**Table of Contents**

**As filed with the Securities and Exchange Commission on February 17, 2004**

**Registration No. 333-**

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# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM S-1

# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# CB Richard Ellis Group, Inc.

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Delaware** | **6500** | **94-3391143** |
| **(State or other jurisdiction of incorporation or organization)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification No.)** |

**865 South Figueroa Street, Suite 3400**

**Los Angeles, CA 90017**

**(213) 438-4880**

**(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)**

**Kenneth J. Kay**

**Chief Financial Officer**

**CB Richard Ellis Group, Inc.**

**(formerly known as CBRE Holding, Inc.)**

**865 South Figueroa Street, Suite 3400**

**Los Angeles, CA 90017**

**(213) 438-4880**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

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***With copies to:***

**William B. Brentani**

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**Palo Alto, CA 94304**

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**825 Eighth Avenue**

**New York, NY 10019**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ______

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

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**CALCULATION OF REGISTRATION FEE**

**Title of each class of**

| securities to be registered | Proposed maximum aggregate offering price (1)(2) | Amount of registration fee |
|---|---|---|
| Class A common stock, $0.01 par value per share | $150,000,000 | $19,005 |

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee.
(2) Including shares of common stock which may be purchased by the underwriters to cover over-allotments, if any.

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**



SUBJECT TO COMPLETION, DATED FEBRUARY 17, 2004

Shares

# CB Richard Ellis Group, Inc.

## Class A Common Stock

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price of our Class A common stock is expected to be between $ and $ per share. We expect to apply to list our Class A common stock on the New York Stock Exchange under the symbol CBG.

We are selling shares of Class A common stock and the selling stockholders are selling shares of Class A common stock. We will not receive any of the proceeds from the shares of Class A common stock sold by the selling stockholders.

The underwriters have an option to purchase a maximum of additional shares of Class A common stock from the selling stockholders to cover over-allotments of shares.

**Investing in our Class A common stock involves risks. See Risk Factors beginning on page 10.**

| | Price to Public | Underwriting Discounts and Commissions | Proceeds to CB Richard Ellis Group | Proceeds to Selling Stockholders |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Per Share | $ | $ | $ | $ |
| Total | $ | $ | $ | $ |

Delivery of the shares of Class A common stock will be made on or about , 2004.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Credit Suisse First Boston** **Citigroup**

The date of this prospectus is , 2004.

Table of Contents

**Table of Contents**

**TABLE OF CONTENTS**



**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this prospectus.**

*CB Richard Ellis and the CBRE CB Richard Ellis corporate logo set forth on the cover of this prospectus are the registered trademarks of CB Richard Ellis Group, Inc. and its subsidiaries in the United States. All other trademarks or service marks are trademarks or service marks of the companies that use them.*

*Industry and market data used in this prospectus were obtained from our own research, publicly available studies conducted by third parties and publicly available industry and general publications published by third parties and, in some cases, are management estimates based on its industry and other knowledge. Neither we nor the underwriters have independently verified the publicly available industry and market data of third parties or make any representations as to the accuracy of such data. While we believe our own research and management estimates are reliable, they have not been verified by independent sources.*

*Some figures in this prospectus may not total due to rounding adjustments.*

**Dealer Prospectus Delivery Obligation**

**Until , 2004, all dealers that effect transactions in these securities, whether or not participating in the offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.**

## PROSPECTUS SUMMARY

*This summary may not contain all of the information that may be important to you. You should read this summary together with the entire prospectus, including the information presented under the heading Risk Factors and the more detailed information in the financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. Unless the context indicates otherwise, (1) references in this prospectus to common stock mean our Class A common stock and (2) information presented on a pro forma basis gives effect to our acquisition of Insignia Financial Group, Inc. on July 23, 2003 and the related transactions and financings described in this prospectus under the heading Unaudited Pro Forma Financial Information.*

## CB Richard Ellis Group, Inc.

We are the largest global commercial real estate services firm, based on 2002 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003, we operate in 48 countries with over 13,500 employees in 220 offices providing commercial real estate services under the CB Richard Ellis brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees. For the nine months ended September 30, 2003, on a pro forma basis, we generated revenue of $1.3 billion and operating income of $33.3 million.

We have a well-balanced, highly diversified base of clients that includes more than 60% of the *Fortune 100*. Many of our clients are consolidating their commercial real estate-related expenditures with fewer providers and, as a result, awarding their business to those providers that have a strong presence in important markets and the ability to provide a complete range of services worldwide. As a result of this trend and our ability to deliver comprehensive solutions for our clients needs across a wide range of markets, we believe we are well positioned to capture a growing percentage of our clients commercial real estate services expenditures.

## Industry Overview

We estimate the U.S. commercial real estate services market generated approximately $27 billion in revenue in 2003, representing approximately one-third of the total global market for commercial real estate services. We also estimate that the U.S. commercial real estate services market grew at a compound annual growth rate of 3.4% from 1991 through 2003, and we expect this market to grow to approximately $32 billion in revenue by 2006, representing a compound annual growth rate of 5.8%.

During the next few years, we believe the key drivers of revenue growth for the largest commercial real estate services companies will be (1) the continued outsourcing of commercial real estate services, (2) the consolidation of clients activities with fewer providers and (3) the increasing institutional ownership of commercial real estate.

***Outsourcing***

Motivated by reduced costs, lower overhead, improved execution across markets, increased operational efficiency and a desire to focus on their core competencies, property owners and occupiers have increasingly contracted out for commercial real estate services, including transaction management, lease administration, portfolio management, property accounting and facilities management. According to an Ernst & Young study of major corporations published in the Fall of 2002, 57% of the subject corporations retained third-party service

**Table of Contents**

providers for transaction management services, 46% outsourced their lease administration functions and 37% outsourced their facilities management functions. We believe this represents an increase from historical outsourcing of these functions, and we expect this outsourcing trend to continue.

***Consolidation***

Despite recent consolidation, the commercial real estate services industry remains highly fragmented. Other than the limited number of national and international real estate services firms with whom we compete in a number of service competencies, most firms within the industry are local or regional firms that are substantially smaller than us on an overall basis, although in some cases have a larger local presence in certain competencies. We believe that major property owners and corporate users are motivated to consolidate their service provider relationships on a regional, national and global basis for a number of reasons, including obtaining more consistent execution across markets, achieving economies of scale and enhanced purchasing power and benefiting from streamlined management oversight and the efficiency of single point of contact service delivery. As a result, we believe large owners and occupiers are awarding a disproportionate share of this business to the larger real estate services providers, particularly those that provide a full suite of services across geographical boundaries.

***Institutional Ownership of Real Estate***

Institutional owners, such as REITs, pension funds, foreign institutions and other financial entities, increasingly are acquiring more real estate assets and financing them in the capital markets. Total U.S. real estate assets held by institutional investors increased to $423 billion in 2003 from $223 billion in 1994. REITs were the main drivers of this growth, with a portfolio increase of 400% over this time period. Pension fund assets also grew by 48% and foreign institutions augmented their U.S. real estate investments by 77%. We believe it is likely that institutional owners of commercial real estate assets will consolidate their use of commercial real estate services vendors and outsource management of their portfolios.

## Our Regions of Operation and Principal Services

We have organized our business and report our results of operations through three geographically organized segments: (1) the Americas, (2) Europe, Middle East and Africa, or EMEA, and (3) Asia Pacific.

### The Americas

The Americas is our largest segment of operations and provides a comprehensive range of services throughout the United States and in the largest metropolitan regions in Canada, Mexico and other selected parts of Latin America. We hold the leading commercial real estate services market position in nine of the top ten U.S. metropolitan statistical areas (as defined by the U.S. Census Bureau), including New York, Los Angeles, Chicago, Atlanta and Washington, D.C. Our Americas division accounted for 76.0% of our revenue for the nine months ended September 30, 2003.

Within our Americas segment, we organize our services into the following business areas:

***Advisory Services***. Our advisory services business line accounted for 78.7% of our Americas revenue for the nine months ended September 30, 2003.

***Real Estate Services***. We provide strategic advice and execution assistance to owners, investors and occupiers of real estate in connection with leasing, disposition and acquisition of property and related activities. Our real estate services business is built upon strong client relationships that frequently lead

Table of Contents

to recurring revenue opportunities over many years, and we further strengthen these relationships by offering proprietary research to clients through our Torto Wheaton Research unit, a leading provider of commercial real estate market information, forecasting and consulting services. During 2003, on a pro forma basis, we advised on nearly 23,000 lease transactions involving aggregate rents of approximately $27.3 billion and more than 4,700 real estate sales transactions with an aggregate value of approximately $27.5 billion.

***Mortgage Loan Origination and Servicing***. Our L.J. Melody & Company subsidiary originates and services commercial mortgage loans, without incurring principal risk. As part of its activities, L.J. Melody has established relationships with investment banking firms, national banks, credit companies, insurance companies, pension funds and government agencies. During 2003, L.J. Melody originated more than $11.1 billion in mortgage loans and serviced more than $61.0 billion in mortgage loans.

***Valuation***. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions. We believe that our valuation business is one of the largest in our industry. During 2003, on a pro forma basis, we completed nearly 13,400 valuation, appraisal and advisory assignments.

***Outsourcing Services***. Our outsourcing services business line accounted for 17.5% of our Americas revenue for the nine months ended September 30, 2003. As of December 31, 2003, this business line managed approximately 422.8 million square feet of commercial space for property owners and occupiers, which we believe represents one of the largest portfolios in the Americas.

***Asset Services***. We provide property management, construction management, marketing, leasing, accounting and financial services on a contractual basis for income-producing office, industrial and retail properties owned by local, regional and institutional investors. We believe our contractual relationships with these clients put us in an advantageous position to provide other services for them, including refinancing, disposition and appraisal.

***Corporate Services***. We provide a comprehensive set of portfolio management, transaction management, project management, strategic consulting, facilities management and other corporate real estate services to leading global companies and public sector institutions with large, geographically-diverse real estate portfolios. We enter into long-term, contractual relationships with these organizations with the goal of ensuring that their real estate strategies support their overall business strategies around the world.

***Investment Management***. Our investment management business line accounted for 3.8% of our Americas revenue for the nine months ended September 30, 2003.

***CBRE Investors***. Our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., provides investment management services to clients that include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate. CBRE Investors also sponsors funds and investment programs that span the risk/return spectrum. CBRE Investors closed over $1.2 billion of new acquisitions in the Americas in each of 2002 and 2003 and increased its assets under management in the Americas from $3.5 billion in 1998 to $5.7 billion in 2003, representing a 10.2% compound annual growth rate.

**Europe, Middle East and Africa**

Our EMEA segment has offices in 28 countries, with its largest operations located in the United Kingdom, France, Spain, the Netherlands and Germany. Operations within the EMEA countries generally include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services, facilities management and other services similar to our Americas segment. We hold strong commercial real estate services

3

market positions in a number of European metropolitan areas, including the leading market position in London. The EMEA segment accounted for 16.6% of our revenue for the nine months ended September 30, 2003.

**Asia Pacific**

Our Asia Pacific segment has offices in 11 countries, with our principal operations located in China (including Hong Kong), Singapore, South Korea, Japan, Australia and New Zealand. The services we provide in our Asia Pacific segment generally are similar to those provided by our Americas and EMEA segments. We believe we are one of only a few companies that can provide a full range of commercial real estate services to large corporations throughout the Asia Pacific region. The Asia Pacific segment accounted for 7.4% of our revenue for the nine months ended September 30, 2003.

## Our Competitive Strengths

We believe we possess several competitive strengths that position us to capitalize on the positive outsourcing, consolidation and globalization trends in the commercial real estate services industry. Our strengths include the following:

***Global Brand and Market Leading Positions***. For nearly a century, we and our predecessors have built the CB Richard Ellis brand into the largest commercial real estate services provider in the world, based on 2002 revenue. As a result of our global brand recognition and geographic reach, large corporations, institutional owners and users of real estate recognize us as a leading provider of world-class, comprehensive real estate services. Operating under the global CB Richard Ellis brand, we are the leader in many of the local markets in which we operate, including New York, Los Angeles, Chicago and London.

***Full Service Capabilities***. We provide a full range of commercial real estate services to meet the needs of our clients, and we believe this suite of services represents a broader range globally than those of many of our competitors. When combined with our extensive global reach and localized knowledge, this full range of real estate services enables us to provide world-class service to our multi-regional and multi-national clients, as well as to maximize our revenue per client.

***Strong Client Relationships and Client-tailored Service***. We have forged long-term relationships with many of our clients. Our clients include more than 60% of the *Fortune 100*, with nearly half of these clients purchasing more than one service from us. In order to better satisfy the needs of our largest clients and to capture cross-selling opportunities, we have organized fully integrated client coverage teams comprised of senior management, a global relationship manager and regional and product specialists. We believe that this client-tailored approach contributed significantly to our 38.6% increase in revenues from the 50 largest clients of our U.S. investment sales group within our real estate services line of business during the period from 1998 to 2003.

***Attractive Business Model***.

***Diversified Client Base***. Our global operations, multiple service lines and extensive client relationships provide us with a diversified revenue base. For 2003, on a pro forma basis, we estimate that corporations accounted for 25% of our global revenues, insurance companies and banks accounted for 23% of revenues, pension funds and their advisors accounted for 14% of revenues, individuals and partnerships accounted for 11% of revenues, REITs accounted for 10% of revenues and other types of clients accounted for the remainder of our revenues. In addition, during 2002, no single client accounted for more than 1% of our revenue and our top 20 clients accounted for only 8% of our revenue.

4

Table of Contents

***Recurring Revenue Streams***. We generate recurring revenue through the turnover of leases and properties for which we have previously acted as transaction manager, as well as from our contractual, annual fee-for-services businesses.

***Variable Cost Structure***. Our sales and leasing professionals are generally paid on a commission and bonus basis, which correlates with our revenue performance. This flexible cost structure mitigates the negative effect on our operating margins during difficult market conditions.

***Low Capital Requirements***. Our business model is structured to provide value-added services with low capital intensity. During 2002, our net capital expenditures were 1.2% of our revenue.

***Strong Cash Flow Generation***. Our strong brand, full-service capabilities, and global presence enable us to generate significant revenues which, when combined with our flexible cost structure and low capital requirements, have allowed us historically to generate strong cash flow in a variety of economic conditions.

***Strong Management Team and Workforce***. Our most important asset is our people. We have recruited a talented and motivated workforce of over 13,500 employees worldwide. Our employees are supported by a strong and deep senior management team consisting of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry.

**Our Growth Strategy**

We believe we have built an integrated, global services platform that is unparalleled in our industry. Our primary business objective is to use this platform to garner a disproportionate share of industry revenues relative to our competitors. We believe this will enable us to maximize and sustain our long-term cash flow and increase long-term stockholder value. Our strategy to achieve these business objectives consists of several elements:

***Increase Revenue from Large Clients***. We plan to capitalize on our client management strategy for our large clients, which is designed to provide them with a full range of services globally while maximizing revenue per client. We deliver these services through relationship management teams consisting of a global relationship manager, members of senior management and regional and product specialists. The global relationship manager is a highly seasoned professional who is focused on maximizing revenue per client and compensated with salary and a performance-based bonus. We believe this approach to client management will lead to stronger client relationships and enable us to maximize cross-selling opportunities and capture a larger share of our clients commercial real estate services expenditures.

***Capitalize on Cross-selling Opportunities***. Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, we are committed to emphasizing this opportunity across all of our clients, services and regions. We have dedicated substantial resources and implemented several management initiatives to better enable our workforce to capitalize on these opportunities among our various lines of business.

***Continue to Grow our Investment Management Business***. Our growing investment management business provides us with an attractive revenue source through fees on assets under management and gains on the sale of assets. We also expect to achieve strong growth in this business by continuing to harness the vast resources of the entire CB Richard Ellis organization for the benefit of our investment management clients. CBRE Investors independent structure creates an alignment of interests with its investors, while permitting its portfolio companies to use the broad range of services provided by our other business lines. As a result, we historically have received significant revenue from the provision of services on an arm s length basis to these portfolio companies and we believe this will continue in the future.

***Focus on Best Practices to Improve Operating Efficiency***. In 2001, we launched a best practices initiative, branded People, Platform & Performance, and we believe the process and operational improvements associated with this initiative contributed to operating cost reductions. We believe our focus on best practices has enabled us to generate industry-leading operating margins. We remain keenly focused on this strategic initiative and continue to strive for efficiency improvements and cost savings in order to maximize our operating margins and cash flow.

We were incorporated in Delaware on February 20, 2001. Our principal executive offices are located at 865 South Figueroa Street, Suite 3400, Los Angeles, California 90017 and our telephone number is (213) 438-4880. Our website address is *www.cbre.com*. The information contained on, or accessible through, our website is not part of this prospectus.

Table of Contents

## The Offering

| | |
|---|---|
| Common stock offered by us | shares |
| Common stock offered by the selling stockholders | shares (or shares if the underwriters exercise the over-allotment option in full) |
| Common stock to be outstanding after the offering | shares |
| Proposed New York Stock Exchange symbol | CBG |
| Use of proceeds | We estimate that our net proceeds from the offering will be $ million, based on an initial public offering price of $ per share, which is the mid-point of the range set forth on the cover page of this prospectus. We intend to use these net proceeds of the offering to redeem all of our outstanding 16% senior notes due 2010 and for other general corporate purposes, including repayment of other indebtedness. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders. |
| Dividend Policy | Following the consummation of the offering, we do not expect to pay any dividends on our common stock for the foreseeable future. |
| Risk Factors | You should carefully read and consider the information set forth under Risk Factors and all other information set forth in this prospectus before deciding to invest in shares of our common stock. |

The number of shares shown to be outstanding after the offering is based upon 21,861,431 shares outstanding as of January 31, 2004, reflects the automatic conversion at a one-to-one ratio of all outstanding shares of our Class B common stock into shares of Class A common stock in connection with the completion of the offering and excludes:

- 2,493,561 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $16.00 per share;
- 1,129,236 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to the elections made by plan participants prior to our acquisition of CB Richard Ellis Services in 2001; and
- 3,564,283 additional shares available for future issuance under our 2001 stock incentive plan.

The number of shares shown to be outstanding after the offering includes shares that will be issued by us in connection with the automatic cashless exercise of outstanding warrants to acquire 255,477 shares of our common stock at an exercise price of $30.00 per share as a result of the completion of the offering. For additional information regarding these warrants, including the cashless exercise terms, you should read the description of these warrants under the heading Description of Capital Stock Warrants.

Except as otherwise indicated, all information in this prospectus assumes:

- the filing of our amended and restated certificate of incorporation immediately prior to the completion of this offering; and

- no exercise by the underwriters of their option to purchase up to additional shares from the selling stockholders to cover over-allotments of shares.

Table of Contents

## Summary Historical and Pro Forma Financial Data

The following table is a summary of our historical consolidated financial data as of and for the periods presented, as well as pro forma financial data giving effect to our acquisition of Insignia Financial Group, Inc., the related transactions and financings for such acquisition and the offering for the periods presented. On July 20, 2001, we acquired CB Richard Ellis Services, Inc. Except as otherwise indicated below, the statement of operations data, other data and balance sheet data for the dates and periods ended prior to July 20, 2001 are derived from the consolidated financial statements of CB Richard Ellis Services, our predecessor company. You should read this data along with the information included under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Financial Information and the financial statements and related notes included elsewhere in this prospectus. The pro forma statement of operations data do not purport to represent what our results of operations would have been if the Insignia acquisition, the related transactions and financings and the offering had occurred as of the date indicated or what our results will be for future periods.

| | Predecessor Company | | | | CB Richard Ellis Group | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Pro Forma | |
| | Year Ended December 31, | | | Period From January 1 to July 20, | Period from February 20 (inception) to December 31, | Year Ended December 31, | Nine Months Ended September 30, | | Year Ended December 31, | Nine Months Ended September 30, |
| | 1998(1) | 1999 | 2000 | 2001 | 2001(2) | 2002 | 2002 | 2003(3) | 2002 | 2003 |
| | (Dollars in thousands, except share data) | | | | | | | | | |
| **Statement of Operations Data:** | | | | | | | | | | |
| Revenue | $ 1,034,503 | $ 1,213,039 | $ 1,323,604 | $ 607,934 | $ 562,828 | $ 1,170,277 | $ 793,811 | $ 1,008,817 | $ 1,744,162 | $ 1,327,570 |
| Operating income (loss) | 78,476 | 76,899 | 107,285 | (14,174) | 62,732 | 106,062 | 53,894 | 15,876 | 69,436 | 33,257 |
| Interest expense, net | 27,993 | 37,438 | 39,146 | 18,736 | 27,290 | 57,229 | 43,668 | 55,955 | 71,815 | 57,870 |
| Net income (loss) | 24,557 | 23,282 | 33,388 | (34,020) | 17,426 | 18,727 | 3,630 | (24,620) | (11,631) | (16,459) |
| EPS (4): | | | | | | | | | | |
| Basic | (0.38) | 1.11 | 1.60 | (1.60) | 2.22 | 1.25 | 0.24 | (1.45) | | |
| Diluted | (0.38) | 1.10 | 1.58 | (1.60) | 2.20 | 1.23 | 0.24 | (1.45) | | |
| Weighted average shares (5): | | | | | | | | | | |
| Basic | 20,136,117 | 20,998,097 | 20,931,111 | 21,306,584 | 7,845,004 | 15,025,308 | 15,033,640 | 16,957,494 | | |
| Diluted | 20,136,117 | 21,072,436 | 21,097,240 | 21,306,584 | 7,909,797 | 15,222,111 | 15,216,740 | 16,957,494 | | |
| **Statements of Cash Flow Data:** | | | | | | | | | | |
| Net cash provided by (used in) operating activities | $ 76,005 | $ 70,340 | $ 80,859 | $ (120,230) | $ 91,334 | $ 64,882 | $ (18,970) | $ (70,714) | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net cash used in investing activities | (222,911) | (23,096) | (32,469) | (12,139) | (261,393) | (24,130) | (16,462) | (252,684) | | |
| Net cash provided by (used in) financing activities | 119,438 | (37,721) | (53,523) | 126,230 | 213,831 | (17,838) | (2,065) | 328,498 | | |
| **Other Data:** | | | | | | | | | | |
| EBITDA (6) | 110,661 | 117,369 | 150,484 | 11,482 | 74,930 | 130,676 | 72,001 | 69,447 | 170,228 | 73,393 |

| | Predecessor Company | | | CB Richard Ellis Group | | | |
|---|---|---|---|---|---|---|---|
| | As of December 31, | | | | | As of September 30, 2003 | |
| | 1998(1) | 1999 | 2000 | 2001 | 2002 | Actual | Pro Forma |
| | (In thousands) | | | | | | |
| **Balance Sheet Data:** | | | | | | | |
| Cash and cash equivalents | $ 19,551 | $ 27,844 | $ 20,854 | $ 57,450 | $ 79,701 | $ 85,494 | $ 102,337 |
| Total assets | 856,892 | 929,483 | 963,105 | 1,354,512 | 1,324,876 | 1,967,024 | 1,983,638 |
| Long-term debt, including current portion | 391,050 | 364,637 | 304,949 | 532,286 | 521,844 | 831,153 | 767,737 |
| Total liabilities | 660,175 | 715,874 | 724,018 | 1,097,693 | 1,067,920 | 1,611,622 | 1,584,206 |
| Total stockholders equity | 190,842 | 209,737 | 235,339 | 252,523 | 251,341 | 348,696 | 428,726 |

*(footnotes on following page)*

8

**Table of Contents**

*(footnotes from previous page)*

(1) The results for the year ended December 31, 1998 include the activities of REI, Ltd. from April 17, 1998 and CB Hillier Parker Limited from July 7, 1998, the dates of their respective acquisitions by CB Richard Ellis Services. Additionally, the basic and diluted loss per share calculations for the year ended December 31, 1998 include a deemed dividend of $32.3 million on the repurchase of CB Richard Ellis Services preferred stock.

(2) The results for the period from February 20, 2001 (inception) through December 31, 2001 include the activities of CB Richard Ellis Services from July 20, 2001, the date CB Richard Ellis Services was acquired by CB Richard Ellis Group.

(3) The results for the nine months ended September 30, 2003 include the activities of Insignia Financial Group from July 23, 2003, the date Insignia Financial Group was acquired by our wholly owned subsidiary, CB Richard Ellis Services.

(4) EPS represents earnings (loss) per share. See earnings per share information in note 16 to our audited consolidated financial statements and note 14 to our unaudited consolidated financial statements, each of which is included elsewhere in this prospectus.

(5) For the period from February 20, 2001 (inception) through December 31, 2001, the 7,845,004 and the 7,909,797 shares indicated represent the weighted average shares outstanding for basic and diluted earnings per share, respectively. These balances take into consideration the lower number of shares outstanding prior to our acquisition of CB Richard Ellis Services in 2001.

(6) EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. We believe that the presentation of EBITDA will enhance an investor s understanding of our operating performance. EBITDA is also a measure used by our senior management to evaluate the performance of our various lines of business and for other required or discretionary purposes, such as our use of EBITDA as a significant component when measuring performance under our employee incentive programs. EBITDA should not be considered as an alternative to (a) operating income determined in accordance with accounting principles generally accepted in the United States or (b) operating cash flow determined in accordance with accounting principles generally accepted in the United States. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA is calculated as follows:

| | Predecessor Company | | | | CB Richard Ellis Group | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Pro Forma | |
| | Year Ended December 31, | | | Period From January 1 to July 20, | Period From February 20 (inception) to December 31, | Year Ended December 31, | Nine Months Ended September 30, | | Year Ended December 31, | Nine Months Ended September 30, |
| | 1998(1) | 1999 | 2000 | 2001 | 2001(2) | 2002 | 2002 | 2003 | 2002 | 2003 |
| | (In thousands) | | | | | | | | | |
| Operating income (loss) | $ 78,476 | $ 76,899 | $ 107,285 | $ (14,174) | $ 62,732 | $ 106,062 | $ 53,894 | $ 15,876 | $ 69,436 | $ 33,257 |
| Add: Depreciation and amortization | 32,185 | 40,470 | 43,199 | 25,656 | 12,198 | 24,614 | 18,107 | 53,571 | 100,792 | 40,136 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | $ 110,661 | $ 117,369 | $ 150,484 | $ 11,482 | $ 74,930 | $ 130,676 | $ 72,001 | $ 69,447 | $ 170,228 | $ 73,393 |

9

Table of Contents

## RISK FACTORS

*Investing in our common stock involves risks. Before making an investment in our common stock, you should carefully consider the following risks, as well as the other information contained in this prospectus, including our consolidated financial statements and the related notes and the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations. The risks described below are those that we believe are the material risks we face. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price of our common stock could decline and you may lose all or part of your investment.*

### Risks Relating to Our Business

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

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

As an example of this risk, during 2001 and 2002, we were adversely affected by the slowdown in the global economy, which negatively impacted the commercial real estate market. This caused a decline in our leasing activities within the United States, which was only partially offset by improved overall revenues in Europe and Asia. Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent outbreak of hostilities, as well as the conflict with Iraq, the economic climate in the United States became very uncertain, which had an adverse effect on commercial real estate market conditions and, in turn, our operating results.

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

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

- our ability to attract and retain creditworthy tenants;

the magnitude of defaults by tenants under their respective leases;

our ability to control operating expenses;

governmental regulations, local rent control or stabilization ordinances which are in, or may be put into, effect;

various uninsurable risks;

financial conditions prevailing generally and in the areas in which these properties are located;

the nature and extent of competitive properties; and

the real estate market generally.

Table of Contents

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

We compete across a variety of business disciplines within the commercial real estate industry, including investment management, tenant representation, corporate services, construction and development management, property management, agency leasing, valuation and mortgage banking. In general, with respect to each of our business disciplines, we cannot assure you that we will be able to continue to compete effectively or maintain our current fee arrangements or margin levels or that we will not encounter increased competition. Each of the business disciplines in which we compete is highly competitive on an international, national, regional and local level. Although we are the largest commercial real estate services firm in the world in terms of 2002 revenue, our relative competitive position varies significantly across product and service categories and geographic areas. Depending on the product or service, we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms, some of which may have greater financial resources than we do. Many of our competitors are local or regional firms. Although substantially smaller than we are, some of these competitors are larger on a local or regional basis. We are also subject to competition from other large national and multi-national firms.

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

We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During the year ended December 31, 2002 and the nine-month period ended September 30, 2003, we generated approximately 27.4% and 27.9%, respectively, of our revenue from operations outside the United States. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

- difficulties and costs of staffing and managing international operations;
- currency restrictions, which may prevent the transfer of capital and profits to the United States;
- unexpected changes in regulatory requirements;
- potentially adverse tax consequences;
- the responsibility of complying with multiple and potentially conflicting laws;
- the impact of regional or country-specific business cycles and economic instability;
- the geographic, time zone, language and cultural differences among personnel in different areas of the world;
- greater difficulty in collecting accounts receivable in some geographic regions such as Asia, where many countries have underdeveloped insolvency laws and clients are often slow to pay, and in some European countries, where clients also tend to delay payments;
- political instability; and

foreign ownership restrictions with respect to operations in countries such as China.

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

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

Table of Contents

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

Our revenue from non-U.S. operations has been denominated primarily in the local currency where the associated revenue was earned. During the year ended December 31, 2002 and the nine months ended September 30, 2003, approximately 27.4% and 27.9%, respectively, of our business was transacted in currencies of foreign countries, the majority of which included the Euro, the British Pound Sterling, the Hong Kong dollar, the Singapore dollar and the Australian dollar. During the nine months ended September 30, 2003, the U.S. dollar has dropped against many of the currencies in which we conduct business. Thus, we may experience fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates.

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

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

**Our growth has depended significantly upon acquisitions, which may not be available in the future.**

A significant component of our growth has occurred through acquisitions, including our acquisition of Insignia Financial Group on July 23, 2003. Although we currently have no specific acquisition plans, any future growth through acquisitions will be partially dependent upon the continued availability of suitable acquisition candidates at favorable prices and upon advantageous terms and conditions. However, future acquisitions may not be available at advantageous prices or upon favorable terms and conditions. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations and that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect.

**If we make future acquisitions, we may experience integration problems and the acquired business may not perform as we expect.**

We have had, and may continue to experience, difficulties in integrating operations and accounting systems acquired from other companies. These difficulties include the diversion of management s attention from other business concerns and the potential loss of our key employees or those of the acquired operations. We believe that most acquisitions will initially have an adverse impact on operating and net income. For example, we have experienced these difficulties in integrating Insignia Financial Group s business into our existing business lines. Acquisitions also frequently involve significant costs related to integrating information technology, accounting and management services and rationalizing personnel levels. In connection with the Insignia acquisition, we recorded significant charges during 2003 relating to integration costs.

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

Table of Contents

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

During 2003, a significant amount of our revenue was generated from transactions originating in California and the greater New York metropolitan area. As a result of the geographic concentrations in California and New York, any future economic downturn in the California and New York commercial real estate markets and in the local economies in San Diego, Los Angeles, Orange County or the greater New York metropolitan area could further harm our results of operations.

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

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

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

We are highly leveraged and have significant debt service obligations. For the year ended December 31, 2002 and the nine months ended September 30, 2003, on a pro forma basis, our interest expense was $79.0 million and $63.0 million, respectively. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

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

- We could be required to use a substantial portion, if not all, of our cash flow from operations to pay principal and interest on our debt.

- Our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, strategic acquisitions, investments, joint ventures and other general corporate requirements.

- Our interest expense could increase if interest rates increase because all of our debt under the amended and restated credit agreement governing our senior secured credit facilities, including $300.0 million in term loans and a revolving credit facility of up to $90.0 million, bears interest at floating rates, generally between LIBOR plus 3.00% to 3.75% or the alternate base rate plus 2.00% to 2.75%. The alternate base rate is the higher of (1) Credit Suisse First Boston s prime rate and (2) the federal funds effective rate plus 0.50%.

Our substantial leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged.

Our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the real estate services industry.

Table of Contents

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

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

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

The amended and restated credit agreement governing our senior secured credit facilities and the indentures relating to our 9¾% senior notes due 2010 and our 11¼% senior subordinated notes due 2011 permit us, subject to specified conditions, to incur a significant amount of additional indebtedness, including additional indebtedness under our $90.0 million revolving credit facility. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

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

The indentures governing our 9¾% senior notes due 2010 and our 11¼% senior subordinated notes due 2011 impose, and the terms of any future debt may impose, operating and other restrictions on us and many of our subsidiaries. These restrictions will affect, and in many respects will limit or prohibit, our ability and our restricted subsidiaries ability to:

incur or guarantee additional indebtedness;

pay dividends or distributions on capital stock or redeem or repurchase capital stock;

repurchase equity interests;

make investments;

create restrictions on the payment of dividends or other amounts to us;

sell stock of subsidiaries;

transfer or sell assets;

create liens;

- enter into transactions with affiliates;
- enter into sale/leaseback transactions; and
- enter into mergers or consolidations.

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

The restrictions contained in our debt instruments could:

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

A breach of any of these restrictive covenants or the inability to comply with the required financial ratios could result in a default under our debt instruments. If any such default occurs, the lenders under the senior secured credit facilities and the holders of our 9¾% senior notes due 2010 and our 11¼% senior subordinated notes due 2011, pursuant to the respective indentures, may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. The lenders under our senior secured credit facilities also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under the senior secured credit facilities will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash. If the debt under the senior secured credit facilities, our 9¾% senior notes due 2010 and our 11¼% senior subordinated notes due 2011 were to be accelerated, we cannot assure you that our assets would be sufficient to repay our debt.

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

In connection with the incurrence of indebtedness under our senior secured credit facilities and the completion of the Insignia acquisition, the lenders under our senior secured credit facilities received a pledge of all of our equity interests in our significant domestic subsidiaries, including CB Richard Ellis Services, Inc., CB Richard Ellis Investors, L.L.C., L.J. Melody & Company, Insignia Financial Group, Inc. and Insignia/ESG, Inc., which was subsequently renamed CB Richard Ellis Real Estate Services, Inc., and 65% of the voting stock of CB Richard Ellis Group s foreign subsidiaries that is held directly by CB Richard Ellis Group or its domestic subsidiaries. Additionally, these lenders generally have a lien on substantially all of our accounts receivable, cash, general intangibles, investment property and future acquired material property. As a result of these pledges and liens, if we fail to meet our payment or other obligations under the senior secured credit facilities, the lenders under the senior secured credit facilities will be entitled to foreclose on substantially all of our assets and liquidate these assets.

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

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. As of September 30, 2003, we had committed $21.4 million to fund future co-investments. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments. Although our debt instruments contain restrictions that will limit our ability to provide capital to the entities holding direct or indirect interests in co-investments, we may provide this capital in some instances.

Participation in real estate transactions through co-investment activity could increase fluctuations in earnings and cash flow. Other risks associated with these activities include, but are not limited to, the following:

- losses from investments;
- difficulties associated with international co-investments described in Our international operations subject us to social, political and economic risks of doing business in foreign countries and Our revenue and earnings may be adversely affected by foreign currency fluctuations; and

potential lack of control over the disposition of any co-investments and the timing of the recognition of gains, losses or potential incentive participation fees.

Table of Contents

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

We have utilized joint ventures for commercial investments and local brokerage and other partnerships both in the United States and internationally, and we may acquire minority interests in other joint ventures in the future. In many of these joint ventures, we may not have the right or power to direct the management and policies of the joint ventures and other participants may take action contrary to our instructions or requests and against our policies and objectives. In addition, the other participants may become bankrupt or have economic or other business interests or goals that are inconsistent with ours. If a joint venture participant acts contrary to our interest, it could harm our business, results of operations and financial condition.

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

Our continued success is highly dependent upon the efforts of our executive officers and other key employees, including Ray Wirta, our Chief Executive Officer; Brett White, our President; Kenneth J. Kay, our Chief Financial Officer; Stephen Siegel, our Chairman, Global Brokerage; Mitchell Rudin, our President, U.S. Brokerage Services; and Alan Froggatt, our Chief Executive Officer, EMEA. In addition, Messrs. Wirta and White currently are not parties to employment agreements with us. If any of our key employees leave and we are unable to quickly hire and integrate a qualified replacement, our business, financial condition and results of operations may suffer. In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified personnel in all areas of our business, including brokerage and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

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

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

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

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

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

Table of Contents

**We agreed to retain contingent liabilities in connection with Insignia s sale of substantially all of its real estate investment assets in 2003.**

Immediately prior to the completion of our acquisition of Insignia Financial Group on July 23, 2003, Insignia completed the sale of substantially all of its real estate investment assets to Island Fund I, LLC. Under the terms of the purchase agreement, we agreed to retain some contingent liabilities related to these real estate investment assets, including approximately $10.2 million of letters of credit support and a guarantee of approximately a $1.3 million repayment obligation. Island Fund is obligated to reimburse us for only 50% of any future draws against these letters of credit or the repayment guarantee, and there can be no assurance that Island Fund will be able to satisfy any future requests for reimbursement.

Also in connection with the sale to Island Fund, we agreed to indemnify Island Fund against any losses resulting from the ownership, use or operation of the real estate investment assets prior to the closing of the sale. Although this indemnification obligation to Island Fund is subject to a number of exceptions and limitations, future claims against us pursuant to this indemnification obligation may be material.

In addition, a number of the real estate investment assets that we agreed to sell to Island Fund required the consent of one or more third parties in order to transfer such assets to Island Fund, and some of these third party consents were not obtained prior to the closing. As a result, we continue to hold these real estate investment assets pending the receipt of these third party consents. While we continue to hold these assets, we generally have agreed to provide Island Fund with the economic benefits from these assets, and Island Fund generally has agreed to indemnify us with respect to any losses incurred in connection with our continuing to hold these assets. There can be no assurance, however, that Island Fund actually will be able to provide such indemnification if required to do so at any future date.

## Risks Relating to the Offering and Ownership of Our Common Stock

**The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.**

The market price of our common stock could fluctuate significantly, in which case you may not be able to resell your shares at or above the initial public offering price. Fluctuations may occur in response to the risk factors listed in this prospectus and for many other reasons, including:

- our financial performance or the performance of our competitors and similar companies;
- changes in estimates of our performance or recommendations by securities analysts;
- failure to meet financial projections for each fiscal quarter;
- technological innovations or other trends in our industry;
- the introduction of new services by us or our competitors;

the arrival or departure of key personnel;

acquisitions, strategic alliances or joint ventures involving us or our competitors; and

market conditions in the industry, the financial markets and the economy as a whole.

In addition, the stock market, in general, has historically experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock. When the market price of a company s common stock drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources from our business.

Table of Contents

**There is no existing market for our common stock and we do not know if one will develop to provide you with adequate liquidity.**

There has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the shares will be determined by negotiations among us, the selling stockholders and the representative of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering.

**Future sales of common stock by our existing stockholders could cause our stock price to decline.**

If our current stockholders sell substantial amounts of common stock in the public market, including shares we may issue upon the exercise of outstanding options, the market price of our common stock could decline significantly. The perception among investors that these sales may occur could produce the same effect. After the offering, shares owned by our current stockholders, holders of options and warrants to acquire our common stock and participants in our deferred compensation plan who have stock fund units, assuming the exercise of all options and warrants and the distribution of shares underlying all stock fund units, including those of our directors and executive officers, are expected to constitute approximately % of our total outstanding common stock, or % if the underwriters over-allotment option is exercised in full. Following the expiration of a 180-day lock-up period to which approximately % of the shares held by our current stockholders will be subject, these shares of common stock may become available in the public market.

After the offering, the holders of approximately shares of our common stock, including shares that will be issuable upon the automatic exercise of outstanding warrants in connection with the completion of the offering, will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file. By exercising these registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline. Furthermore, if we were to include their shares in a registration statement, those sales could impair our ability to raise needed capital by depressing the price at which we could sell our common stock.

See the information under the heading Shares Eligible for Future Sale for a more detailed description of the shares that will be available for future sales upon completion of the offering.

**For so long as affiliates of Blum Capital Partners, L.P. continue to own a significant percentage of our common stock they will have significant influence over our affairs and policies, and their interests may be different from yours.**

After the completion of the offering, affiliates of Blum Capital Partners will beneficially own approximately % of our outstanding common stock, or approximately % if the underwriters exercise in full their over-allotment option to purchase additional shares. In addition, pursuant to a securityholders agreement, these affiliates of Blum Capital Partners, following the offering and subject to the applicable listing rules of the New York Stock Exchange, are entitled to nominate a percentage of our total number of directors that is equivalent to the percentage of the outstanding common stock beneficially owned by these affiliates, with this percentage of our directors being rounded up to the nearest whole number of directors. Also pursuant to this agreement, some of our other stockholders will be obligated to vote their shares in favor of the directors nominated by these affiliates of Blum Capital Partners. These other stockholders, collectively, will beneficially own approximately % of our outstanding common stock, or approximately % if the underwriters exercise in full their over-allotment option to purchase additional shares. There are no restrictions in the securityholders agreement on the ability of these affiliates of Blum Capital

Partners to sell their shares to any third party or to assign their rights under the securityholders agreement in connection with a sale of a majority of their shares to a third party.

Table of Contents

For so long as these affiliates of Blum Capital Partners continue to beneficially own a significant portion of our outstanding common stock, they will continue to have significant influence over matters submitted to our stockholders for approval and to exercise significant control over our business policies and affairs, including the following:

- the composition of our board of directors and, as a result, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- any determinations with respect to mergers and other business combinations, including those that may result in a change of control;
- sales and dispositions of our assets; and
- the amount of debt financing that we incur.

In addition, as a result of supermajority requirements under our amended and restated certificate of incorporation and bylaws, these affiliates of Blum Capital Partners will be able to prevent removal of our directors and amendments to our certificate of incorporation and bylaws by our stockholders for so long as these affiliates of Blum Capital Partners beneficially own over 33 $^{1}/_{3}$% of the outstanding shares of Class A common stock.

The significant ownership position of the affiliates of Blum Capital Partners could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our other stockholders. In addition, we cannot assure you that the interests of the affiliates of Blum Capital Partners will not conflict with yours. For additional information regarding the share ownership of, and our relationships with, these affiliates of Blum Capital Partners, you should read the information under the headings Principal and Selling Stockholders and Related Party Transactions.

**Delaware law and provisions of our amended and restated certificate of incorporation and bylaws have provisions that could delay, deter or prevent a change of control.**

The anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. Although we are not currently subject to the Delaware anti-takeover provisions, we expect to take action to become subject to these provisions prior to completion of the offering. Additionally, our amended and restated certificate of incorporation and bylaws that we expect to file immediately prior to the completion of the offering contain provisions that might enable our management to resist a proposed takeover of our company. These provisions could discourage, delay or prevent a change of control of our company or an acquisition of our company at a price that our stockholders may find attractive. These provisions also may discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions. The existence of these provisions could limit the price that investors might be willing to pay in the future for shares of our common stock. The provisions include:

- limitations on the ability to remove our directors;
- a requirement that special meetings of our stockholders may be called only by our board of directors and the chairman of the board;

removal of the ability of our stockholders to act by written consent in lieu of a meeting;

advance notice requirements for stockholder proposals and nominations;

supermajority requirements for the amendment of a number of provisions in our certificate of incorporation and bylaws; and

the authority of our board to issue, without stockholder approval, preferred stock with such terms as our board may determine.

Table of Contents

For additional information regarding these provisions, you should read the information under the heading titled Description of Capital Stock Anti-Takeover Provisions in our Amended and Restated Certificate of Incorporation and Bylaws and Delaware Anti-takeover Statute.

**You will suffer immediate and substantial dilution because the net tangible book value of shares purchased in the offering will be substantially lower than the initial public offering price.**

The net tangible book value per share of our common stock, adjusted to reflect the net proceeds we receive from the offering, will be substantially below the initial public offering price. You will therefore incur immediate and substantial dilution of $ per share at an initial public offering price of $ per share, which is the mid-point of the initial offering price range per share set forth on the cover page of this prospectus. In addition, as of January 31, 2004, we had options outstanding to acquire 2,493,561 shares of our common stock with a weighted average exercise price of $16.00 per share, warrants outstanding to acquire 255,477 shares of common stock with an exercise price of $30.00 per share and stock units under our deferred compensation plan with 1,129,236 underlying shares of our common stock. To the extent these securities are exercised, you will incur further dilution. As a result, if we are liquidated, you may not receive the full amount of your investment. See the heading titled Dilution for a more complete description of the dilution you will incur.

**We have broad discretion in how we use a portion of the net proceeds of the offering, and we may not use these proceeds in a manner desired by our stockholders.**

We plan to use a portion of the net proceeds from the offering to redeem the remaining $38.3 million aggregate principal amount of our 16% senior notes due 2011. We do not currently have a specific plan with respect to the use of the other net proceeds we receive from the offering and have not committed these proceeds to any particular purpose. Accordingly, our management will have broad discretion with respect to the use of those net proceeds and investors will be relying on the judgment of our management regarding the application of these proceeds. You will not have the opportunity, as part of your investment in our common stock, to influence the manner in which the net proceeds of the offering are used. Our management could spend these proceeds in ways which our stockholders may not desire or that do not yield a favorable return. In addition, our financial performance may differ from our current expectations or our business needs may change as our business evolves. As a result, a substantial portion of the proceeds we receive in the offering may be used in a manner significantly different from our current expectations.

**Your ability to recover from our former auditors, Arthur Andersen LLP, for any potential financial misstatements is limited.**

On April 23, 2002, at the recommendation of our audit committee, we dismissed Arthur Andersen LLP as our independent public accountants and engaged Deloitte & Touche LLP to serve as our independent public accountants for fiscal year 2002. The audited consolidated financial statements of CB Richard Ellis Group as of December 31, 2001 and for the period from February 20, 2001 (inception) through December 31, 2001 and the audited consolidated financial statements of CB Richard Ellis Services for the period from January 1, 2001 through July 20, 2001 and for the year ended December 31, 2000, which are included in this prospectus, have been audited by Arthur Andersen, our former independent public accountants, as set forth in their report, but Arthur Andersen has not consented to our use of their report in this prospectus.

Arthur Andersen completed its audit of our consolidated financial statements for the year ended December 31, 2001 and issued its report relating to these consolidated financial statements on February 26, 2002. Subsequently, Arthur Andersen was convicted of obstruction of justice for the activities relating to its previous work for another of its audit clients and has ceased to audit publicly-held companies. We are unable to predict the impact of this conviction or whether other adverse actions may be taken by governmental or private entities against Arthur Andersen. If Arthur Andersen has no assets available for creditors, you may not be able to recover against Arthur Andersen for any claims you may have under securities or other laws as a result of Arthur Andersen s previous role as our independent public accountants and as author of the audit report for some of the audited financial statements included in this prospectus.

Table of Contents

## FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. The words anticipate, believe, could, should, propose, continue, estimate, expect, intend, may, plan, predict, project, will and similar terms prospectus to identify forward-looking statements. The forward-looking statements in this prospectus include, but are not limited to, statements under the captions Prospectus Summary, Risk Factors, Unaudited Pro Forma Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business regarding our future financial condition, prospects, developments and business strategies. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

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

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

- changes in general economic and business conditions;
- the failure of properties managed by us to perform as anticipated;
- competition;
- changes in social, political and economic conditions in the foreign countries in which we operate;
- foreign currency fluctuations;
- future acquisitions;
- integration issues relating to acquired businesses;
- an economic downturn in the California and New York real estate markets;
- significant variability in our results of operations among quarters;
- our substantial leverage and debt service obligations;
- our ability to incur additional indebtedness;

our ability to generate a sufficient amount of cash to service our existing and future indebtedness;

the success of our co-investment and joint venture activities;

our ability to retain our senior management and attract and retain qualified and experienced employees;

our ability to comply with the laws and regulations applicable to real estate brokerage and mortgage transactions;

our exposure to liabilities in connection with real estate brokerage and property management activities;

the significant influence of our largest stockholders; and

the other factors described under the heading Risk Factors.

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Table of Contents

## USE OF PROCEEDS

The net proceeds from the sale of the shares of common stock offered by us will be approximately $ million, based on an estimated initial public offering price of $ per share, which is the mid-point of the range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of the shares to be sold by the selling stockholders.

The primary purposes of the offering are to create a public market for our common stock, obtain additional equity capital and facilitate future access to public markets. We expect to use our net proceeds from the offering to redeem the remaining $38.3 million aggregate principal amount of our 16% senior notes due 2011. The amended and restated credit agreement governing our senior secured credit facilities currently would limit our ability to complete a portion of this redemption. We expect to enter into an amendment to such agreement prior to the completion of the offering in order to permit the full redemption to be completed. We will use the remainder of our net proceeds from the offering for other general corporate purposes, including repayment of other debt.

We will have significant discretion in the use of a significant portion of the net proceeds we receive from the offering. Investors will be relying on the judgment of our management regarding the application of those net proceeds. In addition, any investments, capital expenditures or other application of our proceeds may not produce the anticipated results. Pending use of these proceeds as discussed above, we intend to invest these funds in short-term, interest-bearing investment-grade obligations.

## DIVIDEND POLICY

We have not declared or paid any dividends on any class of our common stock since our inception on February 20, 2001, and we do not anticipate declaring or paying any dividends on our common stock for the foreseeable future. We currently intend to retain any future earnings to finance future growth. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors the board of directors deems relevant. In addition, our ability to declare and pay dividends after the offering will be restricted by the amended and restated credit agreement governing our senior secured credit facilities and the indentures relating to our 9 $^{3}/4$% senior notes due 2010 and our 11 $^{1}/4$% senior subordinated notes due 2011. As a result, you will need to sell your shares of common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

Table of Contents

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2003:

- on an actual basis; and
- on an as adjusted basis, giving effect to:
  - the conversion at a one-to-one ratio of all outstanding shares of our Class B common stock into shares of Class A common stock in connection with the completion of the offering;
  - our sale of shares of our common stock in the offering at an initial public offering price of $ per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and estimated expenses payable by us; and
  - the redemption by us of the remaining $38.3 million aggregate principal amount of our 16% senior notes due 2011.

This table should be read in conjunction with our financial statements, Management s Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Financial Information contained elsewhere in this prospectus.

| | As of September 30, 2003 | |
|---|---|---|
| | Actual | As Adjusted |
| | (In thousands) | |
| Cash and cash equivalents | $ 85,494 | $ |
| Long-term debt, including current portion: | | |
| CB Richard Ellis Group: | | |
| 16% senior notes due 2011 (1) | $ 63,416 | $ |
| CB Richard Ellis Services: | | |
| Revolving credit facility (2) | | |
| Senior secured term loans (2) | 288,463 | |
| 9¾% senior notes due 2010 | 200,000 | |
| 11¼% senior subordinated notes due 2011 (3) | 226,114 | |
| Other long-term debt | 53,160 | |
| Total long-term debt, including current portion | 831,153 | |
| Stockholders equity: | | |
| Class A common stock; $0.01 par value; 75,000,000 shares authorized; 2,698,441 shares issued and outstanding (including treasury shares), actual; and shares issued and outstanding, as adjusted (4)(5) | 27 | |
| Class B common stock; $0.01 par value; 25,000,000 authorized; 19,271,948 shares issued and outstanding, actual; and no shares issued and outstanding, as adjusted | 193 | |

| | | |
|---|---|---|
| Additional paid-in capital | 361,400 | |
| Notes receivable from sale of stock | (4,705) | |
| Accumulated earnings (deficit) | 11,533 | |
| Accumulated other comprehensive loss | (17,724) | |
| Treasury stock at cost, 128,684 shares | (2,028) | |
| Total stockholders equity | 348,696 | |
| Total capitalization | $ 1,179,849 | $ |

(1) The amount shown for our actual capitalization is net of unamortized discount of $4.9 million associated with the issuance of our 16% senior notes dues 2011. On October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes due 2011. We paid $2.9 million of premiums in connection with these redemptions.

(2) As of September 30, 2003, there were no borrowings outstanding under our revolving credit facility. Borrowings of up to $90.0 million are available at any one time for general corporate purposes under our revolving credit facility. On October 14, 2003, we refinanced our senior secured term loans, which among other things resulted in an increase in our outstanding senior secured term loans to $300.0 million as of that date and the drawing of $10.8 million of outstanding letters of credit under our revolving credit facility. For additional information regarding the refinancing of the senior secured term loans, see the heading Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Indebtedness.

(3) The amount shown for our actual and as adjusted capitalization is net of unamortized discount of $2.9 million associated with the issuance of our 11¼% senior subordinated notes due 2011.

(4) The number of shares of Class A common stock outstanding after the offering excludes:

2,424,528 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $16.00 per share;

1,136,379 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to the elections made by the plan participants; and

3,633,317 additional shares available for future issuance under our 2001 stock incentive plan.

(5) The number of shares of Class A common stock outstanding on an as adjusted basis includes shares that will be issued by us in connection with the automatic cashless exercise of outstanding warrants to acquire 255,477 shares of our common stock at an exercise price of $30.00 per share in connection with the offering. For additional information regarding these warrants, including the cashless exercise terms, you should read the description of these warrants under the heading Description of Capital Stock Warrants.

Table of Contents

## DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after the offering. Dilution results from the fact that the per share offering price of the common stock is in excess of the book value per share attributable to the existing stockholders for the presently outstanding common stock

Our net tangible book deficit as of September 30, 2003 was $729.4 million, or $33.20 per share of common stock. Net tangible book deficit per share before the offering is equal to the total book value of tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of September 30, 2003. After giving effect to the sale of shares of our common stock in the offering at the initial public offering price of $ per share, which is the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and giving effect to the other transactions described under the heading Use of Proceeds, the pro forma net tangible book value as of September 30, 2003 would have been $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value per share of $ to existing stockholders and dilution in net tangible book value per share of $ to new investors purchasing shares in the offering. The following table summarizes this per share dilution:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ |
| Net tangible book value (deficit) per share as of September 30, 2003 | $ | |
| Increase in pro forma net tangible book value per share attributable to the offering | | |
| Pro forma net tangible book value per share after the offering | | |
| Dilution in net tangible book value per share to new investors | | $ |

The following table summarizes, on a pro forma basis as of September 30, 2003, the differences between our existing stockholders and new investors with respect to the number of shares of common stock issued by us, the total consideration paid and the average price per share paid before deducting underwriting discounts and commissions and our estimated offering expenses:

| | **Shares Purchased** | | **Total Consideration** | | |
|---|---|---|---|---|---|
| | **Number** | **Percent** | **Amount** | **Percent** | **Average Price Per Share** |
| | **(In thousands)** | | **(In thousands)** | | |
| Existing stockholders | 21,842 | % | $ 349,467 | % | $ 16.00 |
| New investors | | | | | |
| Total | | 100.0% | $ | 100.0% | |

If the underwriters exercise their over-allotment option in full, (1) the number of shares of common stock held by existing stockholders will decrease to approximately % of the total number of shares of common stock outstanding; and (2) the number of newly issued shares of common stock held by new investors will increase to , or approximately % of the total number of shares of our common stock outstanding after the offering.

As of September 30, 2003, there was an aggregate of (1) 2,424,528 shares of common stock issuable upon the exercise of outstanding options granted under our 2001 stock incentive plan at a weighted average exercise price of $16.00 per share, of which options to purchase 552,427 shares were then exercisable; (2) 255,477 shares of common stock issuable upon the exercise of outstanding warrants at an exercise price of $30.00 per share; (3) 3,633,317 additional shares of common stock reserved for future issuance under our 2001 stock incentive plan; and (4) 1,136,379 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to the elections made by participants, of which stock units with 702,679 underlying shares were then vested.

Table of Contents

The following table adjusts the information set forth in the table above to reflect the assumed exercise of options and warrants and the distribution of shares underlying stock fund units, in each case outstanding as of September 30, 2003, that are described in the preceding paragraph:

| | Shares Purchased | | Total Consideration | | Average Price Per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | |
| | (In thousands) | | (In thousands) | | |
| Existing stockholders | 21,842 | % | $ 349,467 | % | $ 16.00 |
| Option and warrant holders | 2,680 | | 46,457 | | 17.33 |
| Stock fund unit holders | 1,136 | | 18,182 | | 16.00 |
| New investors | | | | | |
| Total | | 100.0% | $ | 100.0% | |

Assuming the exercise of the foregoing outstanding options and warrants and the distribution of shares underlying the foregoing stock fund units, dilution to new investors in net tangible book value per share would be $ .

Table of Contents

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma financial information is based on the historical financial statements of CB Richard Ellis Group and Insignia Financial Group included elsewhere in this prospectus. The unaudited pro forma statements of operations for the twelve months ended December 31, 2002 and the nine months ended September 30, 2003 give effect to the following transactions, which we refer to in this section of the prospectus as the Insignia acquisition and related transactions, as if they had occurred on January 1, 2002:

- the acquisition of Insignia Financial Group by our wholly owned subsidiary, CB Richard Ellis Services, Inc., which occurred pursuant to the merger of Apple Acquisition Corp., a wholly-owned subsidiary of CB Richard Ellis Services, with and into Insignia Financial Group on July 23, 2003;
- the receipt of an aggregate of $120.0 million of equity contributions by CB Richard Ellis Group on July 23, 2003 from some of its existing stockholders;
- the issuance on May 22, 2003 by CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, of $200.0 million aggregate principal amount of 9¾% senior notes due 2010, which notes were assumed by CB Richard Ellis Services on July 23, 2003 in connection with the merger of CBRE Escrow with and into CB Richard Ellis Services on the same day;
- the term loan borrowing by CB Richard Ellis Services of $75.0 million on July 23, 2003 pursuant to our amended and restated credit agreement dated May 22, 2003; and
- fees and expenses related to each of the transactions and financings described in the bullet points above.

Additionally, such unaudited pro forma statements of operations are further adjusted to give effect to the following:

- the disposition by Insignia Financial Group to Island Fund immediately prior to the completion of such merger on July 23, 2003, for aggregate cash consideration of $36.9 million, of Insignia s real estate investment assets, which consisted of Insignia subsidiaries and joint ventures that held (1) minority investments in office, retail, industrial, apartment and hotel properties, (2) minority investments in office development projects and a related undeveloped parcel of land, (3) wholly owned or consolidated investments in Norman, Oklahoma, New York City and the U.S. Virgin Islands and (4) investments in private equity funds that invest in mortgage-backed debt securities and other real estate-related assets;
- the redemptions on October 27, 2003 and December 29, 2003 of $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes due 2011 and related fees and expenses; and
- the offering and the application of net proceeds of the offering to the redemption of the remaining $38.3 million outstanding principal amount of our 16% senior notes due 2011 and related fees and expenses.

The following unaudited pro forma balance sheet as of September 30, 2003 only gives effect to the following as if they had occurred on September 30, 2003:

the redemptions on October 27, 2003 and December 29, 2003 of $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes due 2011, and the payment of premiums of $2.9 million in connection with such redemptions; and

the offering and the application of net proceeds of the offering to the redemption of the remaining $38.3 million outstanding principal amount of our 16% senior notes due 2011, including payment of a $3.7 million premium in connection with such redemption.

The unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations or financial position actually would have been had the Insignia acquisition and related transactions and the offering in fact occurred on the dates specified, nor does the information purport to project our results of operations for any future period or at any future date.

Table of Contents

All pro forma adjustments with respect to the Insignia acquisition and related transactions are based on preliminary estimates and assumptions and are subject to revision upon finalization of purchase accounting. Once we have completed the valuation studies necessary to finalize the required purchase price allocations in connection with the Insignia acquisition and related transactions, the unaudited pro forma financial information will be subject to adjustment and there can be no assurance that such adjustments will not be material.

The unaudited pro forma financial information should be read in conjunction with the other information contained in this prospectus under the headings Prospectus Summary Summary Historical and Pro Forma Financial Data, Capitalization, Selected Historical Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the respective financial statements of CB Richard Ellis Group and Insignia Financial Group and the related notes included elsewhere in this prospectus.

Table of Contents

**CB RICHARD ELLIS GROUP, INC.**

**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**

**For the Twelve Months Ended December 31, 2002**

**(In thousands, except share data)**

| | Historical | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|---|
| | CB Richard Ellis Group | Insignia | Disposition of Real Estate Investment Assets by Insignia (a) | Insignia Acquisition and Related Transactions | The Offering | Pro Forma As Adjusted |
| Revenue | $ 1,170,277 | $ 587,532 | $ (13,647) | $ | $ | $ 1,744,162 |
| Costs and expenses: | | | | | | |
| Cost of services | 547,093 | | | | | 547,093 |
| Operating, administrative and other | 501,798 | | | | | 501,798 |
| Cost and expenses Insignia | | 547,684 | (16,268) | 2,917 (b) | | 534,333 |
| Depreciation and amortization | 24,614 | 20,241 | (1,993) | 57,930 (c) | | 100,792 |
| Equity income from unconsolidated subsidiaries | (9,326) | (3,482) | 3,482 | | | (9,326) |
| Merger-related charges | 36 | | | | | 36 |
| | 1,064,215 | 564,443 | (14,779) | 60,847 | | 1,674,726 |
| Operating income | 106,062 | 23,089 | 1,132 | (60,847) | | 69,436 |
| Interest income | 3,272 | 3,936 | (29) | | | 7,179 |
| Interest expense | 60,501 | 10,976 | (2,122) | 20,983 (d) | (11,344)(f) | 78,994 |
| Income (loss) from continuing operations before provision for income taxes | 48,833 | 16,049 | 3,225 | (81,830) | 11,344 | (2,379) |
| Provision for income taxes | 30,106 | 7,012 | 1,604 | (32,732)(e) | 3,262 (g) | 9,252 |
| Income (loss) from continuing operations | $ 18,727 | $ 9,037 | $ 1,621 | $ (49,098) | $ 8,082 | $ (11,631) |
| Basic earnings (loss) per share from continuing operations | $ 1.25 | | | | | $ |
| Weighted average shares outstanding for basic earnings (loss) per share | 15,025,308 | | | | | (h) |

| | | |
|---|---|---|
| Diluted earnings (loss) per share from continuing operations | $ 1.23 | $ |
| Weighted average shares outstanding for diluted earnings (loss) per share | 15,222,111 | (h) |

The accompanying notes are an integral part of these financial statements.

29

Table of Contents

**Notes to Unaudited Pro Forma Statements of Operations**

**For the Twelve Months Ended December 31, 2002**

(a) Reflects the elimination of the historical results of the real estate investment assets that were sold by Insignia to Island Fund I, LLC immediately prior to the closing of the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, these dispositions were assumed to have occurred prior to January 1, 2002.

(b) This adjustment mainly represents pro forma broker draw expense as a result of conforming the accounting for historical draws to CB Richard Ellis Group s policy. Additionally, the adjustment includes incremental pro forma deferred rent expense resulting from the recalculation of deferred rent expense from the Insignia acquisition, assumed to have closed on January 1, 2002.

(c) This increase is comprised of pro forma amortization expense primarily as a result of net revenue backlog acquired as part of the Insignia acquisition. The net revenue backlog consists of net commissions receivable on Insignia s revenue producing transactions which were at various stages of completion prior to the Insignia acquisition. The net revenue backlog is amortized as cash is received or upon final closing of these pending transactions, a large portion of which is expected to occur within twelve months after the date of the Insignia acquisition. In addition, depreciation expense was adjusted as a result of fair value adjustments to property and equipment.

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

| | (In thousands) |
|---|---|
| Interest on $200.0 million in aggregate principal amount senior notes at 9¾% per annum | $ 19,500 |
| Interest on $75.0 million in additional tranche B term loan borrowings at LIBOR plus 4.25% (1) | 4,573 |
| Additional 0.50% interest rate margin on existing senior secured term loan facilities | 1,249 |
| Incremental revolving credit facility loans at LIBOR plus 3.75% (1) (2) | 1,092 |
| Amortization of deferred financing costs over the term of each respective debt instrument | 2,995 |
| Incremental commitment and administration fees | 231 |
| Subtotal | 29,640 |
| Less: historical interest expense of Insignia | (5,760) |
| Less: historical amortization of deferred financing costs of CB Richard Ellis Group (credit facility in effect prior to Insignia acquisition) | (1,711) |
| Less: historical amortization of deferred financing costs of Insignia | (1,186) |
| Subtotal | (8,657) |
| Net increase in interest expense | $ 20,983 |

(1) For purposes of the calculations above, LIBOR is based on the average three-month LIBOR rate for fiscal year 2002.

(2) The incremental revolving credit facility loans reflect the difference between Insignia s outstanding revolving credit facility balance as of December 31, 2002 of $95.0 million and the amounts outstanding in excess of $95.0 million during 2002. Such excess was assumed to be financed at LIBOR plus 3.75% under the amended and restated credit agreement we entered into in connection with the closing of the Insignia acquisition.

(e) Represents the tax effect of the pro forma adjustments included in notes (b) through (d) above at the respective statutory rates.

Table of Contents

(f) The decrease in pro forma interest expense as a result of the public equity offering is summarized as follows:

| | (In thousands) |
|---|---|
| Historical interest expense on our 16% senior notes | $ (10,540) |
| Historical amortization of deferred financing costs related to our 16% senior notes | (567) |
| Historical amortization of discount related to our 16% senior notes | (237) |
| Net decrease in interest expense | $ (11,344) |

(g) Represents the tax effect of the pro forma adjustments included in note (f) above at the respective statutory rates, excluding some items that are permanently non-deductible for tax purposes.

(h) Reflects the pro forma number of weighted average shares giving effect to the 852,865 shares of Class A common stock of CB Richard Ellis Group and the 6,647,135 shares of Class B common stock of CB Richard Ellis Group issued in connection with the Insignia acquisition and the shares of Class A common stock of CB Richard Ellis Group issued in connection with the offering. In connection with the offering, all outstanding shares of our Class B common stock will be converted into shares of Class A common stock at a one-to-one ratio.

Table of Contents

**CB RICHARD ELLIS GROUP, INC.**

**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**

**For the Nine Months Ended September 30, 2003**

**(In thousands, except share data)**

| | Historical | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|---|
| | CB Richard Ellis Group | Insignia from January 1, 2003 to July 23, 2003 | Disposition of Real Estate Investment Assets by Insignia (a) | Insignia Acquisition and Related Transactions | The Offering | Pro Forma As Adjusted |
| Revenue | $ 1,008,817 | $ 325,600 | $ (6,847) | $ | $ | $ 1,327,570 |
| Costs and expenses: | | | | | | |
| Cost of services | 484,863 | | | | | 484,863 |
| Operating, administrative and other | 443,894 | | | | | 443,894 |
| Cost and expenses Insignia | | 320,319 | (8,039) | 2,527 (b) | | 314,807 |
| Depreciation and amortization | 53,571 | 10,148 | (792) | (22,791)(c) | | 40,136 |
| Equity (income) loss from unconsolidated subsidiaries | (9,182) | 4,439 | (4,439) | | | (9,182) |
| Merger-related charges | 19,795 | 21,627 | (12,832) | (8,795)(d) | | 19,795 |
| | 992,941 | 356,533 | (26,102) | (29,059) | | 1,294,313 |
| Operating income (loss) | 15,876 | (30,933) | 19,255 | 29,059 | | 33,257 |
| Interest income | 3,564 | 1,924 | | (399)(e) | | 5,089 |
| Interest expense | 59,519 | 6,045 | (841) | 7,036 (f) | (8,800)(h) | 62,959 |
| (Loss) income before (benefit) provision for income taxes | (40,079) | (35,054) | 20,096 | 21,624 | 8,800 | (24,613) |
| (Benefit) provision for income taxes | (15,459) | (12,104) | 8,239 | 8,650 (g) | 2,520 (i) | (8,154) |
| Net (loss) income | $ (24,620) | $ (22,950) | $ 11,857 | $ 12,974 | $ 6,280 | $ (16,459) |
| Basic (loss) income per share | $ (1.45) | | | | | $ |
| Weighted average shares outstanding for basic (loss) income per share | 16,957,494 | | | | | (j) |
| Diluted (loss) income per share from continuing operations | $ (1.45) | | | | | $ |

| | | |
|---|---|---|
| Weighted average shares outstanding for diluted (loss) income per share | 16,957,494 | (j) |

The accompanying notes are an integral part of these financial statements.

32

Table of Contents

**Notes to Unaudited Pro Forma Statements of Operations**

**for the Nine Months Ended September 30, 2003**

(a) Reflects the elimination of the historical results of the real estate investment assets that were sold by Insignia to Island Fund I LLC immediately prior to the closing of the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, these dispositions were assumed to have occurred prior to January 1, 2002.

(b) This adjustment mainly represents pro forma broker draw expense as a result of conforming the accounting for historical draws to CB Richard Ellis Group s policy. Additionally, the adjustment includes incremental pro forma deferred rent expense resulting from the recalculation of deferred rent expense from the Insignia acquisition, assumed to have closed on January 1, 2002.

(c) This decrease is primarily due to the reversal of amortization expense relating to net revenue backlog acquired as part of the Insignia acquisition, which is included in the CB Richard Ellis Group s historical results. The net revenue backlog consists of net commissions receivable on Insignia s revenue producing transactions which were at various stages of completion prior to the Insignia acquisition. The net revenue backlog is amortized as cash is received or upon final closing of these pending transactions, a large portion of which is expected to occur within twelve months after the date of the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, the acquisition is assumed to have occurred on January 1, 2002. Accordingly, for pro forma purposes, a large portion of the net revenue backlog would have been fully amortized in 2002.

(d) Per Rule 11-02 of Regulation S-X, pro forma combined statements of operations are required to disclose income (loss) from continuing operations before nonrecurring charges or credits directly attributable to the transaction. Accordingly, this adjustment removes such charges for the pro forma statement of operations. Insignia s historical merger costs primarily include the loss on the sale of the real estate investment assets to Island Fund prior to the closing of the Insignia acquisition and legal fees incurred related to the Insignia acquisition.

(e) Represents the reversal of historical interest income earned by us on the net proceeds from the $200.0 million in aggregate principal amount of 9¾% senior notes held in escrow from May 22, 2003 through July 23, 2003, the date of the closing of the Insignia acquisition. The net proceeds held in escrow were released to us upon consummation of the Insignia acquisition.

Table of Contents

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

| | (In thousands) |
|---|---|
| Interest on $200.0 million in aggregate principal amount senior notes at 9¾% per annum | $ 14,624 |
| Interest on $75.0 million in additional tranche B term loan borrowings at LIBOR plus 4.25% (1) | 2,355 |
| Additional 0.50% interest rate margin on existing senior secured term loan facilities | 649 |
| Amortization of deferred financing costs over the term of each respective debt instrument | 1,688 |
| Incremental commitment and administration fees | 196 |
| Subtotal | 19,512 |
| Less: historical interest expense of CB Richard Ellis Group for $200.0 million in aggregate principal amount 9¾% senior notes | (7,042) |
| Less: historical interest expense of Insignia | (1,978) |
| Less: historical amortization of deferred financing costs of CB Richard Ellis Group (credit facility in effect prior to Insignia acquisition and 9¾% senior notes) | (1,110) |
| Less: amortization of deferred financing costs of Insignia | (2,346) |
| Subtotal | (12,476) |
| Net increase in interest expense | $ 7,036 |

(1) For purposes of the calculations above, LIBOR is based on the average three-month LIBOR rate for the nine months ended September 30, 2003.

(g) Represents the tax effect of the pro forma adjustments included in notes (b) through (f) above at the respective statutory rates.

(h) The decrease in pro forma interest expense as a result of the public equity offering is summarized as follows:

| | (In thousands) |
|---|---|
| Historical interest expense on our 16% senior notes | $ (8,185) |
| Historical amortization of deferred financing costs related to our 16% senior notes | (408) |
| Historical amortization of discount associated with our 16% senior notes | (207) |
| Net decrease in interest expense | $ (8,800) |

(i) Represents the tax effect of the pro forma adjustments included in note (h) above at the respective statutory rates, excluding some items that are permanently non-deductible for tax purposes.

(j) Reflects the pro forma number of weighted average shares giving effect to the 852,865 shares of Class A common stock of CB Richard Ellis Group and the 6,647,135 shares of Class B common stock of CB Richard Ellis Group issued in connection with the Insignia acquisition and the shares of Class A common stock of CB Richard Ellis Group issued in connection the offering. In connection with the offering, all outstanding shares of our Class B common stock will be converted into shares of Class A common stock at a one-to-one ratio.

34

Table of Contents

**CB RICHARD ELLIS GROUP, INC.**

**UNAUDITED PRO FORMA BALANCE SHEET**

**As of September 30, 2003**

**(In thousands, except share data)**

| | Historical | Pro Forma Adjustments for the Offering | Pro Forma As Adjusted |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and cash equivalents | $ 85,494 | $ 16,843 (a)(b)(c) | $ 102,337 |
| Restricted cash | 17,912 | | 17,912 |
| Receivables, less allowance for doubtful accounts of $17,720 | 250,608 | | 250,608 |
| Warehouse receivable | 135,820 | | 135,820 |
| Prepaid expenses | 25,222 | | 25,222 |
| Deferred tax assets, net | 74,748 | 4,247 (d) | 78,995 |
| Other current assets | 17,731 | | 17,731 |
| Total current assets | 607,535 | 21,090 | 628,625 |
| Property and equipment, net | 110,705 | | 110,705 |
| Goodwill | 793,251 | | 793,251 |
| Other intangible assets, net of accumulated amortization of $42,756 | 153,790 | | 153,790 |
| Deferred compensation assets | 70,077 | | 70,077 |
| Investments in and advances to unconsolidated subsidiaries | 64,482 | | 64,482 |
| Deferred tax assets, net | 26,227 | | 26,227 |
| Other assets | 140,957 | (4,476)(e) | 136,481 |
| Total assets | $ 1,967,024 | $ 16,614 | $ 1,983,638 |

The accompanying notes are an integral part of these financial statements.

**Table of Contents**

| | Historical | Pro Forma Adjustments for the Offering | Pro Forma As Adjusted |
|---|---|---|---|
| **LIABILITIES & STOCKHOLDERS EQUITY** | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | $ 137,295 | $ | $ 137,295 |
| Compensation and employee benefits payable | 152,408 | | 152,408 |
| Accrued bonus and profit sharing | 101,842 | | 101,842 |
| Short-term borrowings: | | | |
| Warehouse line of credit | 135,820 | | 135,820 |
| Other | 27,914 | | 27,914 |
| Total short-term borrowings | 163,734 | | 163,734 |
| Current maturities of long-term debt | 11,777 | | 11,777 |
| Total current liabilities | 567,056 | | 567,056 |
| Long-term Debt: | | | |
| Senior secured term loans | 277,113 | | 277,113 |
| 9¾% senior notes | 200,000 | | 200,000 |
| 11¼% senior subordinated notes, net of unamortized discount of $2,886 | 226,114 | | 226,114 |
| 16% senior notes, net of unamortized discount of $4,900 | 63,416 | (63,416)(a)(b)(f) | |
| Other long-term debt | 52,733 | | 52,733 |
| Total long-term debt | 819,376 | (63,416) | 755,960 |
| Deferred compensation liability | 125,465 | | 125,465 |
| Other liabilities | 99,725 | | 99,725 |
| Total liabilities | 1,611,622 | (63,416) | 1,548,206 |
| Minority interest | 6,706 | | 6,706 |
| Commitments and contingencies | | | |
| Stockholders Equity: | | | |
| Class A common stock, $0.01 par value; 75,000,000 shares authorized, 2,698,441 shares issued and outstanding (including treasury shares), actual; and shares issued and outstanding (including treasury shares), pro forma as adjusted | 27 | 193 (g) | 220 |
| Class B common stock; $0.01 par value; 25,000,000 shares authorized; 19,271,948 shares issued and outstanding, actual; and no shares issued or outstanding, pro forma as adjusted | 193 | (193)(g) | |
| Additional paid-in capital | 361,400 | 91,700 (a) | 453,100 |
| Notes receivable from sale of stock | (4,705) | | (4,705) |
| Accumulated earnings (deficit) | 11,533 | (11,670)(b)(c)(d)(e)(f) | (137) |
| Accumulated other comprehensive loss | (17,724) | | (17,724) |
| Treasury stock at cost, 128,684 shares | (2,028) | | (2,028) |
| Total stockholders equity | 348,696 | 80,030 | 428,726 |
| Total liabilities and stockholders equity | $ 1,967,024 | $ 16,614 | $ 1,983,638 |

The accompanying notes are an integral part of these financial statements.

36

Table of Contents

**Notes to Unaudited Pro Forma Balance Sheet**

**as of September 30, 2003**

(a) Reflects the net proceeds received from the offering, as well as the application of the net proceeds from the offering to the full repayment of our 16% senior notes.

(b) Reflects the redemption of $20.0 million and $10.0 million in aggregate principal amounts of our 16% senior notes on October 27, 2003 and December 29, 2003, respectively. We paid $2.9 million in premiums in connection with these redemptions.

(c) Includes $3.7 million of premium payments in connection with the full redemption of the 16% senior notes using the net proceeds from the offering.

(d) Represents the tax effect of the pro forma adjustments at the respective statutory rates, excluding some items that are permanently non-deductible for tax purposes.

(e) Represents the write-off of unamortized deferred financing costs in connection with the October 27, 2003 and December 29, 2003 redemptions of our 16% senior notes, as well as the write-off of unamortized deferred financing costs associated with the redemption of the remaining outstanding principal amount of our 16% senior notes with proceeds from the offering.

(f) Represents the write-off of unamortized discount in connection with the October 27, 2003 and December 29, 2003 redemptions of our 16% senior notes, as well as the write-off of unamortized discount associated with the redemption of the remaining outstanding principal amount of our 16% senior notes with proceeds from the offering.

(g) In connection with the offering, all outstanding shares of our Class B common stock will be converted into shares of Class A common stock at a one-to-one ratio.

Table of Contents

## SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical consolidated financial information for each of the five years in the period ended December 31, 2002 and for the nine-month periods ended September 30, 2002 and 2003. The statement of operations and other data for the nine-month periods ended September 30, 2002 and 2003 and the balance sheet data as of September 30, 2003 were derived from our unaudited consolidated financial statements included elsewhere in this prospectus. On July 20, 2001, we acquired CB Richard Ellis Services, Inc. Except as otherwise indicated below, the selected historical financial data for the dates and periods ended prior to July 20, 2001 are derived from the consolidated financial statements of CB Richard Ellis Services, our predecessor company. The statement of operations and other data for the twelve months ended December 31, 2000, the period from January 1, 2001 through July 20, 2001, the period from February 20, 2001 (inception) through December 31, 2001 and for the twelve months ended December 31, 2002 and the balance sheet data as of December 31, 2001 and 2002 were derived from our or our predecessor s audited consolidated financial statements included elsewhere in this prospectus. The statement of operations and other data for the twelve months ended December 31, 1998 and December 31, 1999 and the balance sheet data as of December 31, 1998, 1999 and 2000 were derived from our predecessor s audited consolidated financial statements that are not included in this prospectus.

The selected financial data presented below are not necessarily indicative of results of future operations and should be read in conjunction with our consolidated financial statements and the information included under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and Unaudited Pro Forma Financial Information included elsewhere in this prospectus.

| | Predecessor Company | | | | CB Richard Ellis Group | | | |
|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Period From January 1 to July 20, | Period From February 20 (inception) to December 31, | Year Ended December 31, | Nine Months Ended September 30, | |
| | 1998(1) | 1999 | 2000 | 2001 | 2001(2) | 2002 | 2002 | 2003(3) |
| | (Dollars in thousands, except share data) | | | | | | | |
| **Statement of Operations Data:** | | | | | | | | |
| Revenue | $ 1,034,503 | $ 1,213,039 | $ 1,323,604 | $ 607,934 | $ 562,828 | $ 1,170,277 | $ 793,811 | $ 1,008,817 |
| Operating income (loss) | 78,476 | 76,899 | 107,285 | (14,174) | 62,732 | 106,062 | 53,894 | 15,876 |
| Interest expense, net | 27,993 | 37,438 | 39,146 | 18,736 | 27,290 | 57,229 | 43,668 | 55,955 |
| Net income (loss) | 24,557 | 23,282 | 33,388 | (34,020) | 17,426 | 18,727 | 3,630 | (24,620) |
| EPS (4): | | | | | | | | |
| Basic | (0.38) | 1.11 | 1.60 | (1.60) | 2.22 | 1.25 | 0.24 | (1.45) |
| Diluted | (0.38) | 1.10 | 1.58 | (1.60) | 2.20 | 1.23 | 0.24 | (1.45) |
| Weighted average shares (5): | | | | | | | | |
| Basic | 20,136,117 | 20,998,097 | 20,931,111 | 21,306,584 | 7,845,004 | 15,025,308 | 15,033,640 | 16,957,494 |
| Diluted | 20,136,117 | 21,072,436 | 21,097,240 | 21,306,584 | 7,909,797 | 15,222,111 | 15,216,740 | 16,957,494 |
| **Statements of Cash Flow Data:** | | | | | | | | |
| Net cash provided by (used in) operating activities | $ 76,005 | $ 70,340 | $ 80,859 | $ (120,230) | $ 91,334 | $ 64,882 | $ (18,970) | $ (70,714) |
| Net cash used in investing activities | (222,911) | (23,096) | (32,469) | (12,139) | (261,393) | (24,130) | (16,462) | (252,684) |
| Net cash provided by (used in) financing activities | 119,438 | (37,721) | (53,523) | 126,230 | 213,831 | (17,838) | (2,065) | 328,498 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Other Data:** | | | | | | | | |
| EBITDA (6) | 110,661 | 117,369 | 150,484 | 11,482 | 74,930 | 130,676 | 72,001 | 69,447 |

| | Predecessor Company | | | CB Richard Ellis Group | | |
|---|---|---|---|---|---|---|
| | As of December 31, | | | | | As of September 30, |
| | 1998(1) | 1999 | 2000 | 2001 | 2002 | 2003 |
| | (In thousands, except share data) | | | | | |
| **Balance Sheet Data:** | | | | | | |
| Cash and cash equivalents | $ 19,551 | $ 27,844 | $ 20,854 | $ 57,450 | $ 79,701 | $ 85,494 |
| Total assets | 856,892 | 929,483 | 963,105 | 1,354,512 | 1,324,876 | 1,967,024 |
| Long-term debt, including current portion | 391,050 | 364,637 | 304,949 | 532,286 | 521,844 | 831,153 |
| Total liabilities | 660,175 | 715,874 | 724,018 | 1,097,693 | 1,067,920 | 1,611,622 |
| Total stockholders equity | 190,842 | 209,737 | 235,339 | 252,523 | 251,341 | 348,696 |

*(footnotes on following page)*

Table of Contents

*(footnotes from previous page)*

Note: We and our predecessor have not declared any cash dividends on common stock for the periods shown.

(1) The results for the year ended December 31, 1998 include the activities of REI, Ltd. from April 17, 1998 and CB Hillier Parker Limited from July 7, 1998, the dates of their respective acquisitions by CB Richard Ellis Services. Additionally, the basic and diluted loss per share calculations for the year ended December 31, 1998 include a deemed dividend of $32.3 million on the repurchase of CB Richard Ellis Services company s preferred stock.

(2) The results for the period from February 20, 2001 (inception) through December 31, 2001 include the activities of CB Richard Ellis Services from July 20, 2001, the date CB Richard Ellis Services was acquired by CB Richard Ellis Group.

(3) The results for the nine months ended September 30, 2003 include the activities of Insignia Financial Group from July 23, 2003, the date Insignia Financial Group was acquired by our wholly owned subsidiary, CB Richard Ellis Services.

(4) EPS represents earnings (loss) per share. See earnings per share information in note 16 to our audited consolidated financial statements and note 14 to our unaudited consolidated financial statements, each of which is included elsewhere in this prospectus.

(5) For the period from February 20, 2001 (inception) through December 31, 2001, the 7,845,004 and the 7,909,797 shares indicated represent the weighted average shares outstanding for basic and diluted earnings per share, respectively. These balances take into consideration the lower number of shares outstanding prior to our acquisition of CB Richard Ellis Services in 2001.

(6) EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. We believe that the presentation of EBITDA will enhance an investor s understanding of our operating performance. EBITDA is also a measure used by our senior management to evaluate the performance of our various lines of business and for other required or discretionary purposes, such as our use of EBITDA as a significant component when measuring performance under our employee incentive programs. EBITDA should not be considered as an alternative to (a) operating income determined in accordance with accounting principles generally accepted in the United States or (b) operating cash flow determined in accordance with accounting principles generally accepted in the United States. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA is calculated as follows:

| | Predecessor Company | | | | CB Richard Ellis Group | | | |
|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Period From January 1 to July 20, | Period From February 20 (inception) to December 31, | Year Ended December 31, | Nine Months Ended September 30, | |
| | 1998(1) | 1999 | 2000 | 2001 | 2001(2) | 2002 | 2002 | 2003 |
| | (In thousands) | | | | | | | |
| Operating income (loss) | $ 78,476 | $ 76,899 | $ 107,285 | $ (14,174) | $ 62,732 | $ 106,062 | $ 53,894 | $ 15,876 |
| Add: Depreciation and amortization | 32,185 | 40,470 | 43,199 | 25,656 | 12,198 | 24,614 | 18,107 | 53,571 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EBITDA | $ 110,661 | $ 117,369 | $ 150,484 | $ 11,482 | $ 74,930 | $ 130,676 | $ 72,001 | $ 69,447 |

39

Table of Contents

**MANAGEMENT S DISCUSSION AND ANALYSIS**

**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described under the heading Risk Factors and elsewhere in this prospectus. You should read the following discussion in conjunction with the information included under the headings Unaudited Pro Forma Financial Information and Selected Historical Financial Data and the financial statements and related notes included elsewhere in this prospectus.*

**Overview**

We are the largest global commercial real estate services firm, based on 2002 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003, we operate in 48 countries with over 13,500 employees in 220 offices providing commercial real estate services under the CB Richard Ellis brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees.

When you read our financial statements and the information included in this section, you should consider that we have experienced, and continue to experience, several material trends and uncertainties that have affected our financial condition and results of operations and make it challenging to predict our future performance based on our historical results. We believe that the following material trends and uncertainties are most crucial to an understanding of the variability in our historical earnings and cash flows and the potential for such variances in the future:

***Macroeconomic Conditions***

Our operations are directly affected by actual and perceived trends in various national and economic conditions that affect global and regional markets for commercial real estate services, including interest rates, the availability of credit to finance commercial real estate transactions and the impact of tax laws affecting real estate. Periods of economic slowdown or recession, rising interest rates, a declining demand for real estate or the public perception that any of these events may occur, can harm many of our business lines. These economic conditions could result in a general decline in rents, which in turn would reduce revenue from property management fees and brokerage commissions derived from property sales and leases. In addition, these conditions could lead to a decline in sales prices as well as a decline in demand for funds invested in commercial real estate and related assets. A further or continued economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by the commercial mortgage banking business. If the brokerage and mortgage banking businesses are negatively impacted, it is likely that our other lines of business would also suffer due to the relationship among the various business lines. Further, as a result of our debt level and the terms of our existing debt instruments, our exposure to adverse general economic conditions is heightened.

During 2001 and 2002, we were adversely affected by the slowdown in the global economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the United States, which was only partially offset by improved overall revenues in Europe and Asia. Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent conflict with Iraq, the economic climate in the United States became very uncertain, which had an adverse effect on commercial real estate market conditions and, in turn, affected our operating results from 2001 through 2003.

Table of Contents

*Effects of Prior Acquisitions*

A significant component of our historical revenue growth has occurred through acquisitions, including our acquisition of Insignia Financial Group on July 23, 2003. Our management believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenses and charges and the difficulties of integrating the acquired business and its financial and accounting systems into our own. For example, we experienced a significant number of transaction-related expenses in connection with both our acquisition of Insignia in 2003 and our acquisition of CB Richard Ellis Services in 2001 and we have incurred costs in connection with the integration of Insignia s business lines and financial and accounting reporting systems into our own.

*International Operations*

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

**Basis of Presentation**

*Recent Significant Acquisitions and Dispositions*

On July 20, 2001, we acquired CB Richard Ellis Services, Inc. pursuant to an amended and restated agreement and plan of merger, dated as of May 31, 2001, among CB Richard Ellis Group (formerly known as CBRE Holding, Inc.), CB Richard Ellis Services and Blum CB Corp., a wholly owned subsidiary of CB Richard Ellis Group. Blum CB was merged with and into CB Richard Ellis Services, with CB Richard Ellis Services being the surviving corporation. At the effective time of such merger, CB Richard Ellis Services became a wholly owned subsidiary of CB Richard Ellis Group.

Our results of operations, including our segment operations and cash flows, for the year ended December 31, 2001 have been derived by combining the results of operations and cash flows of CB Richard Ellis Group for the period from February 20, 2001 (inception) to December 31, 2001 with the results of operations and cash flows of CB Richard Ellis Services, our predecessor, prior to the merger with Blum CB in 2001, from January 1, 2001 through July 20, 2001, the date of the merger. The results of operations and cash flows of our predecessor prior to the merger incorporated in the following discussion are the historical results and cash flows of our predecessor. These results of our predecessor do not reflect any purchase accounting adjustments, which are included in our results subsequent to the merger. Due to the effects of purchase accounting applied as a result of the merger and the additional interest expense associated with the debt incurred to finance the merger, our results of operations may not be comparable in all respects to the results of operations for our predecessor prior to the merger. However, our management believes a discussion of our 2001 operations is more meaningful by combining our results with the results of our predecessor.

On July 23, 2003, pursuant to an amended and restated agreement and plan of merger, dated as of May 28, 2003, by and among CB Richard Ellis Services, CB Richard Ellis Group, Apple Acquisition Corp., a Delaware corporation and wholly owned subsidiary of CB Richard Ellis Services, and Insignia Financial Group, Inc., Apple Acquisition was merged with and into Insignia Financial Group. Insignia Financial Group was the surviving corporation in the merger and at the effective time of the merger became a wholly owned subsidiary of CB Richard Ellis Services. Also on July 23, 2003, immediately prior to the completion of the merger, Insignia

Table of Contents

Financial Group completed the sale of its real estate investment assets to Island Fund I LLC for cash consideration of $36.9 million pursuant to a purchase agreement, dated as of May 28, 2003, among CB Richard Ellis Group, CB Richard Ellis Services, Apple Acquisition, Insignia Financial Group and Island Fund. These real estate investment assets consisted of Insignia Financial Group subsidiaries and joint ventures that held (1) minority investments in office, retail, industrial, apartment and hotel properties, (2) minority investments in office development projects and a related undeveloped parcel of land, (3) wholly owned or consolidated investments in Norman, Oklahoma, New York City and the U.S. Virgin Islands and (4) investments in private equity funds that invest in mortgage-backed debt securities and other real estate-related assets.

***Segment Reporting***

In the third quarter of 2001, we reorganized our business segments as part of our efforts to reduce costs and streamline our operations. Accordingly, we report our operations through three geographically organized segments: (1) Americas, (2) Europe, the Middle East and Africa, or EMEA, and (3) Asia Pacific. The Americas consists of operations located in the United States, Canada, Mexico and South America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand.

**Results of Operations**

The following tables set forth items derived from the consolidated statements of operations for the nine months ended September 30, 2002 and 2003 and for the years ended December 31, 2000, 2001 and 2002, presented in dollars and as a percentage of revenue:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2002 | | 2003 | |
| | (Dollars in thousands) | | | |
| Revenue | $ 793,811 | 100.0% | $ 1,008,817 | 100.0% |
| Costs and expenses: | | | | |
| Cost of services | 363,506 | 45.8 | 484,863 | 48.1 |
| Operating, administrative and other | 364,676 | 45.9 | 443,894 | 44.0 |
| Depreciation and amortization | 18,107 | 2.3 | 53,571 | 5.3 |
| Equity income from unconsolidated subsidiaries | (6,422) | (0.8) | (9,182) | (0.9) |
| Merger-related and other nonrecurring charges | 50 | | 19,795 | 2.0 |
| Operating income | 53,894 | 6.8 | 15,876 | 1.6 |
| Interest income | 2,673 | 0.3 | 3,564 | 0.4 |
| Interest expense | 46,341 | 5.8 | 59,519 | 5.9 |
| Income before provision (benefit) for income taxes | 10,226 | 1.3 | (40,079) | (4.0) |
| Provision (benefit) for income taxes | 6,596 | 0.8 | (15,459) | (1.5) |
| Net income (loss) | $ 3,630 | 0.5% | $ (24,620) | (2.4)% |
| EBITDA | $ 72,001 | 9.1% | $ 69,447 | 6.9% |

42

Table of Contents

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2000 | | 2001 | | 2002 | |
| | (Dollars in thousands) | | | | | |
| Revenue | $ 1,323,604 | 100.0% | $ 1,170,762 | 100.0% | $ 1,170,277 | 100.0% |
| Costs and expenses: | | | | | | |
| Cost of services | 628,097 | 47.4 | 547,577 | 46.8 | 554,942 | 47.4 |
| Operating, administrative and other | 551,528 | 41.7 | 512,632 | 43.8 | 493,949 | 42.2 |
| Depreciation and amortization | 43,199 | 3.3 | 37,854 | 3.2 | 24,614 | 2.1 |
| Equity income from unconsolidated subsidiaries | (6,505) | (0.5) | (4,428) | (0.4) | (9,326) | (0.8) |
| Merger-related and other nonrecurring charges | | | 28,569 | 2.5 | 36 | |
| Operating income | 107,285 | 8.1 | 48,558 | 4.1 | 106,062 | 9.1 |
| Interest income | 2,554 | 0.2 | 3,994 | 0.4 | 3,272 | 0.3 |
| Interest expense | 41,700 | 3.2 | 50,020 | 4.3 | 60,501 | 5.2 |
| Income before provision for income taxes | 68,139 | 5.1 | 2,532 | 0.2 | 48,833 | 4.2 |
| Provision for income taxes | 34,751 | 2.6 | 19,126 | 1.6 | 30,106 | 2.6 |
| Net income (loss) | $ 33,388 | 2.5% | $ (16,594) | (1.4)% | $ 18,727 | 1.6% |
| EBITDA | $ 150,484 | 11.4% | $ 86,412 | 7.4% | $ 130,676 | 11.2% |

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. We believe that the presentation of EBITDA will enhance an investor s understanding of our operating performance. EBITDA is also a measure used by our senior management to evaluate the performance of our various lines of business and for other required or discretionary purposes, such as our use of EBITDA as a significant component when measuring performance under our employee incentive programs. EBITDA should not be considered as an alternative to (1) operating income determined in accordance with accounting principles generally accepted in the United States or (2) operating cash flow determined in accordance with accounting principles generally accepted in the United States. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA is calculated as follows:

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| | (In thousands) | | | | |
| Operating income | $ 107,285 | $ 48,558 | $ 106,062 | $ 53,894 | $ 15,876 |
| Add: Depreciation and amortization | 43,199 | 37,854 | 24,614 | 18,107 | 53,571 |
| EBITDA | $ 150,484 | $ 86,412 | $ 130,676 | $ 72,001 | $ 69,447 |

***Nine Months Ended September 30, 2003 Compared to the Nine Months Ended September 30, 2002***

We reported a consolidated net loss of $24.6 million for the nine months ended September 30, 2003 on revenue of $1.0 billion as compared to consolidated net income of $3.6 million on revenue of $793.8 million for the nine months ended September 30, 2002.

Our revenue on a consolidated basis increased $215.0 million, or 27.1%, during the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002. The increase was driven by higher revenue as a result of the Insignia acquisition, significantly higher worldwide sales transaction revenue as well as increased worldwide appraisal fees and lease transaction revenue. Additionally, foreign currency translation had a $28.6 million positive impact on total revenue during the nine months ended September 30, 2003.

Our cost of services on a consolidated basis totaled $484.9 million, an increase of $121.4 million, or 33.4%, from the nine months ended September 30, 2002. This increase was mainly due to higher commission expense as a result of the Insignia acquisition, as well as increased worldwide sales and lease transaction revenue. Increased worldwide payroll related costs, primarily insurance, also contributed to the variance. Additionally, foreign currency translation had a $12.5 million negative impact on cost of services during the current year period. As a result, cost of services as a percentage of revenue increased from 45.8% for the nine months ended September 30, 2002 to 48.1% for the nine months ended September 30, 2003.

Our operating, administrative and other expenses on a consolidated basis were $443.9 million, an increase of $79.2 million, or 21.7%, for the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002. The increase was primarily driven by higher costs as a result of the Insignia acquisition, including $1.2 million of integration costs, as well as increased worldwide bonuses, payroll related expenses and consulting expenses, principally in the Americas and Europe. Included in the 2003 bonus amount was an accrual for a one-time performance award approximately $6.9 million. In addition, occupancy expense was higher in the United Kingdom as a result of our relocation to a new facility. Lastly, foreign currency translation had a $13.7 million negative impact on total operating expenses during the nine months ended September 30, 2003. These increases were partially offset by net foreign currency transaction gains resulting from the weaker U.S. dollar.

Our depreciation and amortization expense on a consolidated basis increased by $35.5 million, or 195.9%, mainly due to an increase in amortization expense primarily as a result of net revenue backlog acquired as part of the Insignia acquisition. The increase in amortization expense was also due to a one-time reduction of amortization expense recorded in the prior year, which arose from the adjustment of certain intangible assets to their estimated fair values as of their acquisition date as determined by independent third party appraisers in connection with our acquisition of CB Richard Ellis Services in 2001.

Our equity income from unconsolidated subsidiaries on a consolidated basis increased $2.8 million or 43.0% for the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002 primarily due to a gain on sale of owned units in an investment fund.

Our merger-related charges on a consolidated basis were $19.8 million for the nine months ended September 30, 2003. These charges primarily consisted of lease termination costs associated with vacated spaces, change of control payments, consulting costs and severance costs, all of which were attributable to the Insignia acquisition.

Our consolidated interest expense was $59.5 million for the nine months ended September 30, 2003, an increase of $13.2 million, or 28.4%, as compared to the nine months ended September 30, 2002. This increase was primarily driven by a $6.8 million write-off of unamortized deferred financing fees associated with the prior credit facility as well as higher interest expense as a result of the additional debt issued in connection with the Insignia acquisition.

Our benefit for income tax on a consolidated basis was $15.5 million for the nine months ended September 30, 2003 as compared to provision for income tax of $6.6 million for the nine months ended September 30, 2002. The income tax (benefit) provision and effective tax rate were not comparable between periods due to the effects of the Insignia acquisition. Additionally, non-taxable gains associated with our deferred compensation plan in the current year versus the non-deductible losses experienced in the prior year contributed to a lower effective tax rate in the current year.

44

Table of Contents

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

We reported consolidated net income of $18.7 million for the year ended December 31, 2002 on revenue of $1,170.3 million as compared to a consolidated net loss of $16.6 million on revenue of $1,170.8 million for the year ended December 31, 2001.

Our revenue on a consolidated basis for the year ended December 31, 2002 was comparable to the year ended December 31, 2001. Declines in lease transaction revenue, principally in the Americas and Asia Pacific, combined with a nonrecurring prior year sale of mortgage fund contracts of $5.6 million, was mostly offset by higher worldwide sales transaction revenue, consulting fees, investment management fees and loan fees.

Our cost of services on a consolidated basis totaled $554.9 million for the year ended December 31, 2002, an increase of $7.4 million, or 1.3%, from the year ended December 31, 2001. Cost of services as a percentage of revenue increased slightly to 47.4% for the year ended December 31, 2002 as compared to 46.8% for the year ended December 31, 2001. This increase was primarily due to higher producer compensation within our international operations associated with expanded international activities. These increases were partially offset by lower variable commissions, principally in the Americas, driven by lower lease transaction revenue.

Our operating, administrative and other expenses on a consolidated basis were $493.9 million for the year ended December 31, 2002, a decrease of $18.7 million, or 3.6%, as compared to the year ended December 31, 2001. This decrease was primarily driven by cost cutting measures and operational efficiencies from programs initiated in May 2001, as well as foreign currency transaction and settlement gains resulting from the weaker U.S. dollar. These reductions were partially offset by an increase in bonuses and other incentives, primarily within our international operations, due to higher results.

Our depreciation and amortization expense on a consolidated basis decreased by $13.2 million, or 35.0%, mainly due to the discontinuation of goodwill amortization after our acquisition of CB Richard Ellis Services in 2001 in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, or SFAS No. 142, and lower depreciation expense, principally due to lower capital expenditures for the year ended December 31, 2002. The year ended December 31, 2002 also included a one-time reduction of amortization expense of $2.0 million arising from the adjustment of certain intangible assets to their estimated fair values as of the acquisition date as determined by independent third party appraisers in 2002.

Our equity income from unconsolidated subsidiaries increased by $4.9 million, or 110.6%, for the year ended December 31, 2002 as compared to the prior year, primarily due to improved performance from several domestic joint ventures.

The year ended December 31, 2001 included merger-related and other nonrecurring charges on a consolidated basis of $28.6 million. These costs primarily consisted of merger-related costs of $18.3 million, the write-off of assets, which were primarily e-business investments, of $7.2 million, as well as severance costs of $3.1 million related to our cost reduction program instituted in May 2001.

Our consolidated interest expense was $60.5 million, an increase of $10.5 million, or 21.0%, over the year ended December 31, 2001. This was primarily attributable to our change in debt structure in connection with our acquisition of CB Richard Ellis Services in 2001.

Our income tax expense on a consolidated basis was $30.1 million for the year ended December 31, 2002, as compared to $19.1 million for the year ended December 31, 2001. The income tax provision and effective tax rate were not comparable between periods due to effects of our acquisition of CB Richard Ellis Services in 2001 and the adoption of SFAS No. 142, which resulted in the elimination of the amortization of goodwill. In addition, the decline in the market value of assets associated with the deferred compensation plan, for which no tax benefit was realized, contributed to an increased effective tax rate.

Table of Contents

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

We reported a consolidated net loss of $16.6 million for the year ended December 31, 2001 on revenue of $1,170.8 million compared to a consolidated net income of $33.4 million on revenue of $1,323.6 million for the year ended December 31, 2000. The 2001 results include a nonrecurring sale of mortgage fund management contracts of $5.6 million. The 2000 results include a nonrecurring sale of certain non-strategic assets of $4.7 million.

Our revenue on a consolidated basis decreased by $152.8 million, or 11.5%, during the year ended December 31, 2001 as compared to the year ended December 31, 2000. This was mainly driven by a $98.2 million decrease in lease transaction revenue and a $62.8 million decline in sales transaction revenue during 2001. The lower revenue was primarily attributable to our North American operation. However, our European and Asian operations also experienced lower sales and lease transaction revenue as compared to 2000. These decreases were slightly offset by a $6.4 million, or 11.0%, increase in loan origination and servicing fees as well as $6.0 million, or 8.1%, increase in appraisal fees driven by increased refinancing activities due to a decline in interest rates in the United States and increased fees in the European operation.

Our cost of services on a consolidated basis totaled $547.6 million, a decrease of $80.5 million, or 12.8%, for the year ended December 31, 2001 as compared to the prior year. This decrease was primarily due to the lower sales and lease transaction revenue within North America. This decline in revenue also resulted in lower variable commissions expense within this region as compared to 2000. This was slightly offset by producer compensation within the international operations, which is typically fixed in nature and does not decrease as a result of lower revenue. Accordingly, cost of services as a percentage of revenue decreased slightly to 46.8% for 2001 as compared to 47.4% for 2000.

Our operating, administrative and other expenses on a consolidated basis were $512.6 million, a decrease of $38.9 million, or 7.1%, for the year ended December 31, 2001 as compared to the prior year. The decrease was due to cost cutting measures and operational efficiencies from programs initiated in May 2001. An organizational restructure was also implemented after our acquisition of CB Richard Ellis Services in 2001 that included the reduction of administrative staff in corporate and divisional headquarters and the scaling back of unprofitable operations. In addition, bonus incentives and profit share declined due to our lower results.

Our depreciation and amortization expense on a consolidated basis decreased by $5.3 million, or 12.4%, primarily due to the discontinuation of goodwill amortization after our acquisition of CB Richard Ellis Services in 2001 in accordance with SFAS No. 142.

Our equity income from unconsolidated subsidiaries on a consolidated basis decreased by $2.1 million or 31.9% for the year ended December 31, 2001 as compared to the year ended December 31, 2000, primarily due to decreased results from several domestic joint ventures.

Our merger-related and other nonrecurring charges on a consolidated basis were $28.6 million for the year ended December 31, 2001. This included merger-related costs associated with the 2001 acquisition of CB Richard Ellis Services in 2001 of $18.3 million, the write-off of assets, primarily e-business investments, of $7.2 million and severance costs of $3.1 million attributable to our cost reduction program instituted in May 2001.

Our consolidated interest expense was $50.0 million, an increase of $8.3 million or 20.0% for the year ended December 31, 2001 as compared to the year ended December 31, 2000. This was attributable to increased debt as a result of the 2001 acquisition of CB Richard Ellis Services.

Our provision for income taxes on a consolidated basis was $19.1 million for the year ended December 31, 2001 as compared to a provision for income taxes of $34.8 million for the year ended December 31, 2000. Our income tax provision and effective tax rate were not comparable between periods due to the 2001 acquisition of

Table of Contents

CB Richard Ellis Services. In addition, we adopted SFAS No. 142, which resulted in the elimination of the amortization of goodwill.

**Segment Operations**

The following table summarizes our revenue, costs and expenses and operating income (loss) by our Americas, EMEA and Asia Pacific operating segments for the nine months ended September 30, 2002 and 2003 and years ended December 31, 2000, 2001 and 2002. Our Americas results for the nine months ended September 30, 2003 include merger-related charges of $15.9 million attributable to our acquisition of Insignia Financial Group. Our Americas 2001 results include a nonrecurring sale of mortgage fund contracts of $5.6 million, as well as costs related to our acquisition of CB Richard Ellis Services in 2001 and other nonrecurring charges of $26.9 million. Our Americas 2000 results include a nonrecurring sale of certain non-strategic assets of $4.7 million. Our EMEA results for the nine months ended September 30, 2003 include merger-related charges of $3.9 million associated with our acquisition of Insignia. Our Asia Pacific 2001 results include costs related to the 2001 acquisition of CB Richard Ellis Services in 2001 and other nonrecurring charges of $1.2 million.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2002 | | 2003 | |
| | (Dollars in thousands) | | | |
| **Americas** | | | | |
| Revenue | $ 618,709 | 100.0% | $ 766,995 | 100.0% |
| Costs and expenses: | | | | |
| Cost of services | 291,173 | 47.1 | 380,942 | 49.7 |
| Operating, administrative and other | 271,803 | 43.9 | 316,352 | 41.2 |
| Depreciation and amortization | 12,561 | 2.0 | 47,703 | 6.2 |
| Equity income from unconsolidated subsidiaries | (5,557) | (0.9) | (9,379) | (1.2) |
| Merger-related charges | 50 | | 15,891 | 2.1 |
| Operating income | $ 48,679 | 7.9% | $ 15,486 | 2.0% |
| EBITDA | $ 61,240 | 9.9% | $ 63,189 | 8.2% |
| **EMEA** | | | | |
| Revenue | $ 111,632 | 100.0% | $ 167,020 | 100.0% |
| Costs and expenses: | | | | |
| Cost of services | 45,344 | 40.6 | 71,160 | 42.6 |
| Operating, administrative and other | 61,319 | 54.9 | 91,237 | 54.6 |
| Depreciation and amortization | 3,194 | 2.9 | 3,430 | 2.1 |
| Equity income from unconsolidated subsidiaries | (16) | | 361 | 0.2 |
| Merger-related charges | | | 3,904 | 2.3 |
| Operating income (loss) | $ 1,791 | 1.6% | $ (3,072) | (1.8)% |
| EBITDA | $ 4,985 | 4.5% | $ 358 | 0.2% |
| **Asia Pacific** | | | | |
| Revenue | $ 63,470 | 100.0% | $ 74,802 | 100.0% |
| Costs and expenses: | | | | |
| Cost of services | 26,989 | 42.5 | 32,761 | 43.8 |

| | | | | |
|---|---|---|---|---|
| Operating, administrative and other | 31,554 | 49.7 | 36,305 | 48.5 |
| Depreciation and amortization | 2,352 | 3.7 | 2,438 | 3.3 |
| Equity income from unconsolidated subsidiaries | (849) | (1.3) | (164) | (0.2) |
| Operating income | $ 3,424 | 5.4% | $ 3,462 | 4.6% |
| EBITDA | $ 5,776 | 9.1% | $ 5,900 | 7.9% |

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2000 | | 2001 | | 2002 | |
| | (Dollars in thousands) | | | | | |
| **Americas** | | | | | | |
| Revenue | $ 1,074,080 | 100.0% | $ 928,799 | 100.0% | $ 896,064 | 100.0% |
| Costs and expenses: | | | | | | |
| Cost of services | 530,284 | 49.3 | 448,813 | 48.4 | 438,842 | 48.9 |
| Operating, administrative and other | 422,698 | 39.4 | 388,645 | 41.8 | 367,312 | 41.0 |
| Depreciation and amortization | 28,600 | 2.7 | 27,452 | 3.0 | 16,958 | 1.9 |
| Equity income from unconsolidated subsidiaries | (5,553) | (0.5) | (3,808) | (0.4) | (8,425) | (0.9) |
| Merger-related and other nonrecurring charges | | | 26,923 | 2.8 | 36 | |
| Operating income | $ 98,051 | 9.1% | $ 40,774 | 4.4% | $ 81,341 | 9.1% |
| EBITDA | $ 126,651 | 11.8% | $ 68,226 | 7.3% | $ 98,299 | 10.9% |
| **EMEA** | | | | | | |
| Revenue | $ 164,539 | 100.0% | $ 161,306 | 100.0% | $ 182,222 | 100.0% |
| Costs and expenses: | | | | | | |
| Cost of services | 61,194 | 37.1 | 63,343 | 39.3 | 75,475 | 41.4 |
| Operating, administrative and other | 84,172 | 51.2 | 81,728 | 50.6 | 84,963 | 46.6 |
| Depreciation and amortization | 9,837 | 6.0 | 6,492 | 4.0 | 4,579 | 2.5 |
| Equity income from unconsolidated subsidiaries | (3) | | (2) | | (82) | |
| Merger-related and other nonrecurring charges | | | 451 | 0.3 | | |
| Operating income | $ 9,339 | 5.7% | $ 9,294 | 5.8% | $ 17,287 | 9.5% |
| EBITDA | $ 19,176 | 11.7% | $ 15,786 | 9.7% | $ 21,866 | 12.0% |
| **Asia Pacific** | | | | | | |
| Revenue | $ 84,985 | 100.0% | $ 80,657 | 100.0% | $ 91,991 | 100.0% |
| Costs and expenses: | | | | | | |
| Cost of services | 36,619 | 43.1 | 35,421 | 43.9 | 40,625 | 44.2 |
| Operating, administrative and other | 44,658 | 52.5 | 42,259 | 52.4 | 41,674 | 45.3 |
| Depreciation and amortization | 4,762 | 5.6 | 3,910 | 4.9 | 3,077 | 3.3 |
| Equity income from unconsolidated subsidiaries | (949) | (1.1) | (618) | (0.8) | (819) | (0.9) |
| Merger-related and other nonrecurring charges | | | 1,195 | 1.5 | | |
| Operating (loss) income | (105) | (0.1)% | $ (1,510) | (1.9)% | $ 7,434 | 8.1% |
| EBITDA | $ 4,657 | 5.5% | $ 2,400 | 2.9% | $ 10,511 | 11.4% |

Table of Contents

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. We believe that the presentation of EBITDA will enhance an investor s understanding of our operating performance. EBITDA is also a measure used by our senior management to evaluate the performance of our various lines of business and for other required or discretionary purposes, such as our use of EBITDA as a significant component when measuring performance under our employee incentive programs. EBITDA should not be considered as an alternative to (1) operating income determined in accordance with accounting principles generally accepted in the United States or (2) operating cash flow determined in accordance with accounting principles generally accepted

in the United States. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA is calculated as follows:

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2002 | 2003 |
| | | | (In thousands) | | |
| **Americas** | | | | | |
| Operating income | $ 98,051 | $ 40,774 | $ 81,341 | $ 48,679 | $ 15,486 |
| Add: Depreciation and amortization | 28,600 | 27,452 | 16,958 | 12,561 | 47,703 |
| EBITDA | $ 126,651 | $ 68,226 | $ 98,299 | $ 61,240 | $ 63,189 |
| **EMEA** | | | | | |
| Operating income | $ 9,339 | $ 9,294 | $ 17,287 | $ 1,791 | $ (3,072) |
| Add: Depreciation and amortization | 9,837 | 6,492 | 4,579 | 3,194 | 3,430 |
| EBITDA | $ 19,176 | $ 15,786 | $ 21,866 | $ 4,985 | $ 358 |
| **Asia Pacific** | | | | | |
| Operating (loss) income | $ (105) | $ (1,510) | $ 7,434 | $ 3,424 | $ 3,462 |
| Add: Depreciation and amortization | 4,762 | 3,910 | 3,077 | 2,352 | 2,438 |
| EBITDA | $ 4,657 | $ 2,400 | $ 10,511 | $ 5,776 | $ 5,900 |

***Nine Months Ended September 30, 2003 Compared to the Nine Months Ended September 30, 2002***

*Americas*

Revenue increased by $148.3 million, or 24.0%, for the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002. This was primarily driven by the Insignia acquisition as well as significantly higher sales transaction revenue due to an increased number of transactions and a higher average value per transaction. Cost of services increased by $89.8 million, or 30.8%, for the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002 due to increased revenue as a result of the Insignia acquisition and higher sales transaction revenue, as well as increased payroll related costs, primarily insurance. As a result, cost of services as a percentage of revenue increased from 47.1% for the nine months ended September 30, 2002 to 49.7% for the nine months ended September 30, 2003. Operating, administrative and other expenses increased $44.5 million, or 16.4%, mainly caused by higher costs as a result of the Insignia acquisition, including integration expenses of $1.2 million, as well as increased bonuses and payroll related costs. Included in the 2003 bonus amount was an accrual for a one-time performance award of approximately $6.9 million. These increases were partially offset by net foreign currency transaction gains resulting from the weakened U.S. dollar.

*EMEA*

Revenue increased by $55.4 million, or 49.6%, for the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002. This was mainly driven by increased revenue as a result of the

Insignia acquisition as well as higher sales and lease transaction revenue across Europe. Additionally, foreign currency translation had a $18.0 million positive impact on total revenue during the nine months ended September 30, 2003. Cost of services increased $25.8 million, or 56.9%, as a result of higher producer compensation expense and increased payroll related costs, including pension and insurance expenses, partially due to the Insignia acquisition and new hires. Additionally, foreign currency translation had a $7.9 million negative impact on cost of services during the current year period. Operating, administrative and other expenses increased by $29.9 million, or 48.8%, mainly driven by increased costs as a result of the Insignia acquisition as well as higher bonus, payroll related and consulting expenses. In addition, occupancy expense was higher in the United Kingdom as a result of our relocation to a new facility. Lastly, foreign currency translation had a $8.7 million negative impact on total operating expenses during the nine months ended September 30, 2003.

*Asia Pacific*

Revenue increased by $11.3 million, or 17.9%, for the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002. The increase was primarily driven by an overall increase in revenue in Australia and New Zealand. Additionally, foreign currency translation had a $7.1 million positive impact on total revenue during the current year period. These revenue increases were partially offset by reduced revenue in our Japanese investment management business. Cost of services increased by $5.8 million, or 21.4%, mainly attributable to increased transaction revenue as well as higher producer compensation expense due to increased headcount in Australia and New Zealand. Additionally, foreign currency translation had a $3.3 million negative impact on cost of services for the nine months ended September 30, 2003. Operating, administrative and other expenses increased by $4.8 million, or 15.1%, primarily due to an increased accrual for a long-term incentives in Australia and New Zealand. Foreign currency translation also had a $3.1 million negative impact on total operating expenses during the nine months ended September 30, 2003.

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

*Americas*

Revenue decreased by $32.7 million, or 3.5%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001, primarily driven by lower lease transaction revenue, partially offset by an increase in sales transaction revenue and loan fees. The lease transaction revenue decrease was primarily due to a lower average value per transaction partially offset by a higher number of transactions. The sales transaction revenue increase was driven by a higher number of transactions, as well as a higher average value per transaction. Loan fees also increased compared to the prior year principally due to an increase in the number of transactions. Cost of services decreased by $10.0 million, or 2.2%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001, caused primarily by lower variable commissions due to lower lease transaction revenue. Cost of services as a percentage of revenue were relatively flat when compared to the prior year at approximately 48.9%. Operating, administrative and other expenses decreased by $21.3 million, or 5.5%, as a result of cost reduction and efficiency measures, the organizational restructuring implemented after our acquisition of CB Richard Ellis Services in 2001 and foreign currency transaction and settlement gains resulting from the weaker U.S. dollar.

*EMEA*

Revenue increased by $20.9 million, or 13.0%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001. This was mainly driven by higher sales transaction revenue across Europe as well as higher lease transaction revenue and investment management fees in France. Cost of services increased by $12.1 million or 19.2% due to higher producer compensation as a result of increased revenue arising from expanded activities in the United Kingdom, France, Germany, Italy and Spain. Operating, administrative and other expenses increased by $3.2 million, or 4.0%, mainly attributable to higher incentives due to increased results, higher occupancy costs and consulting fees.

**Table of Contents**

*Asia Pacific*

Revenue increased by $11.3 million, or 14.1%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001. This increase was primarily driven by higher investment management fees in Japan and an increase in overall revenue in Australia and New Zealand, partially offset by lower revenues as a result of conversions of small, wholly-owned offices to affiliate offices elsewhere in Asia. Cost of services increased by $5.2 million, or 14.7%, primarily driven by higher producer compensation expense due to increased personnel requirements in Australia, China and New Zealand, slightly offset by lower commissions due to conversions to affiliate offices elsewhere in Asia. Operating, administrative and other expenses decreased by $0.6 million, or 1.4%, primarily as a result of conversions to affiliate offices. This decrease was mostly offset by an increased accrual for bonuses due to higher results in Australia and New Zealand.

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

*Americas*

Revenue decreased by $145.3 million, or 13.5%, for the year ended December 31, 2001 as compared to the year ended December 31, 2000, primarily driven by the softening global economy as well as the tragic events of September 11, 2001. Lease transaction revenue decreased by $85.3 million and sales transaction revenue declined by $55.5 million due to a lower number of transactions completed as well as a lower average value per transaction during 2001 as compared to 2000. Consulting and referral fees also decreased by $12.1 million, or 20.0%, as compared to 2000. These declines were slightly offset by an increase in loan origination and servicing fees of $6.4 million as well as higher appraisal fees of $4.4 million driven by increased refinancing activities due to the low interest rate environment in North America. Cost of services decreased by $81.5 million, or 15.4%, for the year ended December 31, 2001 as compared to the year ended December 31, 2000, caused primarily by the lower lease transaction and sales transaction revenue. The decline in revenue also resulted in lower variable commissions expense. As a result, cost of services as a percentage of revenue decreased from 49.3% in 2000 to 48.4% in 2001. Operating, administrative and other expenses decreased by $34.1 million, or 8.1%, as a result of cost reduction and efficiency measures initiated in May 2001 as well as the organizational restructure implemented after the acquisition of CB Richard Ellis Services in 2001. Key executive bonuses and profit share also declined due to the lower results.

*EMEA*

Revenue decreased by $3.2 million, or 2.0%, for the year ended December 31, 2001 as compared to the year ended December 31, 2000. This was mainly driven by lower sales transaction and lease transaction revenue due to the overall weakness in the European economy, particularly in France and Germany. This was slightly offset by higher consulting and referral fees in the United Kingdom as well as an overall increase in appraisal fees throughout Europe. Cost of services increased by $2.1 million, or 3.5%, for the year ended December 31, 2001 as compared to the year ended December 31, 2000, primarily due to a higher number of producers, mainly in the United Kingdom. Producer compensation in EMEA is typically fixed in nature and does not decrease with a decline in revenue. Operating, administrative and other expenses decreased by $2.4 million, or 2.9%, for the year ended December 31, 2001 as compared to the year ended December 31, 2000, mainly attributable to decreased bonuses and other incentives due to lower 2001 results.

*Asia Pacific*

Revenue decreased by $4.3 million, or 5.1%, for the year ended December 31, 2001 as compared to the year ended December 31, 2000. This was primarily driven by lower lease transaction revenue due to the weak economy in China and Singapore. Operating, administrative and other expenses decreased by $2.4 million, or 5.4%, for the year ended December 31, 2001 as compared to the year ended December 31. 2000. The decrease was primarily due to lower personnel requirements and other cost containment measures put in place during May 2001 as well as the organizational restructure implemented after the acquisition of CB Richard Ellis Services in 2001.

Table of Contents

**Liquidity and Capital Resources**

We believe we can satisfy our non-acquisition obligations, as well as our working capital requirements and funding of investments, with internally generated cash flow and borrowings under our revolving credit facility described below. In the near term, further material acquisitions, if any, that necessitate cash will require new sources of capital such as an expansion of our revolving credit facility or the issuance of additional debt or equity. We anticipate that our existing sources of liquidity, including cash flow from operations, will be sufficient to meet our anticipated non-acquisition cash requirements for the foreseeable future, but at a minimum for the next twelve months.

***Summary of Contractual Obligations and Other Commitments***

The following is a summary of our various contractual obligations and other commitments as of September 30, 2003, except for operating leases which are as of December 31, 2002:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| **Contractual Obligations** | (In thousands) | | | | |
| Total debt (1) (2) | $ 994,887 | $ 175,511 | $ 22,774 | $ 296,842 | $ 499,760 |
| Operating leases (3) | 694,391 | 98,839 | 167,097 | 126,913 | 301,542 |
| Deferred compensation plan liability (4) | 125,465 | | | | 125,465 |
| Pension liability (4) | 31,559 | | | | 31,559 |
| Total Contractual Obligations | $ 1,846,302 | $ 274,350 | $ 189,871 | $ 423,755 | $ 958,326 |

| | Amount of Commitments Expiration | | | | |
|---|---|---|---|---|---|
| | Total | Less Than 1 Year | 1-3 Years | 4-5 Years | More Than 5 Years |
| **Other Commitments** | (In thousands) | | | | |
| Letters of credit (5) | $ 27,797 | $ 27,797 | $ | $ | $ |
| Guarantees (5) | 10,506 | 10,506 | | | |
| Co-investment commitments (5) | 21,370 | 15,462 | 5,908 | | |
| Total Commitments | $ 59,673 | $ 53,765 | $ 5,908 | $ | $ |

(1) Includes capital lease obligations.

(2) As described in greater detail in note 19 to our unaudited consolidated financial statements included elsewhere in this prospectus, (a) on October 14, 2003, we refinanced our senior secured credit facilities, which, among other things, increased the amount of outstanding term loans and changed the amortization schedule for the term loans and (b) on October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal of our 16% senior notes due 2011.

(3) Includes our outstanding operating lease obligations as of December 31, 2002, as well as Insignia s outstanding operating lease obligations as December 31, 2002 reported on their annual report on Form 10-K for the year ended December 31, 2002.

(4) An undeterminable portion of this amount will be paid in years one through five.

(5) See note 12 to our unaudited consolidated financial statements included elsewhere in this prospectus.

Table of Contents

***Historical Cash Flows***

Net cash used in operating activities totaled $70.7 million for the nine months ended September 30, 2003, an increase of $51.7 million compared to the nine months ended September 30, 2002. This increase was primarily attributable to merger-related expenses paid in the current period in connection with our acquisition of Insignia, as well as the timing of payments to vendors and taxing authorities.

Net cash used in investing activities totaled $252.7 million for the nine months ended September 30, 2003, an increase of $236.2 million compared to the same period of the prior year. This increase was primarily due to costs incurred in 2003 associated with the Insignia acquisition.

Net cash provided by financing activities totaled $328.5 million for the nine months ended September 30, 2003 compared to net cash used in financing activities of $2.1 million for the nine months ended September 30, 2002. This increase was mainly attributable to the additional net debt and equity financing resulting from the Insignia acquisition in July 2003.

Net cash provided by operating activities totaled $64.9 million for the year ended December 31, 2002, an increase of $93.8 million compared to the year ended December 31, 2001. This increase was primarily due to the improved 2002 earnings, as well as lower payments made in the year ended December 31, 2002 for 2001 bonus and profit sharing as compared to the 2000 bonus and profit sharing payments made in the year ended December 31, 2001.

We utilized $24.1 million in investing activities during the year ended December 31, 2002, a decrease of $249.4 million compared to the year ended December 31, 2001. This decrease was primarily due to the prior year payment of the purchase price and related expenses associated with our acquisition of CB Richard Ellis Services in 2001. Capital expenditures of $14.3 million during the year ended December 31, 2002, net of concessions received, were lower than 2001 by $7.0 million, driven primarily by efforts to reduce spending and improve cash flows. Capital expenditures for 2002 and 2001 consisted primarily of purchases of computer hardware and software and furniture and fixtures.

Net cash used in financing activities totaled $17.8 million for the year ended December 31, 2002 compared to cash provided by financing activities of $340.1 million for the year ended December 31, 2001. This decrease was mainly attributable to the debt and equity financing required by our acquisition of CB Richard Ellis Services in 2001.

***Long-Term Indebtedness***

Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase. For additional information regarding the terms of certain of our long-term indebtedness, see the information under the heading Description of Certain Long-Term Indebtedness.

In connection with our acquisition of Insignia, CB Richard Ellis Services entered into an amended and restated credit agreement with Credit Suisse First Boston, or CSFB, and other lenders. On October 14, 2003, we refinanced all of the outstanding loans under that agreement. As part of this refinancing, we entered into a new amended and restated credit agreement. The existing amended and restated credit agreement includes the following: (1) a term loan facility of $300.0 million, which was fully drawn on October 14, 2003, requires quarterly principal payments of $2.5 million through September 30, 2008 and matures on December 31, 2008; and (2) a $90.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on July 20, 2007. The revolving credit facility requires the repayment of any outstanding balance for a period of 45 consecutive days commencing on any day in the month of December of each year as determined by us. Borrowings under the term loan facility bear interest at varying rates based, at our option, on either LIBOR plus 3.25% or the alternate base rate plus 2.25%. Borrowings under the revolving credit facility bear interest at varying rates based on our option, at either the applicable LIBOR plus 3.00% to 3.75% or the alternate base rate plus 2.00% to 2.75%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA, which are defined in the amended and restated credit agreement. The alternate base rate is the higher of (A) CSFB s prime rate or (B) the Federal Funds Effective Rate plus one-half of one percent. In addition, we are required to pay a revolving credit facility fee based on the total amount of the unused commitment. The borrowings under the amended and restated credit agreement are jointly and severally guaranteed by CB Richard Ellis Group and each of CB Richard Ellis Services domestic subsidiaries and are secured by a pledge of substantially all of our assets. As of October 14, 2003, the total outstanding balance under the term loan facility was $300.0 million and the total outstanding balance under the revolving credit facility was $10.8 million, which consisted entirely of outstanding letters of credit.

On May 22, 2003, CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, issued $200.0 million in aggregate principal amount of 9¾% senior notes due May 15, 2010. The proceeds of this issuance were placed in escrow pending the completion of our acquisition of Insignia Financial Group on July 23, 2003, on which date the proceeds were released from escrow in order to partially fund the acquisition, CBRE Escrow merged with and into CB Richard Ellis Services and CB Richard Ellis Services assumed all obligations with respect to the 9¾% senior notes. The 9¾% senior notes are unsecured obligations of CB Richard Ellis Services, senior to all of its current and future unsecured indebtedness, but subordinated to all of CB Richard Ellis Services current and future secured indebtedness. The 9¾% senior notes are jointly and severally guaranteed on a senior basis by CB Richard Ellis Group and its domestic subsidiaries. Interest accrues at a rate of 9¾% per year and is payable semi-annually in arrears on May 15 and November 15. The 9¾% senior notes are redeemable at our option, in whole or in part, on or after May 15, 2007 at 104.875% of par on that date and at declining prices thereafter. In addition, before May 15, 2006, we may redeem up to 35.0% of the originally issued amount of the 9¾% senior notes at 109¾% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, we are obligated to make an offer to purchase the 9¾% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 9¾% senior notes included in the accompanying consolidated balance sheets included elsewhere in this prospectus was $200.0 million as of September 30, 2003.

In order to partially finance our acquisition of CB Richard Ellis Services in 2001, Blum CB Corp. issued $229.0 million in aggregate principal amount of 11¼% senior subordinated notes due June 15, 2011 for approximately $225.6 million, net of discount, on June 7, 2001. CB Richard Ellis Services assumed all obligations with respect to the 11¼% senior subordinated notes due 2011 in connection with the merger of Blum CB Corp. with and into CB Richard Ellis Services on July 20, 2001. The 11¼% senior subordinated notes due 2011 are jointly and severally guaranteed on a senior subordinated basis by CB Richard Ellis Group and each of CB Richard Ellis Services domestic subsidiaries. The 11¼% senior subordinated notes require semi-annual payments of interest in arrears on June 15 and December 15 and are redeemable in whole or in part on or after June 15, 2006 at 105.625% of par on that date and at declining prices thereafter. In addition, before June 15, 2004, we may redeem up to 35.0% of the originally issued amount of the notes at 111¼% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, we are obligated to make an offer to purchase the 11¼% senior subordinated notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 11 1/4% senior subordinated notes included in the accompanying consolidated balance sheets included elsewhere in this prospectus, net of unamortized discount, was $226.1 million as of September 30, 2003.

Also in connection with our acquisition of CB Richard Ellis Services in 2001, CB Richard Ellis Group issued $65.0 million in aggregate principal amount of 16% senior notes due July 20, 2011. The 16% senior notes are unsecured obligations, senior to all current and future unsecured indebtedness of CB Richard Ellis Group, but subordinated to all of our current and future secured indebtedness. Interest accrues at a rate of 16.0% per year and is payable quarterly in arrears. Interest may be paid in kind to the extent our ability to pay cash dividends is restricted by the terms of our senior secured credit facilities. Additionally, interest in excess of 12.0% may, at our option, be paid in kind through July 2006. We elected to pay in kind interest in excess of 12.0%, or 4.0%, that was payable on April 20, 2002, July 20, 2002, October 20, 2002, January 20, 2003 and April 20, 2003. The 16% senior notes are redeemable at our option, in whole or in part, at 116.0% of par commencing on July 20, 2001 and at declining prices thereafter. On October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes and paid $2.9 million of premiums in connection with these redemptions. In the event of a change in control, we are obligated to make an offer to purchase all of our outstanding 16% senior notes at 101.0% of par. The amount of the 16% senior notes included in the accompanying consolidated balance sheets included elsewhere in this prospectus, net of unamortized discount, was $63.4 million as of September 30, 2003. We expect to use our net proceeds from the offering to redeem the remaining $38.3 million aggregate principal amount of our 16% senior notes due 2011.

Each of our amended and restated credit agreement and the indentures governing our 16% senior notes, our 9¾% senior notes and our 11¼% senior subordinated notes contains numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our amended and restated credit agreement also currently requires us to maintain a minimum coverage ratio of interest and certain fixed charges and a maximum leverage and senior secured leverage ratio of EBITDA to funded debt.

From time to time, Moody s Investor Service and Standard and Poor s Ratings Service rate our outstanding senior secured term loans, our 9 3/4% senior notes and our 11 1/4% senior subordinated notes. Although neither the Moody s nor the Standard and Poor s ratings impact our ability to borrow or affect our interest rates for our senior secured term loans, they may impact our ability to borrow under new agreements in the future and the interest rates of any such future borrowings.

One of our subsidiaries has had a credit agreement with Residential Funding Corporation, or RFC, since 2001 for the purpose of funding mortgage loans that will be resold. The agreement provides for a revolving line of credit of up to $200.0 million, bears interest at one-month LIBOR plus 1.0% and expires on August 31, 2004. During the quarter ended September 30, 2003, we had a maximum of $272.5 million revolving line of credit principal outstanding with RFC. At September 30, 2003, we had a $135.8 million warehouse line of credit outstanding representing funded mortgage loans that had not yet been purchased, which is included in short-term borrowings in the consolidated balance sheet included elsewhere in this prospectus. Additionally, we had a $135.8 million warehouse receivable representing obligations of third parties to purchase funded mortgage loans as of September 30, 2003, which is also included in the consolidated balance sheet included elsewhere in this prospectus.

One of our subsidiaries has a credit agreement with JP Morgan Chase. The credit agreement provides for a revolving line of credit of up to $20.0 million, bears interest at 1.0% in excess of the bank s cost of funds and expires on May 28, 2004. At September 30, 2003, no amounts were outstanding under this line of credit.

During 2001, a joint venture that we consolidate for financial reporting purposes incurred $37.2 million of non-recourse mortgage debt secured by a real estate investment. During the third quarter of 2003, the maturity date on this debt was extended to July 31, 2008. In our accompanying balance sheets, this debt comprised $40.4 million of our other long-term debt at September 30, 2003 and $40.0 million of our other short-term borrowings at December 31, 2002. Additionally, during the third quarter of 2003, this joint venture incurred an additional $1.9 million of non-recourse mortgage debt with a maturity date of June 15, 2004. At September 30, 2003, this $1.9 million of non-recourse debt is included in short-term borrowings in the accompanying consolidated balance sheets.

55

Insignia Financial Group, which we acquired in July 2003, issued $13.8 million of acquisition loan notes in connection with acquisitions of businesses in the United Kingdom. The acquisition loan notes are payable to the sellers of the previously acquired U.K. businesses and are secured by restricted cash deposits in approximately the same amount. The acquisition loan notes are redeemable semi-annually at the discretion of the note holder and have a final maturity date of April 2010. At September 30, 2003, $13.9 million of the acquisition loan notes were outstanding, which are included in short-term borrowings in the accompanying consolidated balance sheets.

***Deferred Compensation Plan Obligations***

Each participant in our deferred compensation plan, or DCP, is allowed to defer a portion of his or her compensation for distribution generally either after his or her employment with us ends or on a future date at least three years after the deferral election date. The investment alternatives available to participants include two interest index funds and an insurance fund in which gains or losses on deferrals are measured by one or more of approximately 30 mutual funds. In addition, prior to our acquisition of CB Richard Ellis Services in 2001, participants were entitled to invest their deferrals in stock fund units that entitled the participants to receive future distributions of shares of CB Richard Ellis Services common stock. Except for the stock funds units, all deferrals under the DCP represent obligations to make future cash payments. Effective January 1, 2004, we closed the DCP to new participants. During 2004, the DCP will continue to accept compensation deferrals from participants who currently have a balance, meet the eligibility requirements and elect to participate, up to a maximum annual contribution amount of $250,000 per participant. However, the DCP will cease accepting compensation deferrals from current participants effective January 1, 2005.

Because a substantial majority of the deferrals under the DCP have a distribution date based upon the end of the relevant participant s employment with us, we have an ongoing obligation to make distributions to these participants as they leave our employment. Because the level of employee departures is not predictable, the timing of these obligations also is not predictable. Accordingly, we may face significant unexpected cash funding obligations in the future if a larger number of our employees leave our employment than we expect.

***Pension Liability***

Our subsidiaries based in the United Kingdom maintain two defined benefit pension plans to provide retirement benefits to existing and former employees participating in the plans. With respect to these plans, our historical policy has been to contribute annually an amount to fund pension cost as actuarially determined by an independent pension consulting firm and as required by applicable laws and regulations. Our contributions to these plans are invested and, if these investments do not perform in the future as well as we expect, we will be required to provide additional funding to cover the shortfall.

***Other Obligations and Commitments***

In connection with the sale of real estate investment assets by Insignia to Island Fund on July 23, 2003, Insignia agreed to maintain letter of credit support for real estate investment assets that were subject to the purchase agreement until the earlier of (1) the third anniversary of the completion of the sale, (2) the date on which the letter of credit is no longer required pursuant to the applicable real estate investment asset agreement or (3) the completion of a sale of the relevant underlying real estate investment asset. As of September 30, 2003, an aggregate of approximately $10.7 million of this letter of credit support remained outstanding under the purchase agreement. Also in connection with the sale, Insignia agreed to maintain a $1.3 million guarantee of a repayment obligation with respect to one of the real estate investment assets. Island Fund agreed to reimburse us for 50% of any draws against these letters of credit or the repayment guarantee while they are outstanding and delivered a letter of credit to us in the amount of approximately $2.9 million as security for Island Fund s reimbursement obligation. As a result of this reimbursement obligation, we effectively retain potential liability for 50% of any future draws against these letters of credit and the repayment guarantee. However, there can be no assurance that Island Fund will be able to reimburse us in the event of any draws against the letters of credit or

Table of Contents

the repayment guarantee or that Island Fund s future reimbursement obligations will not exceed the amount of the letter of credit provided to us by Island Fund.

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. As of September 30, 2003, we had committed $21.4 million to fund future co-investments. In addition to required future capital contributions, some of the co- investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments.

As a result of the completion of the offering, we will incur compensation expenses relating to bonus payments to be made to some of our employees.

**Derivatives and Hedging Activities**

We apply Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, when accounting for derivatives. In the normal course of business, we sometimes utilize derivative financial instruments in the form of foreign currency exchange forward contracts to mitigate foreign currency exchange exposure resulting from intercompany loans. We do not engage in any speculative activities with respect to foreign currency. At September 30, 2003, we had foreign currency exchange forward contracts with an aggregate notional amount of $26.5 million, which matured on various dates through December 31, 2003. The net impact on our earnings for the nine months ending September 30, 2003 resulting from the unrealized gains and/or losses on these foreign currency exchange forward contracts was not significant.

**Seasonality**

A significant portion of our revenue is seasonal, which affects your ability to compare our financial condition and results of operations on a quarter-by-quarter basis. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two quarters and higher in the third and fourth quarters of each year. The concentration of earnings and cash flow in the fourth quarter is due to an industry-wide focus on completing transactions toward the fiscal year-end. This has historically resulted in lower profits or a loss in the first and second quarters, with profits growing or losses decreasing in each subsequent quarter.

**Inflation**

To date, we do not believe that general inflation has had a material impact upon our operations. Revenue, commissions and other variable costs related to revenue are primarily affected by real estate market supply and demand rather than general inflation.

**Application of Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that management believes to be reasonable. Actual results may differ from those estimates under different assumptions or conditions. We believe that the following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements:

***Revenue Recognition***

We record real estate commissions on sales upon close of escrow or upon transfer of title. Real estate commissions on leases are generally recorded as income once we satisfy all obligations under the commission agreement. A typical commission agreement provides that we earn a portion of the lease commission upon the execution of the lease agreement by the tenant, while the remaining portion(s) of the lease commission is earned at a later date, usually upon tenant occupancy. The existence of any significant future contingencies will result in the delay of recognition of revenue until such contingencies are satisfied. For example, if we do not earn all or a portion of the lease commission until the tenant pays its first month s rent, and the lease agreement provides the tenant with a free rent period, we delay revenue recognition until cash rent is paid by the tenant. Investment management and property management fees are recognized when earned under the provisions of the related agreements. Appraisal fees are recorded after services have been rendered. Loan origination fees are recognized at the time the loan closes and we have no significant remaining obligations for performance in connection with the transaction, while loan servicing fees are recorded to revenue as monthly principal and interest payments are collected from mortgagors. Other commissions, consulting fees and referral fees are recorded as income at the time the related services have been performed unless significant future contingencies exist.

In establishing the appropriate provisions for trade receivables, we make assumptions with respect to their future collectibility. Our assumptions are based on an individual assessment of a customer s credit quality as well as subjective factors and trends, including the aging of receivables balances. In addition to these individual assessments, in general, outstanding trade accounts receivable amounts that are more than 180 days overdue are fully provided for.

***Principles of Consolidation***

Our consolidated financial statements included elsewhere in this prospectus include the accounts of CB Richard Ellis Group and majority owned and controlled subsidiaries. Additionally, our consolidated financial statements included elsewhere in this prospectus include our accounts prior to our acquisition of CB Richard Ellis Services in 2001, as CB Richard Ellis Services is considered our predecessor for purposes of Regulation S-X. The equity attributable to minority shareholders interests in subsidiaries is shown separately in our consolidated balance sheets included elsewhere in this prospectus. All significant intercompany accounts and transactions have been eliminated in consolidation.

Our investments in unconsolidated subsidiaries in which we have the ability to exercise significant influence over operating and financial policies, but do not control, are accounted for under the equity method. Accordingly, our share of the earnings of these equity-method basis companies is included in consolidated net income. All other investments held on a long-term basis are valued at cost less any impairment in value.

***Goodwill and Other Intangible Assets***

Goodwill represents the excess of the purchase price paid by us over the fair value of the tangible and intangible assets and liabilities acquired in our acquisition of CB Richard Ellis in 2001 and in our acquisition of Insignia Financial Group in 2003. Other intangible assets include a trademark, which was separately identified as a result of our acquisition of CB Richard Ellis in 2001, as well as a trade name separately identified as a result of the Insignia acquisition representing the Richard Ellis trade name in the United Kingdom that was owned by Insignia prior to the Insignia acquisition. Both the trademark and the trade name are not being amortized and have indefinite estimated useful lives. Other intangible assets also include backlog, which represents the fair value of Insignia s net revenue backlog as of July 23, 2003 that was acquired as part of the Insignia acquisition. The net revenue backlog consists of the net commission receivable on Insignia s revenue producing transactions, which were at various stages of completion prior to the Insignia acquisition. Net revenue backlog is being amortized as cash is received or upon final closing of these pending transactions. The remaining other intangible assets primarily include management contracts, loan servicing rights, producer employment contracts, franchise agreements and a trade name, which are all being amortized on a straight-line basis over estimated useful lives ranging up to ten years.

58

Table of Contents

We fully adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, effective January 1, 2002. This statement requires us to perform at least annually an assessment of impairment of goodwill and other intangible assets deemed to have indefinite useful lives based on assumptions and estimates of fair value and future cash flow information. We engage a third-party valuation firm to perform an annual assessment of our goodwill and other intangible assets deemed to have indefinite lives for impairment as of the beginning of the fourth quarter of each year. We also assess goodwill and other intangible assets deemed to have indefinite useful lives for impairment when events or circumstances indicate that their carrying value may not be recoverable from future cash flows. We completed our required annual impairment test as of October 1, 2002 and determined that no impairment existed. We are in the process of completing our annual impairment test as of October 1, 2003.

**New Accounting Pronouncements**

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No., or FIN, 46, *Consolidation of Variable Interest Entities*, which is an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements.* This interpretation addresses consolidation of entities that are not controllable through voting interests or in which the equity investors do not bear the residual economic risks. The objective of this interpretation is to provide guidance on how to identify a variable interest entity, or VIE, and determine when the assets, liabilities, noncontrolling interests and results of operations of a VIE need to be consolidated with its primary beneficiary. A company that holds variable interests in an entity will need to consolidate the entity if the company s interest in the VIE is such that the company will absorb a majority of the VIE s expected losses and/or receive a majority of the VIE s expected residual returns or if the VIE does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. For VIEs in which a significant, but not majority, variable interest is held, certain disclosures are required. The consolidation requirements of FIN 46 apply immediately to VIEs created after January 31, 2003. It applies in the first fiscal year or interim period ending after December 15, 2003 to variable interest entities considered to be a special purchase entity, or SPE, in which an enterprise holds a variable interest that it acquired before February 1, 2003. For non-SPE variable interest entities acquired after February 1, 2003, the interpretation must be adopted no later than the first interim or annual reporting period ending after March 15, 2004. The interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. The adoption of this interpretation is not expected to have a material impact on our financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, *Amendment to Statement 133 on Derivative Instruments and Hedging Activities.* SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is applied prospectively and is effective for contracts entered into or modified after June 30, 2003, except for SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 and certain provisions relating to forward purchases and sales on securities that do not yet exist. The adoption of this statement is not expected to have a material impact on our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for the classification and measurement of financial instruments with characteristics of both liabilities and equity. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003 and must be applied to our existing financial instruments effective July 1, 2003. On October 29, 2003, the FASB deferred indefinitely the provisions of paragraphs 9 and 10 and related guidance in the appendices of this pronouncement as they apply to mandatorily redeemable noncontrolling interests. The adoption of the effective provisions of SFAS No. 150 have not had a material impact on our financial position or results of operations.

Table of Contents

**Quantitative and Qualitative Disclosures About Market Risk**

Our exposure to market risk consists of foreign currency exchange rate fluctuations related to our international operations and changes in interest rates on debt obligations.

Approximately 27.9% of our business was transacted in local currencies of foreign countries for the nine months ended September 30, 2003. We attempt to manage our exposure primarily by balancing monetary assets and liabilities, and maintaining cash positions only at levels necessary for operating purposes. We routinely monitor our transaction exposure to currency exchange rate changes and sometimes enter into foreign currency exchange forward and option contracts to limit our exposure, as appropriate. We do not engage in any speculative activities with respect to foreign currency. At September 30, 2003, we had foreign currency exchange forward contracts with an aggregate notional amount of $26.5 million, which matured on various dates through December 31, 2003. The net impact on our earnings for the nine months ended September 30, 2003 resulting from the unrealized gains and/or losses on these foreign currency exchange forward contracts was not significant.

We manage our interest expense by using a combination of fixed and variable rate debt. Our fixed and variable rate long-term debt at September 30, 2003 consisted of the following:

| Year of Maturity | Fixed Rate | One-Month Yen LIBOR +3.5% | One-Month LIBOR +1.0% | Three-Month LIBOR +3.25% | Three-Month LIBOR +3.75% | Six-Month GBP LIBOR 1.0% | Interest Rate Range of 1.0% to 6.25% | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | | |
| 2003 | $ 467 | $ | $ 135,820 | $ 2,188 | $ 650 | $ 13,881 | $ 12,102 | $ 165,108 |
| 2004 | 1,948 | | | 8,750 | 2,600 | | | 13,298 |
| 2005 | 17 | | | 8,750 | 2,600 | | | 11,367 |
| 2006 | 17 | | | 8,750 | 2,600 | | | 11,367 |
| 2007 | 17 | | | 4,375 | 2,600 | | | 6,992 |
| 2008 | 2,023 | 40,389 | | | 2,600 | | | 45,012 |
| Thereafter (1) | 499,743 | | | | 242,000 | | | 741,743 |
| Total | $ 504,232 | $ 40,389 | $ 135,820 | $ 32,813 | $ 255,650 | $ 13,881 | $ 12,102 | $ 994,887 |
| Weighted Average Interest Rate | 11.2% | 3.9% | 2.1% | 4.4% | 4.9% | 1.5% | 6.0% | 7.6% |

(1) Primarily includes the 11¼% senior subordinated notes, the 9¾% senior notes, the 16% senior notes and the term loans under our senior secured credit facilities.

We utilize sensitivity analyses to assess the potential effect of our variable rate debt. If interest rates were to increase by 40 basis points, which represents approximately 10% of our weighted average variable rate at September 30, 2003, the net impact would be a decrease of $1.5 million on pre-tax income and cash provided by operating activities for the nine months ended September 30, 2003.

Based on dealers quotes at September 30, 2003, the estimated fair value of the 9¾% senior notes and the 11¼% senior subordinated notes were $216.0 million and $244.2 million, respectively. There was no trading activity for the 16% senior notes, which have an effective interest rate of 17.8% and are due in 2011. The carrying value of the 16% senior notes as of September 30, 2003 totaled $63.4 million. Estimated fair values for the term loans under the senior secured credit facilities and the remaining long-term debt are not presented because we believe that they are not materially different from book value, primarily because the majority of the remaining debt is based on variable rates that approximate terms that could be obtained at September 30, 2003.

As described in greater detail in Liquidity and Capital Resources, on October 14, 2003 we refinanced our senior secured credit facilities, which included an increase in the amount of outstanding term loans, as well as changes to the amortization schedules, maturities and interest rates of the term loans. In addition, on October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes due 2011.

Table of Contents

## BUSINESS

### Overview

We are the largest global commercial real estate services firm, based on 2002 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003 we operate in 48 countries with over 13,500 employees in 220 offices providing commercial real estate services under the CB Richard Ellis brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees. For the nine months ended September 30, 2003, on a pro forma basis, we generated revenue of $1.3 billion and operating income of $33.3 million.

We have a well-balanced, highly diversified base of clients that includes more than 60% of the *Fortune 100*. Many of our clients are consolidating their commercial real estate-related expenditures with fewer providers and, as a result, awarding their business to those providers that have a strong presence in important markets and the ability to provide a complete range of services worldwide. As a result of this trend and our ability to deliver comprehensive solutions for our clients needs across a wide range of markets, we believe we are well positioned to capture a growing percentage of our clients commercial real estate services expenditures.

### Our History

We trace our roots to a San Francisco-based firm formed in 1906 that grew to become one of the largest commercial real estate services companies in the western United States during the 1940s. In the 1960s and 70s, the company expanded both its service portfolio and geographic coverage to become a full-service provider with a growing presence throughout the United States.

In 1989, employees and third-party investors acquired the company s operations to form CB Commercial. Throughout the 1990s, CB Commercial moved aggressively to accelerate growth and cultivate global capabilities to meet client demands. The company acquired leading firms in investment management (Westmark Realty Advisors now CBRE Investors, in 1995), mortgage banking (L.J. Melody & Company, in 1996) and property and corporate facilities management, as well as capital markets and investment management (Koll Real Estate Services, in 1997).

In 1998, the company, then known as CB Commercial Real Estate Services Group, achieved significant global expansion with the acquisition of REI Limited. REI Limited, which traces its roots to London in 1773, was the holding company for all Richard Ellis operations outside of the United Kingdom. Following the REI Limited acquisition, the company changed its name to CB Richard Ellis Services and, later in 1998, acquired London-based Hillier Parker May & Rowden, one of the top property services firms operating in the United Kingdom. With this development, we believe we became the first real estate services firm with a platform to deliver integrated real estate services through one commonly-owned, commonly-managed company across the world s major business capitals.

In July 2001, CB Richard Ellis Group, then known as CBRE Holding, acquired all of the outstanding stock of CB Richard Ellis Services in a transaction involving our senior management and affiliates of Blum Capital Partners, L.P. and affiliates of Freeman Spogli & Co. Incorporated. In July 2003, our global position was further solidified as CB Richard Ellis Services and Insignia Financial Group were brought together to form a premier, worldwide, full-service real estate company. As a result of the Insignia acquisition, we now operate globally under the CB Richard Ellis brand name, which we believe is a well-recognized brand in virtually all of the world s key business centers.

Table of Contents

**Industry Overview**

We estimate the U.S. commercial real estate services market generated approximately $27 billion in revenue in 2003, representing approximately one-third of the total global market for commercial real estate services. We also estimate that the U.S. commercial real estate services market grew at a compound annual growth rate of 3.4% from 1991 through 2003, and we expect this market to grow to approximately $32 billion in revenue by 2006, representing a compound annual growth rate of 5.8%. Within the U.S. commercial real estate services market, there are three primary categories of clients:

- financial owners, which consist of real estate investment trusts, or REITs, private funds, banks and developers and which we estimate represented approximately 60% of the U.S. market as measured by 2003 revenue;
- corporations, which consist of both owners and occupiers for whom real estate is a requirement for business operations and which we estimate represented approximately 25% of the U.S. market as measured by 2003 revenue; and
- passive investors, which consist of pensions funds and private investors who deploy capital in commercial real estate assets but do not take an active role in managing those assets and which we estimate represented approximately 15% of the U.S. market as measured by 2003 revenue.

During the next few years, we believe the key drivers of revenue growth for the largest commercial real estate services companies will be (1) the continued outsourcing of commercial real estate services, (2) the consolidation of clients activities with fewer providers and (3) the increasing institutional ownership of commercial real estate.

***Outsourcing***

Motivated by reduced costs, lower overhead, improved execution across markets, increased operational efficiency and a desire to focus on their core competencies, property owners and occupiers have increasingly contracted out for commercial real estate services, including transaction management, lease administration, portfolio management, property accounting and facilities management. According to an Ernst & Young study of major corporations published in the Fall of 2002, 57% of the subject corporations retained third-party service providers for transaction management services, 46% outsourced their lease administration functions and 37% outsourced their facilities management functions. We believe this represents an increase from historical outsourcing of these functions, and we expect this outsourcing trend to continue.

***Consolidation***

Despite recent consolidation, the commercial real estate services industry remains highly fragmented. Other than the limited number of national and international real estate services firms with whom we compete in a number of service competencies, most firms within the industry are local or regional firms that are substantially smaller than us on an overall basis, although in some cases have a larger local presence in certain competencies. We believe that major property owners and corporate users are motivated to consolidate their service provider relationships on a regional, national and global basis for a number of reasons, including obtaining more consistent execution across markets, achieving economies of scale and enhanced purchasing power and benefiting from streamlined management oversight and the efficiency of single point of contact service delivery. As a result, we believe large owners and occupiers are awarding a disproportionate share of this business to the larger real estate services providers, particularly those that provide a full suite of services across geographical boundaries.

***Institutional Ownership of Real Estate***

Institutional owners, such as REITs, pension funds, foreign institutions and other financial entities, increasingly are acquiring more real estate assets and financing them in the capital markets. Total U.S. real estate assets held by institutional investors increased to $423 billion in 2003 from $223 billion in 1994. REITs were the main drivers of this growth, with a portfolio increase of 400% over this time period. Pension fund assets also grew by 48% and foreign institutions augmented their U.S. real estate investments by 77%. We believe it is likely that institutional owners of commercial real estate assets will consolidate their use of commercial real estate services vendors and outsource management of their portfolios.

**Our Regions of Operation and Principal Services**

We report through three geographically organized segments: (1) Americas, (2) Europe, Middle East and Africa, or EMEA, and (3) Asia Pacific. Within our Americas segment, we further organize our full range of services into the following business areas in order to maximize synergies and cross-selling opportunities among our clients: (a) advisory services, (b) outsourcing services and (c) investment management.

Information regarding revenue and operating income or loss, attributable to each of our segments, is included in Segment Operations within the Management s Discussion and Analysis of Financial Condition and Results of Operations section of this prospectus and within note 21 to our consolidated financial statements included elsewhere in this prospectus. Information concerning the identifiable assets of each of our business segments is set forth in note 21 to our consolidated financial statements included elsewhere in this prospectus.

***The Americas***

The Americas is our largest segment of operations and provides a comprehensive range of services throughout the United States and in the largest metropolitan regions in Canada, Mexico and other selected parts of Latin America. Our Americas division accounted for 76.0% of our revenue for the nine months ended September 30, 2003.

*Advisory Services*

Corporations, institutions and other users of real estate services have been increasingly consolidating their relationships with fewer service providers that have depth of resources, full array of services and broad geographic reach. We believe our advisory services businesses have been at the vanguard of this trend, offering occupier/tenant and investor/owner services that meet the full spectrum of marketplace needs, including (1) real estate services, (2) mortgage loan origination and servicing and (3) valuation. Our advisory services business line accounted for 78.7% of our Americas revenue for the nine months ended September 30, 2003.

Within advisory services, our major business lines are the following:

***Real Estate Services***. We provide strategic advice and execution assistance to owners, investors and occupiers of real estate in connection with leasing, disposition and acquisition of property and related activities. These businesses are built upon strong client relationships that frequently lead to recurring revenue opportunities over many years. Our real estate services professionals are particularly adept at aligning real estate strategies with client business objectives, serving as an advisor as well as transaction executor. During 2003, on a pro forma basis, we advised on nearly 23,000 lease transactions involving aggregate rents of approximately $27.3

billion and more than 4,700 real estate sales transactions with an aggregate value of approximately $27.5 billion. We believe we have especially strong market positions in the major U.S. business centers, with leading commercial real estate services market positions in nine of the top ten metropolitan statistical areas in the United States, including New York, Los Angeles, Chicago, Atlanta and Washington D.C.

Our advice and execution assistance professionals are compensated primarily through commission-based programs, which are payable upon completion of the assignment. Therefore, as compensation is one of our largest expenses, this flexible cost structure permits us to mitigate the negative effect on our operating margins during difficult market conditions. Due to the low barriers to entry and significant competition for quality employees, we strive to retain top professionals through an attractive compensation program tied to productivity.

**Table of Contents**

We further strengthen our relationships with our real estate services clients by offering proprietary research to clients through our Torto Wheaton Research unit, a leading provider of commercial real estate market information, forecasting and consulting services. Torto Wheaton Research provides data and analysis to its clients in various formats, including TWR Outlook reports for office, industrial, hotel, retail and multi-housing sectors covering 53 U.S. metropolitan areas and TWR Select office and industrial database access including 245,000 commercial properties.

***Mortgage Loan Origination and Servicing***. Our L.J. Melody & Company subsidiary originates and services commercial mortgage loans, without incurring principal risk. As part of its activities, L.J. Melody has established relationships with investment banking firms, national banks, credit companies, insurance companies, pension funds and government agencies. During 2003, L.J. Melody originated more than $11.1 billion in mortgage loans and serviced more than $61.0 billion in mortgage loans.

***Valuation***. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions. Our valuation business has developed proprietary technology for preparing and delivering valuation reports to its clients, which we believe provides it with a competitive advantage over its rivals. We believe that our valuation business is one of the largest in our industry. During 2003, on a pro forma basis, we completed nearly 13,400 valuation, appraisal and advisory assignments.

*Outsourcing Services*

Outsourcing is a long-term trend in commercial real estate, with corporations, institutions and others seeking to achieve improved efficiency, better execution and lower costs by relying on the expertise of third-party real estate specialists. Our outsourcing services business includes two business lines that seek to capitalize on this trend: (1) asset services and (2) corporate services. As of December 31, 2003, this business line managed approximately 422.8 million square feet of commercial space for property owners and occupiers, which we believe represents one of the largest portfolios in the Americas. Our outsourcing services business line accounted for 17.5% of our Americas revenue for the nine months ended September 30, 2003.

***Asset Services***. We provide property management, construction management, marketing, leasing, accounting and financial services on a contractual basis for income-producing office, industrial and retail properties owned by local, regional and institutional investors. We believe our contractual relationships with these clients put us in an advantageous position to provide other services for them, including refinancing, disposition and appraisal.

***Corporate Services***. We provide a comprehensive set of portfolio management, transaction management, project management, strategic consulting, facilities management and other corporate real estate services to leading global organizations. Corporate facilities under management in the Americas region include headquarters buildings, regional offices, administrative offices and manufacturing and distribution facilities. Corporate services clients are typically companies or public sector institutions with large, distributed real estate portfolios. We enter into long-term, contractual relationships with these organizations with the goal of ensuring that our clients real estate strategies support their overall business strategies.

*Investment Management*

Our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., provides investment management services to clients that include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate. CBRE Investors also sponsors funds and investment programs that span the risk/return spectrum. In higher yield strategies, CBRE Investors co-invests with its clients/partners. Our investment management business line accounted for 3.8% of our Americas revenue for the nine months ended September 30, 2003.

64

CBRE Investors is organized into three general client-focused groups according to investment strategy, which include managed accounts group (low risk), strategic partners (value added funds) and special situations (higher yield and highly focused strategies). Operationally, a dedicated investment team with the requisite skill sets executes each investment strategy, with the team s compensation being driven largely by the investment performance of its particular strategy/fund. This organizational structure is designed to align the interests of team members with those of the firm and its investor clients/partners and to enhance accountability and performance. Dedicated teams share resources such as accounting, financial controls, information technology, investor services and research. In addition to the research provided by our advisory services group, which focuses primarily on market conditions and forecasts, CBRE Investors has an in-house team of research professionals who focus on investment strategy and underwriting.

CBRE Investors closed over $1.2 billion of new acquisitions in the Americas in each of 2002 and 2003 and it has increased its assets under management in the Americas from $3.5 billion in 1998 to $5.7 billion in 2003, representing a 10.2% compound annual growth rate.

***Europe, Middle East and Africa***

Our EMEA segment has offices in 28 countries, with its largest operations located in the United Kingdom, France, Spain, the Netherlands and Germany. Operations within the EMEA countries generally include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services, facilities management and other services similar to our Americas segment. The EMEA segment accounted for 16.6% of our revenue for the nine months ended September 30, 2003.

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

***Asia Pacific***

Our Asia Pacific division has offices located in 11 countries. We believe that we are one of only a few companies that can provide a full range of real estate services to large corporations throughout the region, including the similar broad range of services provided by our Americas and EMEA segments. Our principal operations in Asia are located in China (including Hong Kong), Singapore, South Korea and Japan. The Pacific region includes Australia and New Zealand, with principal offices located in Brisbane, Melbourne, Syndey, Perth, Auckland and Wellington. The Asia Pacific segment accounted for 7.4% of our revenue for the nine months ended September 30, 2003.

**Our Competitive Strengths**

We believe we possess several competitive strengths that position us to capitalize on the positive outsourcing, consolidation and globalization trends in the commercial real estate services industry. Our strengths include the following:

***Global Brand and Market Leading Positions.*** For nearly a century, we and our predecessors have built the CB Richard Ellis brand into the largest commercial real estate services provider in the world, based on 2002 revenue, and one of only two commercial real estate services companies with a global brand. As a result of our global brand recognition and geographic reach, large corporations, institutional owners and users of real estate recognize us as a leading provider of world-class, comprehensive real estate services. Operating under the global CB Richard Ellis brand, we are the leader in many of the local markets in which we operate, including New York, Los Angeles, Chicago and London.

***Full Service Capabilities.*** We provide a full range of commercial real estate services to meet the needs of our clients, and we believe this suite of services represents a broader range globally than those of many of our competitors. When combined with our extensive global reach and localized knowledge, this full range of real estate services enables us to provide world-class service to our multi-regional and multi-national clients, as well as to maximize our revenue per client.

***Strong Client Relationships and Client-tailored Service***. We have forged long-term relationships with many of our clients. Our clients include more than 60% of the *Fortune 100*, with nearly half of these clients purchasing more than one service from us. In order to better satisfy the needs of our largest clients and to capture cross-selling opportunities, we have organized fully integrated client coverage teams comprised of senior management, a global relationship manager and regional and product specialists. We believe that this client-tailored approach contributed significantly to our 38.6% increase in revenues from the 50 largest clients of our U.S. investment sales group within our real estate services line of business during the period from 1998 to 2003.

***Attractive Business Model***. Our business model features a diversified client base, recurring revenue streams, a variable cost structure, low capital requirements and strong cash flow generation.

***Diversified Client Base***. Our global operations, multiple service lines and extensive client relationships provide us with a diversified revenue base. For 2003, on a pro forma basis, we estimate that corporations accounted for 25% of our global revenues, insurance companies and banks accounted for 23% of revenues, pension funds and their advisors accounted for 14% of revenues, individuals and partnerships accounted for 11% of revenues, REITs accounted for 10% of revenues and other types of clients accounted for the remainder of our revenues. In addition, during 2002, no single client accounted for more than 1% of our revenue and our top 20 clients accounted for only 8% of our revenue.

***Recurring Revenue Streams***. Our years of strong local market presence have allowed us to develop significant repeat client relationships, which are responsible for a large part of our business. We also generate recurring revenue through the turnover of leases and properties for which we have previously acted as transaction manager, as well as from our contractual, annual fee-for-services businesses.

***Variable Cost Structure***. Compensation is one of our largest expenses, and our sales and leasing professionals are generally paid on a commission and bonus basis, which correlates with our revenue performance. This flexible cost structure mitigates the negative effect on our operating margins during difficult market conditions.

***Low Capital Requirements.*** Our business model is structured to provide value-added services with low capital intensity. During 2002, our net capital expenditures were 1.2% of our revenue.

***Strong Cash Flow Generation***. Our strong brand, full-service capabilities, and global presence enable us to generate significant revenues which, when combined with our flexible cost structure and low capital requirements, have allowed us historically to generate significant cash flow in a variety of economic conditions.

***Strong Senior Management Team and Workforce***. Our most important asset is our people. We have recruited a talented and motivated work force of over 13,500 employees worldwide. Our employees are supported by a strong and deep senior management team consisting of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry. In addition, we use equity compensation to align the interests of our senior management team with the interests of

66

Table of Contents

our stockholders. Our senior management team beneficially owned approximately 12.1% of our outstanding common stock as of January 31, 2004, and our employees, as a group, owned 18.2% of our outstanding common stock on the same date. After giving effect to the offering, our senior management team will own approximately % and our employees as a group will own approximately % of our outstanding common stock.

**Our Growth Strategy**

We believe we have built the premier integrated global services platform in our industry. In developing this integrated global platform, we acquired such entities as The Koll Company, TCW Advisors, L.J. Melody, Richard Ellis International and Hillier Parker May & Rowden during the 1990s and, in 2003, we acquired Insignia Financial Group. Today, we believe we offer the commercial real estate services industry s most complete suite of service offerings and the leadership position in most of the top 25 business centers around the world. Our primary business objective is to leverage this platform in order to garner an increasing share of industry revenues relative to our competitors. We believe this will enable us to maximize and sustain our long-term cash flow and increase long-term stockholder value. Our strategy to achieve these business objectives consists of several elements:

***Increase Revenue from Large Clients.*** We plan to capitalize on our client management strategy for our large clients, which is designed to provide them with a full range of services globally while maximizing revenue per client. We deliver these services through relationship management teams that are charged with thoroughly understanding our customer s business and real estate strategies and matching our services to the customers requirements. The global relationship manager is a highly seasoned professional who is focused on maximizing revenue per client and compensated with salary and a performance-based bonus and is supported by salaried professionals with specialized expertise, such as marketing, financial analysis and construction. The team leader also taps into our field-level transaction professionals, as necessary, for execution of client strategies. We believe this approach to client management will lead to stronger client relationships and enable us to maximize cross-selling opportunities and capture a larger share of our clients commercial real estate services expenditures. For example:

- we generated repeat business in 2003 from approximately 60% of our U.S. real estate sales and leasing clients;

- more than 40% of our corporate services clients today purchase more than one service and, in many cases, more than two;

- the square footage we manage for our 15 largest asset services clients has grown by 55% in three years; and

- the 50 largest clients of the investment sales group within our real estate services line of business generated $52.6 million in revenues in 2003 up 38.6% from $37.9 million for these same 50 clients five years earlier.

***Capitalize on Cross-selling Opportunities.*** Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, we are committed to emphasizing this opportunity across all of our clients, services and regions. We have dedicated substantial resources and implemented several management initiatives to better enable our workforce to capitalize on these opportunities among our various lines of business, including our ESG University outside Chicago that provides intensive training for sales and management professionals, a customer relationship management database and sales management principles and incentives designed to improve individual productivity. We believe the combination of these initiatives will enable us to further penetrate local markets and better capitalize on our worldwide platform.

***Continue to Grow our Investment Management Business***. Our growing investment management business provides us with an attractive revenue source through fees on assets under management and gains on the sale of assets. We also expect to achieve strong growth in this business by continuing to harness the vast resources of the entire CB Richard Ellis organization for the benefit of our investment management clients. CBRE Investors independent structure creates an alignment of interests with its investors, while permitting its portfolio companies to use the broad range of services provided by our other business lines. As a result, we historically have received significant revenue from the provision of services on an arm s length basis to these portfolio companies, and we believe this will continue in the future.

***Focus on Best Practices to Improve Operating Efficiency***. In 2001, we launched a best practices initiative, branded People, Platform & Performance, and we believe the process and operational improvements associated with this initiative contributed to operating cost reductions. We believe our focus on best practices has enabled us to generate industry-leading operating margins. We remain keenly focused on this strategic initiative and continue to strive for efficiency improvements and cost savings in order to maximize our operating margins and cash flow.

**Competition**

We compete across a variety of business disciplines within the commercial real estate services industry, including investment management, tenant representation, corporate services, construction and development management, property management, agency leasing, valuation and mortgage banking. Each of the business disciplines in which we compete is highly competitive on an international, national, regional and local level. Although we are the largest commercial real estate services firm in the world in terms of 2002 revenue, our relative competitive position varies significantly across product and service categories and geographic areas. Depending on the product or service, we face competition from other commercial real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms, some of which may have greater financial resources than we do. Many of our competitors are local or regional firms. Although substantially smaller than we are, some of these competitors are larger on a local or regional basis. We are also subject to competition from other large national and multi-national firms that have similar service competencies to ours, including Cushman & Wakefield, Grubb & Ellis, Jones Lang LaSalle and Trammell Crow.

**Seasonality**

A significant portion of our revenue is seasonal. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two calendar quarters and higher in the third and fourth calendar quarters of each year. The concentration of earnings and cash flow in the fourth quarter is due to an industry-wide focus on completing transactions by year-end.

**Employees**

At December 31, 2003, we had approximately 13,500 employees worldwide. At February 6, 2004, approximately 240 of our employees were subject to collective bargaining agreements, the substantial majority of whom are employees in our asset services business in the New York/New Jersey area. We believe that relations with our employees are satisfactory.

Table of Contents

**Facilities**

We leased the following offices as of December 31, 2003:

| Location | Sales Offices | Corporate Offices | Total |
|---|---|---|---|
| Americas | 139 | 2 | 141 |
| Europe, Middle East and Africa | 52 | 1 | 53 |
| Asia Pacific | 25 | 1 | 26 |
| Total | 216 | 4 | 220 |

In general, our leased offices are fully utilized. In addition, we believe there is adequate alternative office space available at acceptable rental rates to meet our needs, although rental rates in some markets may negatively affect our profits in those markets. We do not own any offices, which is consistent with our strategy to lease instead of own.

**Legal Proceedings**

We are party to a number of pending or threatened lawsuits arising out of, or incident to, our ordinary course of business. Our management believes that any liability imposed on us that may result from disposition of these lawsuits will not have a material effect on our consolidated financial position or results of operations.

Table of Contents

## MANAGEMENT

### Executive Officers and Directors

The following table sets forth information about our executive officers and directors as of February 13, 2004:

| Name | Age | Position |
| --- | --- | --- |
| Ray Wirta | 59 | Chief Executive Officer and Director |
| Brett White | 44 | President and Director |
| Kenneth J. Kay | 48 | Chief Financial Officer |
| Richard C. Blum | 68 | Chairman of the Board of Directors |
| Jeffrey A. Cozad | 39 | Director |
| Patrice Marie Daniels | 43 | Director |
| Bradford M. Freeman | 61 | Director |
| Michael Kantor | 64 | Director |
| Frederic V. Malek | 67 | Director |
| Jeffrey S. Pion | 42 | Director |
| Gary L. Wilson | 64 | Director |

*Ray Wirta*. Mr. Wirta has been Chief Executive Officer of CB Richard Ellis Group since July 2001 and a director of CB Richard Ellis Group since September 2001. He has been Chief Executive Officer of CB Richard Ellis Services since May 1999. He served as its Chief Operating Officer from May 1998 to May 1999. Mr. Wirta holds a B.A. from California State University, Long Beach and an M.B.A. in International Management from Golden Gate University.

*Brett White*. Mr. White has been President and a director of CB Richard Ellis Group since September 2001. He was Chairman of the Americas of CB Richard Ellis Services from May 1999 to September 2001 and was its President of Brokerage Services from August 1997 to May 1999. Previously, he was its Executive Vice President from March 1994 to July 1997 and Managing Officer of its Newport Beach, California office from May 1993 to March 1994. Mr. White is a member of the board of directors of Mossimo, Inc. Mr. White received his B.A. from the University of California, Santa Barbara.

*Kenneth J. Kay*. Mr. Kay has been Chief Financial Officer of CB Richard Ellis Group since July 2002. He previously served as Vice President and Chief Financial Officer of Dole Food Company, Inc. from December 1999 to June 2002. Mr. Kay served as Executive Vice President and Chief Financial Officer for the consumer products group of Universal Studios, Inc. from December 1997 to December 1999. Mr. Kay is a certified public accountant in the State of California and holds a B.A. and an M.B.A. from the University of Southern California.

*Richard C. Blum*. Mr. Blum has been Chairman of the Board of Directors of CB Richard Ellis Group since September 2001 and a director of CB Richard Ellis Group since July 2001. He is the Chairman and President of Blum Capital Partners, L.P., a merchant banking firm he founded in 1975. Mr. Blum is a member of the boards of directors of Northwest Airlines Corporation, Glenborough Realty, URS Corporation and Playtex Products, Inc. Mr. Blum also serves as Vice Chairman of URS Corporation. Mr. Blum holds a B.A. from the University of California, Berkeley, a graduate degree from the University of Vienna and an M.B.A. from the University of California, Berkeley.

*Jeffrey A. Cozad*. Mr. Cozad has been a director of CB Richard Ellis Group since September 2001. Mr. Cozad has been a partner of Blum Capital Partners, L.P. since 2000. Prior to joining Blum Capital Partners, Mr. Cozad was a managing director of Security Capital Group Incorporated, a global real estate research, investment and operating management company. Mr. Cozad holds a B.A. from DePauw University and an M.B.A. from the University of Chicago Graduate School of Business.

Table of Contents

*Patrice Marie Daniels*. Ms. Daniels has been a director of CB Richard Ellis Group since February 2004. Ms. Daniels is a founding partner of Onyx Capital Ventures, L.P., a private equity investment firm, which was founded in October 2001. She previously served as Managing Director, Corporate and Leveraged Finance for CIBC World Markets, an investment banking firm, from March 1997 to October 2001. Ms. Daniels holds a B.S. from the University of California, Berkeley and an M.B.A. from the University of Chicago Graduate School of Business.

*Bradford M. Freeman*. Mr. Freeman has been a director of CB Richard Ellis Group since July 2001. Mr. Freeman is a founding partner of Freeman Spogli & Co. Incorporated, a private investment company founded in 1983. Mr. Freeman is also a member of the board of directors of Edison International. Mr. Freeman holds a B.A. from Stanford University and an M.B.A. from Harvard Business School.

*Michael Kantor*. Mr. Kantor has been a director of CB Richard Ellis Group since February 2004. Mr. Kantor has been a partner with the law firm of Mayer, Brown, Rowe & Maw LLP since March 1997. From 1993 to 1996, he served as the U.S. Trade Representative and from 1996 to 1997 as U.S. Secretary of Commerce. Mr. Kantor holds a B.A. from Vanderbilt University and a J.D. from Georgetown University.

*Frederic V. Malek*. Mr. Malek has been a director of CB Richard Ellis Group since September 2001. He has served as Chairman of Thayer Capital Partners, a merchant banking firm he founded, since 1993. He also serves on the boards of directors of American Management Systems, Inc., Automatic Data Processing Corp., Fannie Mae, FPL Group, Inc., Manor Care, Inc., Northwest Airlines Corporation, UBS Brinson and Aegis Communications Co., Inc. Mr. Malek holds a B.S. degree from the United States Military Academy at West Point and an M.B.A. from Harvard Business School.

*Jeffrey S. Pion*. Mr. Pion has been a director of CB Richard Ellis Group since October 2003. Mr. Pion has been an Executive Vice President of CB Richard Ellis Group since January 2003. For the last 18 years, Mr. Pion has been a broker at our subsidiary CB Richard Ellis, Inc., focusing on the sale and leasing of office and commercial properties. Prior to joining CB Richard Ellis, Inc., Mr. Pion worked at Central Real Estate Corp., a real estate development and investment company based in Los Angeles. Mr. Pion holds a B.A. degree from the University of California, Santa Barbara.

*Gary L. Wilson*. Mr. Wilson has been a director of CB Richard Ellis Group and our company since September 2001. He previously served as a director of our company from 1989 to July 2001. Since April 1997, Mr. Wilson has been Chairman of Northwest Airlines Corporation, for which he served as Co-Chairman from January 1991 to April 1997. Mr. Wilson also serves on the boards of directors of The Walt Disney Company, On Command Corporation, Veritas Holdings GmbH and Yahoo! Inc. Mr. Wilson holds a B.A. from Duke University and an M.B.A. from the Wharton Graduate School of Business and Commerce at the University of Pennsylvania.

Each executive officer serves at the discretion of our board of directors and holds office until his successor is elected and qualified or until his earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

**Board Structure**

Our board of directors currently consists of ten directors. Prior to the completion of the offering, our board of directors will determine which of our directors will be designated as independent , as defined under and required by the federal securities laws and the rules of the New York Stock Exchange. By the first anniversary of the completion of the offering, we expect a majority of our directors to be independent.

All of our directors will stand for election at each annual meeting of our stockholders.

As described in greater detail under the heading Related Party Transactions Securityholders Agreement, pursuant to a securityholders agreement, our stockholders affiliated with Blum Capital Partners,

Table of Contents

L.P. are entitled to nominate a percentage of our total number of directors that is equivalent to the percentage of the outstanding common stock beneficially owned by these affiliates, with this percentage of our directors being rounded up to the nearest whole number of directors. Accordingly, these affiliates of Blum Capital Partners have nominated Messrs. Blum and Cozad to our board of directors. Also pursuant to the securityholders agreement, our stockholders affiliated with Freeman Spogli & Co. Incorporated are entitled to nominate one of our directors, and they have nominated Mr. Freeman.

**Committees of the Board**

We expect that, prior to the offering, the standing committees of our board of directors will consist of an audit committee, a corporate governance and nominating committee, a compensation committee and an executive committee.

***Audit Committee***

We expect that the principal duties of our audit committee will be as follows:

- to retain, compensate, oversee and terminate any registered public accounting firm in connection with the preparation or issuance of an audit report, and to approve all audit services and any permissible non-audit services provided by the independent auditors;
- to receive the direct reports from any registered public accounting firm engaged to prepare or issue an audit report;
- to review and discuss annual audited and quarterly unaudited financial statements with management and the independent auditors;
- to review with the independent auditor any audit problems and management s response;
- to discuss earnings releases, financial information and earnings guidance provided to analysts and rating agencies;
- to periodically meet separately with management, internal auditors and the independent auditors;
- to establish procedures to receive, retain and treat complaints regarding accounting, internal accounting controls or auditing matters;
- to obtain and review, at least annually, an independent auditors report describing the independent auditors internal quality-control procedures and any material issues raised by the most recent internal quality-control review of the independent auditors or any inquiry by governmental authorities;
- to set hiring policies for employees or former employees of the independent auditors;

- to retain independent counselor and other outside advisors, including experts in the area of accounting, as it determines necessary to carry out its duties; and

- to report regularly to our full board of directors with respect to any issues raised by the foregoing.

Prior to the completion of the offering, our board of directors will determine who the members of our audit committee will be and whether each of these persons will be designated as independent, as defined under and required by the federal securities laws and the rules of the New York Stock Exchange, including Rule 10A-3(b)(i) under the Securities Exchange Act of 1934, as well as whether any of these persons qualifies as an audit committee financial expert under the federal securities laws. Upon completion of the offering, at least one member of the audit committee will be independent and one member will be the audit committee financial expert. We expect that a majority of the members of the committee will be independent within three months following the close of the offering and that all of the members will be independent by the first anniversary of the offering.

Our board of directors will adopt a written charter for the audit committee which will be available on our website.

*Corporate Governance and Nominating Committee*

We expect that the principal duties of the corporate governance and nominating committee will be as follows:

- subject to the provisions of the securityholders agreement described in further detail under the heading Related Party Transactions Securityholders Agreement, to recommend to the board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings; and

- to make recommendations to the board of directors regarding corporate governance matters and practices.

Prior to the completion of the offering, our board of directors will determine who the members of our corporate governance and nominating committee will be and whether each of these persons will be designated as independent, as defined under and required by the federal securities laws and the rules of the New York Stock Exchange. Upon completion of the offering, at least one member of the corporate governance and nominating committee will be independent. We expect that a majority of the members of the committee will be independent within three months following the close of the offering and that all of the members will be independent by the first anniversary of the offering.

Our board of directors will adopt a written charter for the corporate governance and nominating committee which will be available on our website.

*Compensation Committee*

We expect that the principal duties of the compensation committee will be as follows:

- to review key employee compensation policies, plans and programs;

- to review and approve the compensation of our chief executive officer and the other executive officers of the company and its subsidiaries;

- to review and approve any employment contracts or similar arrangement between the company and any executive officer of the company;

- to review and consult with our chief executive officer concerning selection of officers, management succession planning, performance of individual executives and related matters; and

- to administer our stock plans, incentive compensation plans and any such plans that the board may from time to time adopt and to exercise all the powers, duties and responsibilities of the board of directors with respect to such plans.

Prior to the completion of the offering, our board of directors will determine who the members of our compensation committee will be and whether each of these persons will be designated as "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange. Upon completion of the offering, at least one member of the compensation committee will be "independent." We expect that a majority of the members of the committee will be "independent" within three months following the close of the offering and that all of the members will be independent by the first anniversary of the offering.

Our board of directors will adopt a written charter for the compensation committee which will be available on our website.

Table of Contents

*Executive Committee*

Our board of directors has delegated to the executive committee the authority to act for the board on most matters during intervals between board meetings, except with respect to issuances of stock, declarations of dividends and other matters that, under Delaware law, may not be delegated to a committee of the board of directors. The principal duties of the executive committee are as follows:

- to develop and implement our Company s policies, plans and strategies; and
- to approve, modify or reject certain acquisitions or investments.

The executive committee currently is composed of Messrs. Wirta, White and Blum.

**Compensation Committee Interlocks and Insider Participation**

No member of our compensation committee serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

**Codes of Conduct and Ethics**

We expect that prior to the completion of the offering our board of directors will adopt (1) a code of conduct applicable to our officers and employees, (2) a code of ethics applicable to our chief executive officer, chief financial officer and other senior financial officers and (3) a code of ethics applicable to our directors, in accordance with applicable rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange, or NYSE.

**Corporate Governance Guidelines**

We expect that our board of directors will adopt a set of corporate governance guidelines that meets the standards established by the NYSE within the time period prescribed by the NYSE.

**Compensation of Directors**

Prior to the offering, we expect to adopt a director compensation policy pursuant to which each non-employee director will receive the following annual compensation in amounts to be determined:

- an annual cash retainer;
- a grant of unrestricted shares of our common stock;
- a stock option grant; and
- a restricted stock grant.

Our directors also will receive an additional payment per meeting attended in an amount to be determined. The chairman of the audit committee will receive an additional annual cash retainer in an amount to be determined, and the chairmen of all other committees will receive additional annual cash retainers in an amount to be determined.

We also reimburse our non-employee directors for all out-of-pocket expenses incurred in the performance of their duties as directors. Our employee directors do not receive any fees for attendance at meetings or for their service on our board of directors.

**Table of Contents**

**Compensation of Executive Officers**

***Summary Compensation Table***

The following table sets forth information concerning the compensation of our chief executive officer and our three other executive officers for the years ended December 31, 2002, 2001, and 2000:

| | | Annual Compensation | | | Long-Term Compensation | | |
|---|---|---|---|---|---|---|---|
| **Name and Principal Position** | **Year** | **Salary** | **Bonus (1)** | **Other Annual Compensation (2) (3)** | **Restricted Stock Awards (3)** | **Security Underlying Stock Options** | **All Other Compensation (4)** |
| Ray Wirta | 2002 | $ 518,511 | $ | $ 27,359 | $ | $ | $ |
| | 2001 | 518,510 | | 8,092 | | 176,153 | 489,375 |
| Chief Executive Officer | 2000 | 500,000 | 972,000 | 20,251 | 30,000 | 35,000 | |
| Brett White | 2002 | 450,501 | | 71,897 | | | |
| | 2001 | 415,883 | | 62,552 | 20,000 | 141,782 | 408,500 |
| President | 2000 | 375,000 | 714,601 | 49,692 | | 20,000 | |
| Kenneth J. Kay (5) | 2002 | 207,692 | 77,295 | | | | 300,000(6) |
| Current Senior Executive Vice President and Chief Financial Officer | | | | | | | |
| James H. Leonetti (7) | 2002 | 147,138 | | | | | 170,000(8) |
| | 2001 | 254,458 | | | | | 453,500 |
| Former Senior Executive Vice President and Chief Financial Officer | 2000 | 72,115 | 82,500 | | | 25,000 | |

(1) Bonuses for each year are paid in the first quarter of the following year pursuant to our Annual Management Bonus Plan. For example, the bonus shown for 2000 was paid in March of 2001.

(2) With respect to Other Annual Compensation paid in 2000, the amounts listed include a $12,000 automobile allowance. For Messrs. Wirta and White, such amounts also include interest accrued and forgiven under the promissory notes delivered by them pursuant to the CB Richard Ellis Services 1996 Equity Incentive Plan.

(3) Pursuant to the CB Richard Ellis Services 1996 Equity Incentive Plan, or EIP, Mr. White purchased 25,000 shares of CB Richard Ellis Services common stock in 1998 for a purchase price of $38.50 per share and 20,000 shares of CB Richard Ellis Services common stock in 2000 for a purchase price of $12.875 per share. These purchases were paid for by the delivery of full-recourse promissory notes. A First Amendment to Mr. White s 1998 Promissory Note provided that the portion of the then outstanding principal in excess of the fair market value of the shares would be forgiven in the event that Mr. White was an employee of us or our subsidiaries on November 16, 2002 and the fair market value of our common stock was at least $38.50 per share on November 16, 2002. Mr. White s Promissory Note was subsequently amended, terminating the First Amendment and adjusting the original 1998 Stock Purchase Agreement by reducing the

purchase price from $38.50 to $16.00. The 25,000 shares held as security for the Second Amended Promissory Note were tendered as full payment for this note. The remaining note delivered by Mr. White bears interest at 7.40%. As part of our acquisition of CB Richard Ellis Services in 2001, the 20,000 shares of CB Richard Ellis Services common stock purchased by Mr. White were exchanged for 20,000 shares of our Class B common stock, which shares were substituted for CB Richard Ellis Services shares as security for the note. Pursuant to the EIP, Mr. Wirta purchased 30,000 shares of CB Richard Ellis Services common stock in 2000 at a purchase price of $12.875 paid for by the delivery of a full-recourse promissory note bearing interest at 7.40%. As part of our acquisition of CB Richard Ellis Services in 2001, the 30,000 shares of CB Richard Ellis Services common stock were exchanged for 30,000 shares of our Class B common stock, which shares were substituted for our shares as security for the note. All interest charged on the outstanding promissory note balances for any year is forgiven if the executive s performance produces a

Table of Contents

high enough level of bonus, with approximately $7,500 of interest forgiven for each $10,000 of bonus. As a result of bonuses paid in 2001, all interest on Mr. White s and Mr. Wirta s promissory notes for 2000 was forgiven. In 2003, our board of directors forgave all 2002 interest on Mr. White s and Mr. Wirta s notes.

(4) In connection with our acquisition of CB Richard Ellis Services in 2001, we awarded cash retention bonuses to Messrs. Wirta, White and Leonetti to provide an incentive and reward for continued service up to and including the acquisition. At the effective time of the acquisition, Messrs. Wirta, White and Leonetti also received for each of their options to purchase shares of our common stock the greater of (A) the amount by which $16.00 exceeded the exercise price of the option, if any, and (B) $1.00. In connection with our acquisition of CB Richard Ellis Services in 2001, Mr. Leonetti also received payments pursuant to his employment agreement.

(5) Mr. Kay joined us effective June 13, 2002.

(6) Pursuant to Mr. Kay s employment agreement, he received a sign-on bonus of $300,000.

(7) Mr. Leonetti ceased to be an officer and an employee of us on July 19, 2002.

(8) Pursuant to Mr. Leonetti s leaving us, he received a severance payment of $170,000.

***Option Grants Table***

The following table sets forth information concerning stock option grants during the year ended December 31, 2002 to the persons named in the preceding table.

| | | | | | Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term | |
|---|---|---|---|---|---|---|
| **Name** | **Number of Securities Underlying Options Granted** | **Percentage of Total Options Granted to Employees in 2002** | **Exercise Price Per Share** | **Expiration Date** | **5%** | **10%** |
| Kenneth J. Kay (1) | 62,000 | 50.1% | $ 16.00 | 7/20/12 | $ 623,863 | $ 1,580,993 |