CB RICHARD ELLIS GROUP INC
Form 424B4
December 08, 2004
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Filed Pursuant to Rule 424(b)(4)

Registration No. 333-120445

15,000,000 Shares

CB Richard Ellis Group, Inc.

Class A Common Stock

The selling stockholders named in this prospectus are selling 15,000,000 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.

Our Class A common stock is listed on the New York Stock Exchange under the trading symbol CBG. On December 7, 2004, the last reported sale price of our Class A common stock on the New York Stock Exchange was $28.06 per share.

The underwriters have an option to purchase a maximum of 2,250,000 additional shares of Class A common stock from some of 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 Selling Stockholders
Per Share	$28.00	$1.12	$26.88
Total	$420,000,000	$16,800,000	$403,200,000

Delivery of the shares of Class A common stock will be made on or about December 13, 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**

Goldman, Sachs & Co. **JPMorgan**

Lehman Brothers **Merrill Lynch & Co.**

Bear, Stearns & Co. Inc.

The date of this prospectus is December 7, 2004.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. This prospectus may only be used where it is legal to sell these securities. The information in this prospectus 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. While we believe our 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.

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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, or Insignia, on July 23, 2003 and the related transactions and financings as 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 2003 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 operated in 220 offices with over 13,500 employees, excluding affiliate and partner 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.

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

Our business covers all the various segments that compose the commercial real estate services industry, which includes leasing, sales, property management, facilities management, consulting, mortgage origination and servicing, valuation and appraisal services and investment management. Based upon our experience in these various segments and our management s ongoing internally-generated assessment of the size of the addressable market within each such segment, we believe that the U.S. commercial real estate services industry, excluding investment management, generated approximately $22 billion in revenues during 2003.

In addition, we review on a quarterly basis various internally-generated statistics and estimates regarding both office and industrial space within the U.S. commercial real estate services industry, including the total available stock of rentable space and the average rent per square foot of space. Our management believes that changes in the addressable commercial rental market represented by the product of available stock and rent per square foot provide a reliable estimate of changes in the overall commercial real estate services industry because nearly all segments within the industry are affected by changes in those two measurements. We estimate that the product of available stock and rent per square foot grew at a compound annual growth rate of approximately 4.8% from 1993 through 2003.

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During the next few years, we believe the key drivers of revenue growth for the largest commercial real estate services companies will be the following:

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, facilities management, project management, lease administration, property management and property accounting.

Consolidation. The commercial real estate services industry remains highly fragmented, and we believe that major property owners and corporate users are motivated to consolidate their service provider relationships on a regional, national and global basis to obtain more consistent execution across markets, to achieve economies of scale and enhanced purchasing power and to benefit from streamlined management oversight and the efficiency of single point of contact service delivery.

Institutional Ownership of Commercial Real Estate. Institutional owners, such as real estate investment trusts, or REITs, pension funds, foreign institutions and other financial entities, increasingly are acquiring more real estate assets and financing them in the capital markets. We believe it is likely that these owners will outsource management of their portfolios and consolidate their use of commercial real estate services vendors.

Our Regions of Operation and Principal Services

We have organized our business into, 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. Our Americas segment accounted for 73.5% of our 2003 revenue and 73.3% of our revenue for the nine months ended September 30, 2004.

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

Advisory Services. Our advisory services business line accounted for 59.7% of our 2003 revenue and 61.9% of our revenue for the nine months ended September 30, 2004. We believe we are a market leader for the provision of sales and leasing real estate services in many U.S. metropolitan statistical areas (as defined by the U.S. Census Bureau), including New York, Philadelphia, Washington, D.C., Los Angeles, Atlanta, Chicago, Boston and Dallas.

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.

Mortgage Loan Origination and Servicing. Our wholly owned subsidiary, L.J. Melody & Company, originates and services commercial mortgage loans generally without incurring principal risk.

Valuation. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions.

Outsourcing Services. Our outsourcing services business line accounted for 11.2% of our 2003 revenue and 9.5% of our revenue for the nine months ended September 30, 2004. As of December 31, 2003, we 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.

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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.

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.

Investment Management Services. Our investment management services business line accounted for 2.6% of our 2003 revenue and 1.9% of our revenue for the nine months ended September 30, 2004. 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 and sponsors funds and investment programs that span the risk/return spectrum.

Europe, Middle East and Africa

As of December 31, 2003, our EMEA segment had 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 market positions in a number of European metropolitan areas, including the leading market position in London in terms of 2003 leased square footage. The EMEA segment accounted for 19.2% of our 2003 revenue and 19.8% of our revenue for the nine months ended September 30, 2004.

Asia Pacific

As of December 31, 2003, our Asia Pacific segment had 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 are generally 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 7.3% of our 2003 revenue and 6.9% of our revenue for the nine months ended September 30, 2004.

Our Competitive Position

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 2003 revenue.

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 nearly all of our competitors.

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.

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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.

Strong Management Team and Workforce. We have recruited a talented and motivated workforce of over 13,500 employees worldwide, as of December 31, 2003, excluding partner and affiliate offices, who 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.

Although we believe these strengths will create significant opportunities for our business, you should also be aware of the risks that may impact our competitive position, which include the following:

Significant Leverage. We have significant debt service obligations and the agreements governing our long-term debt impose operating and financial restrictions on the conduct of our business.

Geographic Concentration. A significant portion of our U.S. operations is concentrated in California and in the New York metropolitan area. Adverse effects on these local economies may affect us more than our competitors.

Exposure to Risks of International Operations. Because a significant portion of our revenue is derived from operations outside the United States, we are exposed to exchange rate and other foreign social, political and economic risks.

Smaller Presence in Some Markets than our Local Competitors. Although we have a large global presence, many of our competitors may be larger on a local or regional basis and devote more resources to these markets.

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, by using relationship management teams to provide these clients with a full range of services globally while maximizing our revenue per client.

Capitalize on Cross-selling Opportunities. Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, 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.

Focus on Best Practices to Improve Operating Efficiency. In 2001, we launched a best practices initiative, branded People, Platform & Performance, to achieve operating cost reductions, and we continue to strive for efficiency improvements and cost savings in order to maximize our operating margins and cash flow.

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Recent Developments

For the three months ended September 30, 2004, our revenue increased 35.8% to $575.0 million from $423.4 million for the corresponding period in 2003. In addition, we had net income of $11.9 million for the three months ended September 30, 2004 as compared to a net loss of $28.4 million for the corresponding period in 2003.

The drivers for this increase in revenue and earnings were (1) significant organic revenue growth fueled by generally improved market conditions in the United States, Europe and Asia, as evidenced by a steady recovery of leasing activity and robust investment property sales during the three months ended September 30, 2004, and (2) continued market share gains in these markets. Our results for the three months ended September 30, 2004 were also favorably impacted by the full-quarter contribution from the Insignia acquisition. In addition, the three months ended September 30, 2003 included significantly greater merger-related, integration and revenue backlog amortization expenses related to the Insignia acquisition than the three months ended September 30, 2004.

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.

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The Offering

Common stock offered by the selling stockholders	15,000,000 shares (or 17,250,000 shares if the underwriters exercise the over-allotment option in full)
Common stock to be outstanding after the offering	70,677,785 shares
New York Stock Exchange symbol	CBG
Use of proceeds	We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.
Dividend Policy	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 the heading titled 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 70,677,785 shares outstanding as of November 30, 2004, and excludes as of such date:

- 5,294,653 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $5.77 per share, of which options to purchase 1,368,744 shares were then exercisable;
- 1,265,643 shares subject to options issued under our 2004 stock incentive plan at a weighted average exercise price of $22.33 per share, of which options to purchase 1,715 shares were then exercisable;
- 2,552,578 shares underlying outstanding stock fund units under our old deferred compensation plan, which are issuable in connection with future distributions under the plan pursuant to elections made by plan participants and all of which were vested; and
- 5,631,263 additional shares available for future grants under our 2004 stock incentive plan.

Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to 2,250,000 additional shares from some of the selling stockholders to cover over-allotments of shares.

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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 and the related transactions and financings for such acquisition for the period presented. On July 20, 2001, we acquired CB Richard Ellis Services, Inc. Except as otherwise indicated below, the statement of operations data, statement of cash flow data and other data for the period ended 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 titled 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 financial data do not purport to represent what our results of operations would have been if the Insignia acquisition and the related transactions and financings had occurred as of the date indicated or what our results will be for future periods.

	Pro Forma (1)	CB Richard Ellis Group					Predecessor Company
		Nine Months Ended September 30,		Year Ended December 31,			Period from January 1 to July 20,
	Year Ended December 31, 2003	2004	2003	2003 (2)	2002	Period from February 20 (inception) to December 31, 2001 (3)	2001
	(Dollars in thousands, except share data)						
Statement of Operations Data:							
Revenue	$ 1,948,827	$ 1,566,907	$ 1,008,817	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934
Operating income (loss)	17,871	60,772	6,694	25,830	96,736	61,178	(17,048)
Interest expense, net	78,411	49,835	49,115	67,696	57,229	27,290	18,736
Loss on extinguishment of debt	6,639	21,075	6,840	13,479			
Net (loss) income	(43,923)	(1,708)	(24,620)	(34,704)	18,727	17,426	(34,020)
EPS (4)(5):							
Basic	(0.70)	(0.03)	(0.52)	(0.68)	0.45	0.80	(1.60)
Diluted	(0.70)	(0.03)	(0.52)	(0.68)	0.44	0.79	(1.60)
Weighted average shares (5)(6):							
Basic	62,478,565	66,006,231	46,995,364	50,918,572	41,640,576	21,741,351	21,306,584
Diluted	62,478,565	66,006,231	46,995,364	50,918,572	42,185,989	21,920,915	21,306,584
Statement of Cash Flow Data:							
Net cash provided by (used in) operating activities		$ 38,605	$ (70,714)	$ 63,941	$ 64,882	$ 91,334	$ (120,230)
Net cash provided by (used in) investing activities		8,821	(252,684)	(284,795)	(24,130)	(261,393)	(12,139)
Net cash (used in) provided by financing activities		(61,721)	328,498	303,664	(17,838)	213,831	126,230
Other Data:							
EBITDA (7)	$ 135,621	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482

	CB Richard Ellis Group
	As of December 31,

	As of September 30, 2004	2003	2002	2001
		(In thousands)		
Balance Sheet Data:				
Cash and cash equivalents	$ 147,925	$ 163,881	$ 79,701	$ 57,450
Total assets	2,007,347	2,213,481	1,324,876	1,354,512
Long-term debt, including current portion	617,070	802,705	509,715	517,423
Total liabilities	1,522,432	1,873,896	1,067,920	1,097,693
Total stockholders equity	478,248	332,929	251,341	252,523

(footnotes on following page)

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(1) The unaudited pro forma financial data does not give effect to the refinancing of all outstanding borrowings under our previous amended and restated credit agreement on October 14, 2003 or any financings or debt repayments or redemptions that we completed during 2004, including:

- the refinancing of all outstanding borrowings under our amended and restated credit agreement on June 15, 2004;

- the open market purchases by us of $21.6 million in aggregate principal amount of our 11¼% senior subordinated notes in May and June 2004, and the payment of $3.1 million in connection with such purchases; and

- the issuance and sale by us of 7,726,764 shares of Class A common stock in our initial public offering and the application of the net proceeds we received to (1) the prepayment of $15.0 million in principal amount of the senior secured term loan under our amended and restated credit agreement in June 2004, (2) 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, in July 2004, and (3) the redemption of $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010, including payment of a $6.8 million premium in connection with such redemption, in July 2004.

(2) The actual results for the year ended December 31, 2003 include the activities of Insignia from July 23, 2003, the date Insignia was acquired by our wholly owned subsidiary, CB Richard Ellis Services.

(3) The results for the period from February 20 (inception) to December 31, 2001 include the activities of CB Richard Ellis Services from July 20, 2001, the date we acquired CB Richard Ellis Services.

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

(5) EPS and weighted average shares for our predecessor company do not reflect the 3-for-1 stock split of our outstanding Class A common stock and Class B common stock effected on May 4, 2004, or the 1-for-1.0825 reverse stock split of our outstanding Class A common stock and Class B common stock effected on June 7, 2004, because our predecessor was a different legal entity.

(6) For the period from February 20 (inception) to December 31, 2001, the 21,741,351 and the 21,920,915 shares 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 July 20, 2001, the date we acquired CB Richard Ellis Services.

(7) EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, operating income (loss) and net (loss) income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be

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comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

EBITDA is calculated as follows:

	Pro Forma	CB Richard Ellis Group					Predecessor Company
	Year Ended December 31,	Nine Months Ended September 30,		Year Ended December 31,		Period from February 20 (inception) to December 31,	Period from January 1 to July 20,
	2003	2004	2003	2003	2002	2001	2001
	(In thousands)						
Net (loss) income	$ (43,923)	$ (1,708)	$ (24,620)	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Add:							
Depreciation and amortization	103,385	40,001	53,571	92,622	24,614	12,198	25,656
Interest expense	83,496	52,138	51,739	71,256	60,501	29,717	20,303
Loss on extinguishment of debt	6,639	21,075	6,840	13,479			
(Benefit) provision for income taxes	(8,891)	1,690	(15,459)	(6,276)	30,106	18,016	1,110
Less:							
Interest income	5,085	2,303	2,624	3,560	3,272	2,427	1,567
EBITDA	$ 135,621	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482

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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, significantly rising interest rates, a declining employment level, a declining demand for real estate or the public perception that any of these events may occur, can reduce volumes for 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 funds invested in commercial real estate and related assets. An economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by our commercial mortgage banking business. If our 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 our 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 2002 and 2001, we were adversely affected by the slowdown in the U.S. economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the United States. 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, our operating results for 2002 and 2001.

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.

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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 give assurance 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 2003 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 us, 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.

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 2003 and the nine months ended September 30, 2004, we generated approximately 30.2% 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.

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

Our revenue from non-U.S. operations is denominated primarily in the local currency where the associated revenue was earned. During 2003 and the nine months ended September 30, 2004, approximately 30.2% 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. Thus, we may experience fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. For example, during 2003, the U.S. dollar dropped in value against many of the currencies in which we conduct business.

We have made significant acquisitions of non-U.S. companies, and we 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, financial condition and operating results. 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 on July 23, 2003. 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. Future acquisitions and any necessary related financings also may involve significant transaction-related expenses. For example, through September 30, 2004, we have incurred approximately $200.9 million of transaction-related expenses in connection with our acquisition of Insignia in 2003.

If we acquire companies in the future, we may experience integration costs and the acquired businesses 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, in 2003 we incurred costs associated with integrating Insignia 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 and the first nine months of 2004 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. 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.

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

During 2003, approximately 23.8% of our revenue was generated from transactions originating in California and approximately 6.9% was generated from transactions originating in the greater New York metropolitan area. Due to our acquisition of Insignia on July 23, 2003, we expect that the percentage of our revenue generated in the New York metropolitan area in future years will increase. As a result of the geographic concentrations in California and New York, any future economic downturn in the California or 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 harm our results of operations.

Our results of operations vary significantly among quarters during each calendar year, which makes comparisons 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. This variance among quarters during each calendar year makes comparison between such quarters difficult, but does not generally affect the comparison of the same quarters during different calendar years.

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.

We are highly leveraged and have significant debt service obligations. For 2003, on a pro forma basis, our interest expense was $83.5 million. Our interest expense for the nine months ended September 30, 2004 was $52.1 million. 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 the loans under our amended and restated credit agreement governing our senior secured credit facilities bear interest at floating rates;

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 commercial real estate services industry;

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; and

from time to time, Moody s Investors Service and Standard & Poor s Ratings Service rate our outstanding senior secured term loan, our 9 3/4% senior notes and our 11 1/4% senior subordinated notes. These ratings may impact our ability to borrow under any new agreements in the future, as well as the interest rates and other terms of any such future borrowings and could also cause a decline in the market price of our common stock.

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

Our 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 permit us, subject to specified conditions, to incur a significant amount of additional indebtedness, including up to $150.0 million of additional indebtedness under our revolving credit facility. Our amended and restated credit agreement also permits us to borrow up to $25.0 million of additional term loans under our term loan facility, subject to the satisfaction of customary conditions. 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 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 9 3/4% senior notes due 2010 and our 11 1/4% 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 abilities to:

incur or guarantee additional indebtedness;

pay dividends or make 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.

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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 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 9 $^{3}/4$% senior notes due 2010 and our 11 $^{1}/4$% 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 collateral is described in the immediately following risk factor. If the debt under the senior secured credit facilities, our 9 $^{3}/4$% senior notes due 2010 or our 11 $^{1}/4$% senior subordinated notes due 2011 were to be accelerated, we cannot give assurance that these 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 our acquisition of Insignia, 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 and Insignia/ESG, Inc., which was subsequently renamed CB Richard Ellis Real Estate Services, Inc., and 65% of the voting stock of our foreign subsidiaries that is held directly by us or our 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, 2004, we had committed $41.7 million to fund future co-investments and we expect approximately $11.0 million of these commitments will be funded during the fourth quarter of 2004. 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. These adverse consequences could include damage to our reputation with our co-investment partners and clients, as well as the necessity of obtaining alternative funding from other sources that may be on disadvantageous terms for us and the other co-investors. Providing co-investment financing is also a very important part of CBRE

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Investor s investment management business, which would suffer if we were unable to make 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 many 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.

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 although we currently have no specific plans to do so, 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; Alan C. Froggatt, our President, EMEA; and Robert Blain, our President, Asia Pacific. In addition, Messrs. Wirta, White and Kay 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 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.

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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 that 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.

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 on July 23, 2003, Insignia completed the sale of substantially all of its real estate investment assets to Island Fund. Under the terms of the purchase agreement, we agreed to retain some contingent liabilities related to these real estate investment assets, including, as of September 30, 2004, approximately $5.2 million of letters of credit support and a guarantee of an approximately $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 and have not been obtained since then. 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 future price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

The future 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 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;

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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 our 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.

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

Affiliates of Blum Capital Partners, L.P., together with some of the other selling stockholders and our employees, will continue to hold a significant portion of our outstanding common stock after the offering. Sales of the shares in the public market, as well as shares we may issue upon the exercise of outstanding options and in connection with future distributions pursuant to stock fund units under our old deferred compensation plan, could cause the market price of our common stock to decline significantly. The perception among investors that these sales may occur could produce the same effect.

Of the outstanding shares after completion of the offering, all of the 15,000,000 shares sold in the offering, all of the 24,229,300 shares issued and sold in our initial public offering and substantially all of our other currently outstanding shares held by our current and former employees and consultants will be freely tradable immediately without further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations under Rule 144. In addition, 25,857,558 shares, which are subject to lock-up agreements with the underwriters, will be eligible for sale at various times beginning 90 days after the date of this prospectus pursuant to Rule 144, including 144(k). The underwriters may release all or a portion of these shares subject to lock-up agreements at any time without notice.

After the offering, stockholders beneficially owning approximately 28.4 million shares of our common stock, will have rights, subject to 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 titled 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.

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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 27.0% of our outstanding common stock. In addition, pursuant to a securityholders agreement, these affiliates of Blum Capital Partners, 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 9.4% of our outstanding common stock after completion of the offering. 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.

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;
- 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.

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 titled Principal and Selling Stockholders and Related Party Transactions.

Delaware law and provisions of our restated certificate of incorporation and restated by-laws contain 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. We are currently subject to these Delaware anti-takeover provisions. Additionally, our restated certificate of incorporation and our restated by-laws 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:

advance notice requirements for stockholder proposals and nominations; and

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

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For additional information regarding these provisions, you should read the information under the headings titled Description of Capital Stock Anti-Takeover Effects of Certain Provisions of our Restated Certificate of Incorporation and Restated By-Laws and Delaware Anti-Takeover Statute.

A portion of the net proceeds of this offering will be received by affiliates of, and some of the selling stockholders are affiliates of, one of our underwriters. This may present a conflict of interest.

Affiliates of Credit Suisse First Boston LLC, one of the representatives of the underwriters for the offering, are selling stockholders in the offering. As of November 30, 2004, these affiliates of Credit Suisse First Boston LLC were the beneficial owners of 1,420,656 shares, or approximately 2.0% of our outstanding common stock. These affiliates of Credit Suisse First Boston LLC are selling 640,999 shares (or 1,420,656 shares if the underwriters exercise their over-allotment option in full) in the offering, and will receive net proceeds of approximately $17.2 million (or approximately $38.2 million if the underwriters exercise their over-allotment option in full). After the offering, these affiliates of Credit Suisse First Boston LLC will beneficially own 1.1% of our common stock (or no shares of our common stock if the underwriters exercise their over-allotment option in full). See the information under the heading titled Principal and Selling Stockholders for a more complete description of these affiliates ownership of our common stock. These affiliations may present a conflict of interest since Credit Suisse First Boston LLC may have an interest in the successful completion of the offering in addition to the underwriting discounts and commissions it expects to receive.

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. Our audited consolidated financial statements for the period from February 20 (inception) to 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, 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.

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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 titled 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.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our common stock in the offering. The selling stockholders will receive all of the net proceeds from the offering.

PRICE RANGE OF COMMON STOCK

Our Class A common stock has traded on the New York Stock Exchange under the symbol CBG since June 10, 2004. The high and low closing prices of our Class A common stock, as reported by the New York Stock Exchange, are set forth below for the periods indicated.

	Price Range	
Fiscal Year 2004	**High**	**Low**
Quarter ending June 30, 2004 (commencing June 10, 2004)	$ 19.10	$ 18.20
Quarter ending September 30, 2004	$ 23.64	$ 18.78
Quarter ending December 31, 2004 (through December 7, 2004)	$ 30.80	$ 23.51

The closing sale price of our Class A common stock, as reported by the New York Stock Exchange on December 7, 2004, was $28.06. As of November 30, 2004, there were 89 holders of record of our common stock.

DIVIDEND POLICY

We have not declared or paid any cash dividends on any class of our common stock since our inception on February 20, 2001, and we do not anticipate declaring or paying any cash 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 cash 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 cash 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.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2004.

	As of September 30, 2004
	(In thousands)
Cash and cash equivalents	$ 147,925
Long-term debt, including current portion:	
Revolving credit facility (1)	$
Senior secured term loan (2)	280,000
9 3/4% senior notes due 2010	130,000
11 1/4% senior subordinated notes due 2011 (3)	204,972
Other long-term debt	2,098
Total long-term debt, including current portion	617,070
Stockholders equity:	
Class A common stock, $0.01 par value per share; 325,000,000 shares authorized, 70,195,909 shares issued and outstanding; preferred stock, 25,000,000 shares authorized, no shares issued or outstanding (4)	702
Additional paid-in capital	509,288
Notes receivable from sale of stock	(5,058)
Accumulated deficit	(259)
Accumulated other comprehensive loss	(26,425)
Total stockholders equity	478,248
Total capitalization	$ 1,095,318

(1) As of September 30, 2004, no revolving credit facility borrowings were outstanding but an aggregate of $24.3 million of letters of credit were outstanding that reduce the amount we may borrow under our revolving credit facility. Borrowings of up to $150.0 million are available at any one time for general corporate purposes under our revolving credit facility.

(2) Includes current portion of $11.8 million due and payable on or prior to September 30, 2005. Our amended and restated credit agreement permits us to borrow up to $25.0 million of additional term loans under our term loan facility, subject to the satisfaction of customary conditions.

(3) The amount shown is net of unamortized discount of $2.4 million associated with the issuance of our 11 1/4% senior subordinated notes due 2011.

(4) The number of shares of Class A common stock excludes as of September 30, 2004:

5,463,525 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $5.77 per share, of which options to purchase 1,492,219 shares were then exercisable;

1,265,643 shares subject to options issued under our 2004 stock incentive plan at a weighted average exercise price of $22.33 per share, of which options to purchase 1,715 shares were then exercisable;

2,911,915 shares underlying outstanding stock fund units under our deferred compensation plan, which are issuable in connection with future distributions under the plan pursuant to elections made by plan participants and of which 1,752,931 were then vested; and

5,631,263 additional shares available for future grants under our 2004 stock incentive plan.

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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 included elsewhere in this prospectus. The unaudited pro forma statement of operations for the year ended December 31, 2003 gives effect to the following transactions as if they had occurred on January 1, 2003:

Disposition of Real Estate Investment Assets by Insignia

the disposition by Insignia Financial Group, Inc. to Island Fund I LLC, immediately prior to the completion of the merger described below on July 23, 2003 and 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; and

Insignia Acquisition and Related Transactions

the acquisition of Insignia 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 on July 23, 2003;

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 9 3/4% 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 Insignia Acquisition and Related Transactions bullet points above.

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 disposition of real estate investment assets by Insignia and the Insignia acquisition and related transactions in fact occurred on the date specified, nor does the information purport to project our results of operations for any future period or at any future date.

The unaudited pro forma financial information does not give effect to the refinancing of all outstanding borrowings under our previous amended and restated credit agreement on October 14, 2003 or any financings or debt repayments or redemptions that we completed during 2004, including:

the refinancing of all outstanding borrowings under our amended and restated credit agreement on June 15, 2004;

the open market purchases by us of $21.6 million in aggregate principal amount of our 11¼% senior subordinated notes in May and June 2004, and the payment of $3.1 million in connection with such purchases; and

the issuance and sale by us of 7,726,764 shares of Class A common stock in our initial public offering and the application of the net proceeds we received to (1) the prepayment of $15.0 million in principal amount of the senior secured term loan under our amended and restated credit agreement in June 2004, (2) 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, in July 2004, and (3) the redemption of $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010, including payment of a $6.8 million premium in connection with such redemption, in July 2004.

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The unaudited pro forma financial information should be read in conjunction with the other information contained in this prospectus under the headings titled 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 and the related notes included elsewhere in this prospectus.

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CB RICHARD ELLIS GROUP, INC.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003

(In thousands, except share data)

	Historical		Pro Forma Adjustments		
	CB Richard Ellis Group for the Year Ended December 31, 2003	Insignia from January 1, 2003 to July 23, 2003	Disposition of Real Estate Investment Assets by Insignia (a)	Insignia Acquisition and Related Transactions	Pro Forma As Adjusted
Revenue	$ 1,630,074	$ 325,600	$ (6,847)	$	$ 1,948,827
Costs and expenses:					
Cost of services	796,408				796,408
Operating, administrative and other	678,397				678,397
Cost and expenses Insignia		320,319	(8,039)	3,669 (b)	315,949
Depreciation and amortization	92,622	10,148	(792)	(2,134)(c)	103,385
				3,541 (d)	
Merger-related charges	36,817	21,627	(12,832)	(8,795)(e)	36,817
	1,604,244	352,094	(21,663)	(3,719)	1,930,956
Operating income (loss)	25,830	(26,494)	14,816	3,719	17,871
Equity income (loss) from unconsolidated subsidiaries	14,365	(4,439)	4,439		14,365
Interest income	3,560	1,924		(399)(f)	5,085
Interest expense	71,256	6,045	(841)	7,036 (g)	83,496
Loss on extinguishment of debt	13,479			(6,840)(h)	6,639
(Loss) income from continuing operations before (benefit) provision for income taxes	(40,980)	(35,054)	20,096	3,124	(52,814)
(Benefit) provision for income taxes	(6,276)	(12,104)	8,239	1,250 (i)	(8,891)
(Loss) income from continuing operations	$ (34,704)	$ (22,950)	$ 11,857	$ 1,874	$ (43,923)
Basic and diluted loss per share from continuing operations	$ (0.68)				$ (0.70)
Weighted average shares outstanding for basic and diluted loss per share	50,918,572				62,478,565 (j)

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

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Notes to Unaudited Pro Forma Statement of Operations

For the Year Ended December 31, 2003

(a) Reflects the elimination of the historical results of the real estate investment assets that were sold by Insignia to Island Fund 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, 2003.

(b) This adjustment mainly relates to the $6.6 million estimated fair value of the broker draw asset acquired in the Insignia acquisition. Based on our management s estimates, we generally derive benefit from brokers participating in our draw program over two years. Accordingly, we estimated that we will derive benefit from the broker draw asset related to Insignia s brokers over two years from the date of the Insignia acquisition and, accordingly, we are amortizing it on a straight-line basis, which reflects the pattern in which the economic benefits of the broker draw asset are consumed, during that period. For purposes of the unaudited pro forma combined statement of operations, the Insignia acquisition is assumed to have occurred on January 1, 2003. Accordingly, the adjustment for pro forma broker draw expense represents twelve months of amortization expense of the broker draw asset acquired. 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, 2003 for purposes of the unaudited pro forma combined statement of operations.

(c) Represents a reduction to depreciation expense as a result of fair value adjustments to property and equipment.

(d) Represents an adjustment to amortization expense resulting from the recalculation of amortization expense relating to intangible assets acquired in the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, the Insignia acquisition is assumed to have occurred on January 1, 2003. The largest intangible asset acquired in the Insignia acquisition relates to net revenue backlog. 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, for which Insignia recognized no revenue. 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. The pro forma amortization adjustment can be summarized as follows (in thousands):

Insignia historical intangible amortization January 1 to July 23, 2003	$ (1,447)

Adjustment to CB Richard Ellis Group amortization of intangibles acquired

in the Insignia acquisition:

	Amortization Period	Cost	Pro forma 2003 Amortization (Assumes 1/1/03 Acquisition Date)	Historical CB Richard Ellis Group Amortization 7/23-12/31/03	Pro forma Amortization Adjustment Required
Backlog	Various	$ 72,149	$ 62,431	$ 59,108	$ 3,323
Management contracts	Various	4,611	1,115	490	625
Other	Various	5,808	1,861	821	1,040

Total	82,568	65,407	60,419	4,988	4,988
Pro forma adjustment to amortization expense					$ 3,541

(e) 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 from the pro forma statement of operations.

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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.

(f) Represents the reversal of historical interest income earned by us on the net proceeds from the $200.0 million in aggregate principal amount of our 9 3/4% 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.

(g) 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 9 3/4% per annum	$ 19,500
Incremental 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
Incremental amortization of deferred financing costs over the term of each respective debt instrument	1,688
Incremental commitment and administration fees	196
Subtotal	24,388
Less: historical interest expense of CB Richard Ellis Group for $200.0 million in aggregate principal amount of 9 3/4% senior notes	(11,918)
Less: historical interest expense of Insignia	(1,978)
Less: historical amortization of deferred financing costs of CB Richard Ellis Group (primarily the credit facility in effect prior to Insignia acquisition)	(1,110)
Less: historical amortization of deferred financing costs of Insignia	(2,346)
Subtotal	(17,352)
Net increase in interest expense	$ 7,036

(1) For purposes of the calculations above, LIBOR is based on the average three-month LIBOR for fiscal year 2003.

(h) Represents the reversal of the write-off of unamortized deferred financing costs associated with our prior credit agreement, which was replaced in connection with the Insignia acquisition.

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

(j) The pro forma weighted average shares number gives effect to the 2,363,598 shares of Class A common stock of CB Richard Ellis Group and the 18,421,621 shares of Class B common stock of CB Richard Ellis Group issued in connection with the Insignia acquisition, as though such shares were issued on January 1, 2003.

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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, 2003 and for the nine months ended September 30, 2004 and 2003. 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 data, statement of cash flow data and other data for the nine months ended September 30, 2004 and 2003 and the balance sheet data as of September 30, 2004 were derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The statement of operations data, statement of cash flow data and other data for the year ended December 31, 2003 and 2002, for the period from February 20 (inception) to December 31, 2001 and for the period from January 1 to July 20, 2001 and the balance sheet data as of December 31, 2003 and 2002 were derived from our or our predecessor s audited consolidated financial statements included elsewhere in this prospectus. The statement of operations data, statement of cash flow data and other data for the year ended December 31, 2000 and 1999 and the balance sheet data as of December 31, 2001, 2000 and 1999 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.

	CB Richard Ellis Group					Predecessor Company		
	Nine Months Ended September 30,		Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	2004	2003	2003(1)	2002	2001(2)	2001	2000	1999
	(Dollars in thousands, except share data)							
Statement of Operations Data:								
Revenue	$ 1,566,907	$ 1,008,817	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934	$ 1,323,604	$ 1,213,039
Operating income (loss)	60,772	6,694	25,830	96,736	61,178	(17,048)	100,780	71,387
Interest expense, net	49,835	49,115	67,696	57,229	27,290	18,736	39,146	37,438
Loss on extinguishment of debt	21,075	6,840	13,479					
Net (loss) income	(1,708)	(24,620)	(34,704)	18,727	17,426	(34,020)	33,388	23,282
EPS (3)(4):								
Basic	(0.03)	(0.52)	(0.68)	0.45	0.80	(1.60)	1.60	1.11
Diluted	(0.03)	(0.52)	(0.68)	0.44	0.79	(1.60)	1.60	1.10
Weighted average shares (4)(5):								
Basic	66,006,231	46,995,364	50,918,572	41,640,576	21,741,351	21,306,584	20,931,111	20,998,097
Diluted	66,006,231	46,995,364	50,918,572	42,185,989	21,920,915	21,306,584	21,097,240	21,072,436
Statement of Cash Flow Data:								
Net cash provided by (used in) operating activities	$ 38,605	$ (70,714)	$ 63,941	$ 64,882	$ 91,334	$ (120,230)	$ 80,859	$ 70,340
Net cash provided by (used in) investing activities	8,821	(252,684)	(284,795)	(24,130)	(261,393)	(12,139)	(32,469)	(23,096)

Net cash (used in) provided by financing activities	(61,721)	328,498	303,664	(17,838)	213,831	126,230	(53,523)	(37,721)
Other Data:								
EBITDA (6)	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482	$ 150,484	$ 117,369

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	CB Richard Ellis Group				Predecessor Company	
	As of September 30,	As of December 31,			As of December 31,	
	2004	2003	2002	2001	2000	1999
	(In thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 147,925	$ 163,881	$ 79,701	$ 57,450	$ 20,854	$ 27,844
Total assets	2,007,347	2,213,481	1,324,876	1,354,512	963,105	929,483
Long-term debt, including current portion	617,070	802,705	509,715	517,423	289,447	348,135
Total liabilities	1,522,432	1,873,896	1,067,920	1,097,693	724,018	715,874
Total stockholders equity	478,248	332,929	251,341	252,523	235,339	209,737

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

(1) The actual results for the year ended December 31, 2003 include the activities of Insignia from July 23, 2003, the date Insignia was acquired by our wholly owned subsidiary, CB Richard Ellis Services.

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

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

(4) EPS and weighted average shares for our predecessor company do not reflect the 3-for-1 stock split of our outstanding Class A common stock and Class B common stock effected on May 4, 2004, or the 1-for-1.0825 reverse stock split of our outstanding Class A common stock and Class B common stock effected on June 7, 2004 because our predecessor was a different legal entity.

(5) For the period from February 20 (inception) to December 31, 2001, the 21,741,351 and the 21,920,915 shares 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 July 20, 2001, the date we acquired CB Richard Ellis Services.

(6) EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, operating income (loss) and net (loss) income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

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EBITDA is calculated as follows:

	CB Richard Ellis Group					Predecessor Company		
	Nine Months Ended September 30,		Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	2004	2003	2003	2002	2001	2001	2000	1999
	(In thousands)							
Net (loss) income	$ (1,708)	$ (24,620)	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)	$ 33,388	$ 23,282
Add:								
Depreciation and amortization	40,001	53,571	92,622	24,614	12,198	25,656	43,199	40,470
Interest expense	52,138	51,739	71,256	60,501	29,717	20,303	41,700	39,368
Loss on extinguishment of debt	21,075	6,840	13,479					
(Benefit) provision for income taxes	1,690	(15,459)	(6,276)	30,106	18,016	1,110	34,751	16,179
Less:								
Interest income	2,303	2,624	3,560	3,272	2,427	1,567	2,554	1,930
EBITDA	$ 110,893	$ 69,447	$ 132,817	$ 130,676	$ 74,930	$ 11,482	$ 150,484	$ 117,369

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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 titled 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 2003 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 operated in 220 offices worldwide with over 13,500 employees, excluding affiliate and partner 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

Economic trends and government policies directly affect our operations as well as global and regional commercial real estate markets generally. These include overall economic activity and employment growth, interest rate levels, the availability of credit to finance transactions and the impact of tax and regulatory policies. Periods of economic slowdown or recession, significantly rising interest rates, a declining employment level, a declining demand for real estate or the public perception that any of these events may occur, can reduce volumes for many of our business lines. Weak 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 funds invested in commercial real estate and related assets. An economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by our commercial mortgage banking business. If our 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 our various business lines.

During 2002 and 2001, we were adversely affected by the slowdown in the United States economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the United States. Moreover, in part because of the terrorist attacks on September 11, 2001 and the run-up to 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 for 2002 and 2001. During 2003 and the first three-quarters of 2004, economic conditions in the United States improved, which positively impacted the commercial real estate market generally. This caused an improvement in our Americas segment s revenue, particularly in sales and leasing activities. We expect this trend to continue in the near term.

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Our management team primarily addresses adverse changes in economic conditions through our compensation structure. Compensation is our largest expense, and the sales and leasing professionals in our largest line of business, advisory services, generally are paid on a commission and bonus basis that correlates with our revenue performance. As a result, the negative effect on our operating margins during difficult market conditions is partially mitigated. In addition, in circumstances when economic conditions are particularly severe, our management also has sought to improve operational performance through cost reduction programs. For example, as economic conditions worsened in 2001, our management team made targeted reductions in our workforce, reduced senior management bonuses, streamlined general and administrative operations and cut capital expenditures and other discretionary operating expenses. After our acquisition of CB Richard Ellis Services in 2001, our management also instituted a best practices program branded People, Platform & Performance in order to implement and encourage new business practices that would result in lower operating expenses and enhance revenue and margin growth. We believe this program significantly contributed to the $18.7 million reduction in our operating expenses during 2002 as compared to 2001. Notwithstanding these approaches, adverse global and regional economic changes remain one of the most significant risks to our future financial condition and results of operations.

Effects of Prior Acquisitions

Our management historically has made significant use of strategic acquisitions to add new service competencies, to increase our scale within existing competencies and to expand our presence in various geographic regions around the world. For example, we enhanced our mortgage banking services through our 1996 acquisition of L.J. Melody & Company and we significantly increased the scale of our investment management business through our 1995 acquisition of Westmark Realty Advisors and our 1997 acquisition of Koll Real Estate Services. An example of a strategic acquisition that increased our geographic coverage was our 1998 acquisition of Hillier Parker May & Rowden in the United Kingdom. Our largest acquisition to date was our July 23, 2003 acquisition of Insignia Financial Group, which not only significantly increased the scale of our real estate services and outsourcing services business lines in the Americas segment but also significantly increased our presence in the New York, London and Paris metropolitan areas.

Although our management believes that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets, our management also believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenditures and charges and the costs of integrating the acquired business and its financial and accounting systems into our own. For example, through September 30, 2004, we have incurred $200.9 million of transaction-related expenses in connection with our acquisition of Insignia in 2003 and $87.6 million of transaction-related expenses in connection with our acquisition of CB Richard Ellis Services in 2001. Transaction-related expenses include severance costs, lease termination costs, transaction costs, deferred financing costs and merger-related costs, among others. We do not expect to incur any additional transaction-related expenditures after September 30, 2004 with respect to the Insignia Acquisition. In addition, through September 30, 2004, we have incurred approximately $25.4 million of expenses in connection with the integration of Insignia s business lines, as well as accounting and other systems, into our own. We expect to incur additional integration expenses in connection with the Insignia integration of approximately $2.5 million during the fourth quarter of 2004, approximately $6.5 million during 2005 and approximately $4.0 million during 2006.

International Operations

We have made significant acquisitions of non-U.S. companies, and we may acquire additional foreign companies in the future. As we increase our foreign operations through either acquisitions or organic growth, 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, financial condition and operating results. Our management team generally

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seeks to mitigate our exposure by balancing assets and liabilities that are denominated in the same currency and by maintaining cash positions outside the United States only at levels necessary for operating purposes. In addition, from time to time we enter into foreign currency forward exchange contracts to mitigate our exposure to exchange rate changes related to particular transactions. Prior to 2004, our management historically had not entered into agreements to hedge the risks associated with the translation of foreign currencies into U.S. dollars. On April 6, 2004, we entered into an option agreement to purchase an aggregate notional amount of 8.7 million British pounds sterling for a cost of $0.6 million, which would have expired on December 29, 2004. On July 2, 2004, we entered into an option agreement to purchase an aggregate notional amount of 18.8 million euros for a cost of $0.07 million, which also would have expired on December 29, 2004. During October 2004, we sold both of these option agreements and entered into two new option agreements to purchase an aggregate notional amount of 10.2 million British pounds sterling for a cost of $0.3 million and 20.0 million euros for a cost of $0.4 million, both of which expire on December 29, 2004. The net impact on our earnings resulting from gains and/or losses on these option agreements has not been, and is not expected to be, material. Due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, our management 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.

Our international operations also are subject to, among other things, political instability and changing regulatory environments, which may adversely affect our future financial condition and results of operations. Our management routinely monitors these risks and costs and evaluates the appropriate amount of resources to allocate towards business activities in foreign countries where such risks and costs are particularly significant.

Leverage

We are highly leveraged and have significant debt service obligations. Although our management believes that the incurrence of this long-term indebtedness has been important in funding the growth of our business, including facilitating our acquisition of Insignia Financial Group in 2003, the cash flow necessary to service this debt is not available for other general corporate purposes, which may limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry.

Our management seeks to mitigate this exposure both through the refinancing of debt when available on attractive terms and through selective repayment and retirement of indebtedness. For example, we refinanced our senior secured credit facilities in October 2003 and June 2004 to obtain more attractive interest rates and other terms, redeemed $30.0 million in aggregate principal amount of our 16% senior notes in late 2003 and repurchased $21.6 million in aggregate principal amount of our 11 $^{1}/4$% senior subordinated notes in the open market during May and June 2004.

In addition, on June 15, 2004 we received aggregate net proceeds of approximately $135.0 million, after deducting underwriting discounts and commissions and offering expenses payable by us, in connection with the sale of 7,726,764 shares of our Class A common stock pursuant to the completion of our initial public offering. During June 2004, we used a portion of the net proceeds received from our initial public offering to prepay $15.0 million in principal amount of the term loan under our amended and restated credit agreement, and during July 2004 we used the remaining net proceeds we received from our initial public offering to redeem all $38.3 million in aggregate principal amount of our remaining outstanding 16% senior notes and $70.0 million in aggregate principal amount of our 9 $^{3}/4$% senior notes. In addition, we amended our amended and restated credit agreement, effective November 16, 2004, to reduce the interest rates applicable to the term loan facility and to modify some of the restrictive covenants in the agreement. Our management expects to continue to look for opportunities to reduce, and improve the terms of, our debt in the future.

Notwithstanding the actions described above, however, our level of indebtedness and the operating and financial restrictions in our debt agreements both place constraints on the operation of our business.

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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 (inception) to December 31, 2001 with the results of operations and cash flows of CB Richard Ellis Services, our predecessor, from January 1, 2001 to 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 Insignia acquisition and at the effective time of the Insignia acquisition became a wholly owned subsidiary of CB Richard Ellis Services.

Segment Reporting

We report our operations through three geographically organized segments: (1) the Americas, (2) Europe, 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.

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Results of Operations

The following tables set forth items derived from the consolidated statements of operations for the nine months ended September 30, 2004 and 2003 and for the years ended December 31, 2003, 2002 and 2001, presented in dollars and as a percentage of revenue:

	Nine Months Ended September 30,			
	2004		2003	
	(Dollars in thousands)			
Revenue	$ 1,566,907	100.0 %	$ 1,008,817	100.0 %
Costs and expenses:				
Cost of services	797,544	50.9	484,485	48.0
Operating, administrative and other	643,016	41.0	444,272	44.0
Depreciation and amortization	40,001	2.6	53,571	5.3
Merger-related charges	25,574	1.6	19,795	2.0
Operating income	60,772	3.9	6,694	0.7
Equity income from unconsolidated subsidiaries	10,120	0.6	9,182	0.9
Interest income	2,303	0.2	2,624	0.2
Interest expense	52,138	3.4	51,739	5.1
Loss on extinguishment of debt	21,075	1.3	6,840	0.7
Loss before (benefit) provision for income taxes	(18)	0.0	(40,079)	(4.0)
Provision (benefit) for income taxes	1,690	0.1	(15,459)	(1.6)
Net loss	$ (1,708)	(0.1)%	$ (24,620)	(2.4)%
EBITDA	$ 110,893	7.1 %	$ 69,447	6.9 %

	Year Ended December 31,					
	2003		2002		2001	
	(Dollars in thousands)					
Revenue	$ 1,630,074	100.0 %	$ 1,170,277	100.0%	$ 1,170,762	100.0 %
Costs and expenses:						
Cost of services	796,408	48.8	547,093	46.7	542,804	46.4
Operating, administrative and other	678,397	41.6	501,798	42.9	517,405	44.2
Depreciation and amortization	92,622	5.7	24,614	2.1	37,854	3.2
Merger-related and other nonrecurring charges	36,817	2.3	36		28,569	2.5
Operating income	25,830	1.6	96,736	8.3	44,130	3.8
Equity income from unconsolidated subsidiaries	14,365	0.9	9,326	0.8	4,428	0.4
Interest income	3,560	0.2	3,272	0.3	3,994	0.4
Interest expense	71,256	4.4	60,501	5.2	50,020	4.3
Loss on extinguishment of debt	13,479	0.8				

(Loss) income before (benefit) provision for income taxes	(40,980)	(2.5)	48,833	4.2	2,532	0.2
(Benefit) provision for income taxes	(6,276)	(0.4)	30,106	2.6	19,126	1.6
Net (loss) income	$ (34,704)	(2.1)%	$ 18,727	1.6%	$ (16,594)	(1.4)%
EBITDA	$ 132,817	8.1 %	$ 130,676	11.2%	$ 86,412	7.4 %

EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

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In addition, our management believes that EBITDA is useful in evaluating our performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, operating income (loss) and net income (loss), each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

EBITDA is calculated as follows:

	Nine Months Ended September 30,	
	2004	2003
	(In thousands)	
Net loss	$ (1,708)	$ (24,620)
Add:		
Depreciation and amortization	40,001	53,571
Interest expense	52,138	51,739
Loss on extinguishment of debt	21,075	6,840
Provision (benefit) for income taxes	1,690	(15,459)
Less:		
Interest income	2,303	2,624
EBITDA	$ 110,893	$ 69,447

	Year Ended December 31,		
	2003	2002	2001
		(In thousands)	
Net (loss) income	$ (34,704)	$ 18,727	$ (16,594)
Add:			
Depreciation and amortization	92,622	24,614	37,854
Interest expense	71,256	60,501	50,020
Loss on extinguishment of debt	13,479		
(Benefit) provision for income taxes	(6,276)	30,106	19,126
Less:			
Interest income	3,560	3,272	3,994

EBITDA	$ 132,817	$ 130,676	$ 86,412

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

We reported a consolidated net loss of $1.7 million for the nine months ended September 30, 2004 on revenue of $1.6 billion as compared to a consolidated net loss of $24.6 million on revenue of $1.0 billion for the nine months ended September 30, 2003.

Our revenue on a consolidated basis increased by $558.1 million, or 55.3%, as compared to the nine months ended September 30, 2003. The increase was primarily driven by the combination of the Insignia acquisition and organic market share growth sustained by the improvement of general economic conditions in the United States. This was evidenced by higher revenues in our Americas and EMEA business segments, particularly relative to sales and lease transaction revenue as well as management and consulting fees. In addition, in our EMEA business segment we experienced an increase in appraisal fees. Also, with the anticipation of rising interest rates in the United States during the first half of the year, we experienced an increase in loan origination fees in our Americas business segment. Foreign currency translation had a $46.8 million positive impact on total revenue during the nine months ended September 30, 2004.

Our cost of services on a consolidated basis increased by $313.1 million, or 64.6%, as compared to the nine months ended September 30, 2003. Our sales and leasing professionals generally are paid on a commission and bonus basis, which substantially correlates with our revenue performance. Accordingly, the overall increase was primarily driven by the overall increase in revenue. The Insignia acquisition has contributed to higher payroll-related costs, including bonus accruals, insurance and benefits, producer retention and broker draw amortization. The producer retention expense, which represents amounts paid to the top real estate advisory services professionals that we retained at the time of the acquisition, is being amortized through cost of services over the lives of the related employment agreements. As part of our refinement of the purchase price allocation for the Insignia acquisition, during the three months ended March 31, 2004, we assigned a $6.6 million fair value to a broker draw asset acquired in the Insignia acquisition. Based on our management s estimates, we generally derive benefit from brokers participating in our draw program over two years. Accordingly, we estimated that we would derive benefit from the broker draw asset related to Insignia s brokers over two years from the date of the Insignia acquisition and, accordingly, we are amortizing it on a straight-line basis, which reflects the pattern in which the economic benefits of the broker draw asset are consumed, during that period. During the nine months ended September 30, 2004, we have recorded $3.9 million for the amortization of this broker draw asset, which includes a $1.4 million adjustment to correct the amortization taken for the period from the date of the Insignia Acquisition through December 31, 2003. The producer retention and the broker draw amortization are considered integration costs associated with the Insignia acquisition and together amounted to $8.2 million for the nine months ended September 30, 2004. Foreign currency translation had a $20.8 million negative impact on cost of services during the nine months ended September 30, 2004. Cost of services as a percentage of revenue increased from 48.0% for the nine months ended September 30, 2003 to 50.9% for the nine months ended September 30, 2004, primarily driven by producers reaching higher commission tranches as a result of higher revenue and due to the producer retention and broker draw amortization recorded in 2004 as well as the new mix of compensation structures as a result of compensation plans adopted in the Insignia acquisition.

Our operating, administrative and other expenses on a consolidated basis were $643.0 million, an increase of $198.7 million, or 44.7%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003. The increase was primarily driven by higher costs as a result of the Insignia acquisition, including $3.6 million of integration costs, as well as increased worldwide payroll-related expenses, such as bonuses and insurance and benefits and increased marketing expenses. Higher occupancy expenses, particularly in our EMEA business segment, the write-down of investments of $3.0 million in our Americas business segment as well as professional fees of $2.7 million in the current year related to the ongoing Sarbanes-Oxley compliance work also contributed to the variance. During the nine months ended September 30, 2004, we also incurred one-time compensation expense of $15.0 million related to bonus payments that were triggered by our initial public offering and were payable to several of our non-executive real estate advisory services employees as a result of provisions in their employment agreements. Additionally, during the nine months ended September 30, 2003 total operating expenses were reduced by substantial net foreign transaction gains as the dollar was very weak particularly relative to the Australian and New Zealand dollars, while in the nine months ended September 30, 2004 we experienced only moderate net foreign currency transaction losses. Finally, foreign currency translation had a $22.5 million negative impact on total operating expenses during the nine months ended September 30, 2004.

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Our depreciation and amortization expense on a consolidated basis decreased by $13.6 million, or 25.3%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003. The decrease was largely due to lower amortization expense related to intangibles acquired in the Insignia acquisition, including a reduction in amortization expense of $20.7 million related to acquired net revenue backlog. As of September 30, 2004, the net book value of the intangible asset representing the remaining net revenue backlog acquired in the Insignia acquisition was $2.8 million and is expected to be fully amortized by the end of 2004. Partially offsetting the aforementioned decrease in amortization expense was a $5.2 million increase in depreciation expense during 2004 mainly related to depreciation expense associated with fixed assets acquired in the Insignia acquisition.

Our merger-related charges on a consolidated basis were $25.6 million and $19.8 million for the nine months ended September 30, 2004 and 2003, respectively. The charges for both years primarily consisted of lease termination costs associated with vacated spaces, consulting costs and severance costs, all of which were attributable to the Insignia acquisition.

Our equity income from unconsolidated subsidiaries on a consolidated basis increased $0.9 million, or 10.2%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003, primarily due to a one-time incentive fee of $0.9 million received from an investment fund as well as improved overall performance of our equity investments in the United States and Japan. These increases were partially offset, on a year over year comparison basis, by the impact of a one-time gain on the sale of owned units in an investment fund recognized in the prior year.

Our consolidated interest expense was $52.1 million for the nine months ended September 30, 2004, which was relatively flat in comparison to the nine months ended September 30, 2003. The slight increase was driven by higher interest expense as a result of the additional debt issued in connection with the Insignia acquisition offset by the interest savings realized as a result of debt repayments during the fourth quarter of 2003 and throughout 2004. As a result of our de-leveraging efforts to date in 2004, we expect to achieve annual cash interest savings in 2005 of approximately $16.0 million.

Our loss on the extinguishment of debt on a consolidated basis was $21.1 million and $6.8 million for the nine months ended September 30, 2004 and 2003, respectively. The loss incurred during the current year was related to the write-offs of unamortized deferred financing fees and unamortized discount, as well as premiums paid, all in connection with the redemptions of $70.0 million in aggregate principal amount of our 9 $^{3}/_{4}$% senior notes and $38.3 million in aggregate principal amount of our 16.0% senior notes with the net proceeds received from our initial public offering. Additionally, we incurred a loss of $4.0 million in the second quarter of 2004 related to the write-offs of unamortized deferred financing fees and unamortized discount, as well as premiums paid, in connection with the $21.6 million repurchase of our 11 $^{1}/_{4}$% senior subordinated notes in the open market during May and June 2004. The loss in the prior year related to the write-off of unamortized deferred financing fees associated with a prior credit facility, which was replaced in connection with the Insignia acquisition.

Our provision for income taxes on a consolidated basis was $1.7 million for the nine months ended September 30, 2004 as compared to a benefit for income taxes of $15.5 million for the nine months ended September 30, 2003. The unusual tax rate for the nine months ended September 30, 2004 was primarily related to losses sustained in jurisdictions where no tax benefit can be provided.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

We reported a consolidated net loss of $34.7 million for the year ended December 31, 2003 on revenue of $1.6 billion as compared to consolidated net income of $18.7 million on revenue of $1.2 billion for the year ended December 31, 2002.

Our revenue on a consolidated basis increased $459.8 million, or 39.3%, during the year ended December 31, 2003 as compared to the year ended December 31, 2002. The increase was driven by higher

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revenue as a result of our capturing a larger market share in our Americas real estate services business line through our acquisition of Insignia, particularly leasing activity in the New York area. Additionally, as a result of the improvement of general economic conditions in the United States, we experienced significantly higher sales transaction revenue as well as increased lease transaction revenue and appraisal fees. Internationally, the Insignia acquisition helped us to expand our reach in Europe as evidenced by increased sales and lease transaction revenue, as well as higher consultation and appraisal fees, particularly in London and Paris. We expect that this increased revenue level will be maintained in the near term. Lastly, foreign currency translation had a $54.4 million positive impact on total revenue during the year ended December 31, 2003.

Our cost of services on a consolidated basis totaled $796.4 million, an increase of $249.3 million, or 45.6%, from the year ended December 31, 2002. This increase was mainly due to higher commission expense, bonus accruals and producer retention expense as a result of the Insignia acquisition as well as increased worldwide sales and lease transaction revenue. Our sales and leasing professionals are paid on a commission and bonus basis, which generally correlates with our revenue performance. Accordingly, as revenue increases, cost of services will also increase. Additionally, we paid bonuses to the top advisory services professionals of Insignia that we retained in the acquisition. The producer retention expense represents the amortization of these bonuses, which are being amortized to cost of services over the lives of the related employment agreements. The producer retention expense is considered an integration cost associated with the Insignia acquisition and amounted to $2.7 million for the year ended December 31, 2003. Also contributing to the increase in cost of services over the prior year was increased worldwide payroll related costs, including worldwide insurance and pension expense in the United Kingdom, which were mainly driven by increased headcount resulting from the Insignia acquisition. Finally, foreign currency translation had a $23.9 million negative impact on cost of services during the year ended December 31, 2003.

Our operating, administrative and other expenses on a consolidated basis were $678.4 million, an increase of $176.6 million, or 35.2 %, for the year ended December 31, 2003 as compared to the year ended December 31, 2002. The increase was primarily driven by higher costs as a result of the Insignia acquisition, including $10.9 million of integration costs, as well as increased worldwide bonuses and payroll-related expenses, principally in the Americas and Europe. Included in the 2003 bonus amount was an accrual for a one-time performance award of approximately $6.9 million. We expect to pay higher bonuses in 2004 as we will incur a nonrecurring charge of $15.0 million for compensation expenses relating to bonus payments triggered by the offering, which are payable to several of our non-executive real estate services employees as a result of provisions in such employees employment agreements. Also contributing to the variance was a legal settlement in the United States in 2003 as well as higher occupancy expense in the United Kingdom as a result of our relocation to a new facility in 2003. Lastly, foreign currency translation had a $23.4 million negative impact on total operating expenses during the year ended December 31, 2003. These increases were partially offset by net foreign currency translation gains resulting from the weaker U.S. dollar. Over 2003 and 2002, the U.S. dollar has continued to weaken, which has resulted in our recognizing foreign currency translation gains. Due to the volatility of currency exchange rates, there is no way for us to predict if this trend will continue in the future.

Our depreciation and amortization expense on a consolidated basis increased by $68.0 million, or 276.3%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002 mainly due to $59.1 million of amortization of the net revenue backlog acquired as part of the Insignia acquisition. As of December 31, 2003, the net book value of the intangible asset representing the remaining net revenue backlog acquired in the Insignia acquisition was $13.4 million, which is expected to be fully amortized by the end of 2004 (see note 8 of our audited consolidated financial statement included elsewhere in this prospectus). The increase over the prior year was also due to a one-time reduction of amortization expense recorded in 2002 related to the adjustment of certain intangible assets to their estimated fair values as of their acquisition date in connection with our acquisition of CB Richard Ellis Services in 2001.

Our equity income from unconsolidated subsidiaries on a consolidated basis increased $5.0 million, or 54.0%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002, primarily due to a one-time gain on sale of owned units in an investment fund. In addition, the trend of improved performance in our other domestic joint ventures continued, but was offset by a decrease in equity income versus the prior year as a result of a one-time disposition fee received in 2002 upon liquidation of one of our U.S. joint ventures in the normal course of business upon completion of the investment strategy set forth in its joint venture agreement.

Our merger-related charges on a consolidated basis were $36.8 million for the year ended December 31, 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 $71.3 million for the year ended December 31, 2003, an increase of $10.8 million, or 17.8%, as compared to the year ended December 31, 2002. This increase was primarily driven by the new debt incurred in connection with the Insignia acquisition.

Our loss on extinguishment of debt on a consolidated basis was $13.5 million for the year ended December 31, 2003. The loss resulted from a $6.8 million write-off of unamortized deferred financing fees associated with a prior credit facility, which was replaced in connection with the Insignia acquisition, as well as $6.7 million of write-offs of unamortized deferred financing fees and unamortized discount, as well as premiums paid, in connection with the $30.0 million of redemptions of our 16% senior notes in the fourth quarter of 2003.

Our benefit for income tax on a consolidated basis was $6.3 million for the year ended December 31, 2003 as compared to a provision for income tax of $30.1 million for the year ended December 31, 2002. The income tax (benefit) provision and effective tax rate generally were not comparable between periods due to the effects of the Insignia acquisition. Additionally, non-deductible expenses contributed to a lower effective tax benefit rate in 2003 as compared to 2002.

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 $1.2 billion as compared to a consolidated net loss of $16.6 million on revenue of $1.2 billion 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. Overall revenue decreased in our Americas segment primarily caused by declines in lease transaction revenue, which were driven by the continued softness in the leasing industry in the United States as a result of general economic uncertainty, combined with a nonrecurring sale of mortgage fund contracts of $5.6 million in 2001. In Asia Pacific, revenue declined mainly due to the sale of our wholly-owned operations in Thailand, the Philippines and India. These decreases were mostly offset by higher worldwide sales transaction revenue driven by investment property sales and higher investment management fees in Japan as result of the expansion of this business in that region. Foreign currency translation had a $10.5 million positive impact on total revenue during the year ended December 31, 2002.

Our cost of services on a consolidated basis totaled $547.1 million for the year ended December 31, 2002, an increase of $4.3 million, or 0.8%, from the year ended December 31, 2001. This increase was primarily due to higher compensation of advisory services professionals within our international operations associated with expanded international activities. These increases were partially offset by lower variable commissions, principally in our Americas segment, driven by lower lease transaction revenue. Foreign currency translation had a $4.2 million negative impact on cost of services during the year ended December 31, 2002.

Our operating, administrative and other expenses on a consolidated basis were $501.8 million for the year ended December 31, 2002, a decrease of $15.6 million, or 3.0%, as compared to the year ended December 31, 2001. This decrease was primarily driven by cost reduction 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. The trend of foreign currency transaction gains resulting from the weakening of the U.S. dollar has continued in 2003. These reductions were partially offset by an increase in bonuses and other incentives, primarily within our international operations, due to improved results. Foreign currency translation also had a $4.1 million negative impact on total operating expenses during the year ended December 31, 2002.

Our depreciation and amortization expense on a consolidated basis decreased by $13.2 million, or 35.0%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001 was 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 lower capital expenditures resulted from cost reduction measures initiated in 2001. Our capital expenditures increased in 2003 primarily as a result of our planned relocation to a new facility in the United Kingdom in 2003. 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 July 20, 2001, the date we acquired CB Richard Ellis Services.

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 year ended December 31, 2001, primarily due to a $2.2 million nonrecurring disposition fee received upon liquidation of one of our joint ventures in the United States in the normal course of business, upon completion of the investment strategy set forth in its joint venture agreement, as well as the improved performance from several of our other domestic joint ventures. Earnings from these domestic joint ventures continued to increase during 2003 as general economic conditions improved in the United States.

Our merger-related and other nonrecurring charges on a consolidated basis were $28.6 million for the year ended December 31, 2001. These costs primarily consisted of merger-related charges of $18.3 million, the write-off of assets, primarily e-business investments, of $7.2 million as well as severance costs of $3.1 million related to our cost reduction program initiated 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, non-deductible losses associated with our deferred compensation plan contributed to an increased effective tax rate.

Segment Operations

The following tables summarize our revenue, costs and expenses and operating income (loss) by operating segment for the nine months ended September 30, 2004 and 2003 and for the years ended December 31, 2003, 2002 and 2001. Our Americas results for the nine months ended September 30, 2004 and 2003 include merger-related charges of $22.0 million and $15.9 million, respectively, attributable to the Insignia acquisition. Our Americas 2003 results include merger-related charges of $20.4 million attributable to the acquisition of Insignia. Our Americas 2001 results include a nonrecurring sale of mortgage fund contracts of $5.6 million, as well as merger-related and other nonrecurring charges of $26.9 million attributable to our acquisition of CB Richard Ellis Services. Our EMEA results for the nine months ended September 30, 2004 and 2003 include merger-related charges of $3.5 million and $3.9 million, respectively, attributable to the Insignia acquisition. Our EMEA 2003 results include merger-related charges of $16.0 million attributable to the Insignia acquisition. Our Asia Pacific 2001 results include merger-related and other nonrecurring charges of $1.2 million attributable to the acquisition of CB Richard Ellis Services.

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	Nine Months Ended September 30,			
	2004		2003	
	(Dollars in thousands)			
The Americas				
Revenue	$ 1,148,577	100.0%	$ 766,995	100.0%
Costs and expenses:				
Cost of services	614,254	53.5	380,942	49.7
Operating, administrative and other	435,117	37.9	316,352	41.2
Depreciation and amortization	27,007	2.3	37,277	4.8
Merger-related charges	22,037	1.9	15,891	2.1
Operating income	$ 50,162	4.4%	$ 16,533	2.2%
EBITDA	$ 86,770	7.6%	$ 63,189	8.2%
EMEA				
Revenue	$ 310,511	100.0%	$ 167,020	100.0%
Costs and expenses:				
Cost of services	133,001	42.8	70,782	42.4
Operating, administrative and other	162,740	52.4	91,615	54.9
Depreciation and amortization	10,093	3.3	13,856	8.3
Merger-related charges	3,537	1.1	3,904	2.3
Operating income (loss)	$ 1,140	0.4%	$ (13,137)	(7.9)%
EBITDA	$ 10,956	3.5%	$ 358	0.2%
Asia Pacific				
Revenue	$ 107,819	100.0%	$ 74,802	100.0%
Costs and expenses:				
Cost of services	50,289	46.6	32,761	43.8
Operating, administrative and other	45,159	41.9	36,305	48.5
Depreciation and amortization	2,901	2.7	2,438	3.3
Operating income	$ 9,470	8.8%	$ 3,298	4.4%
EBITDA	$ 13,167	12.2%	$ 5,900	7.9%

	Year Ended December 31,					
	2003		2002		2001	
	(Dollars in thousands)					
The Americas						
Revenue	$ 1,197,626	100.0%	$ 896,064	100.0%	$ 928,799	100.0%
Costs and expenses:						
Cost of services	609,619	50.9	438,842	49.0	448,813	48.3
Operating, administrative and other	474,317	39.6	367,360	41.0	388,645	41.8
Depreciation and amortization	58,216	4.9	16,958	1.9	27,452	3.0

Merger-related and other nonrecurring charges	20,367	1.7	36		26,923	2.9
Operating income	$ 35,107	2.9%	$ 72,868	8.1%	$ 36,966	4.0%
EBITDA	$ 107,503	9.0%	$ 98,251	11.0%	$ 68,226	7.3%

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	Year Ended December 31,					
	2003		2002		2001	
	(Dollars in thousands)					
EMEA						
Revenue	$ 313,686	100.0 %	$ 182,222	100.0%	$ 161,306	100.0 %
Costs and expenses:						
Cost of services	135,854	43.3	70,309	38.6	60,309	37.4
Operating, administrative and other	151,077	48.1	90,047	49.4	84,762	52.5
Depreciation and amortization	31,287	10.0	4,579	2.5	6,492	4.0
Merger-related and other nonrecurring charges	15,958	5.1			451	0.3
Operating (loss) income	$ (20,490)	(6.5)%	$ 17,287	9.5%	$ 9,292	5.8 %
EBITDA	$ 10,609	3.4 %	$ 21,948	12.0%	$ 15,786	9.8 %
Asia Pacific						
Revenue	$ 118,762	100.0 %	$ 91,991	100.0%	$ 80,657	100.0 %
Costs and expenses:						
Cost of services	50,935	42.9	37,942	41.2	33,682	41.7
Operating, administrative and other	53,003	44.6	44,391	48.3	43,998	54.5
Depreciation and amortization	3,119	2.6	3,077	3.3	3,910	4.9
Merger-related and other nonrecurring charges	492	0.4			1,195	1.5
Operating income (loss)	$ 11,213	9.4 %	$ 6,581	7.2%	$ (2,128)	(2.6)%
EBITDA	$ 14,705	12.4 %	$ 10,477	11.4%	$ 2,400	3.0 %

EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

However, EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, operating income (loss), as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments.

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We do not allocate net interest expense or provision (benefit) for income taxes among our segments. Accordingly, EBITDA for our segments is calculated as follows:

	Nine Months Ended September 30,	
	2004	2003
	(In thousands)	
The Americas		
Operating income	$ 50,162	$ 16,533
Add:		
Depreciation and amortization	27,007	37,277
Equity income from unconsolidated subsidiaries	9,601	9,379
EBITDA	$ 86,770	$ 63,189
EMEA		
Operating income (loss)	$ 1,140	$ (13,137)
Add:		
Depreciation and amortization	10,093	13,856
Equity loss from unconsolidated subsidiaries	(277)	(361)
EBITDA	$ 10,956	$ 358
Asia Pacific		
Operating income	$ 9,470	$ 3,298
Add:		
Depreciation and amortization	2,901	2,438
Equity income (loss) from unconsolidated subsidiaries	796	164
EBITDA	$ 13,167	$ 5,900

	Year Ended December 31,		
	2003	2002	2001
	(In thousands)		
The Americas			
Operating income	$ 35,107	$ 72,868	$ 36,966
Add:			
Depreciation and amortization	58,216	16,958	27,452
Equity income from unconsolidated subsidiaries	14,180	8,425	3,808
EBITDA	$ 107,503	$ 98,251	$ 68,226
EMEA			
Operating (loss) income	$ (20,490)	$ 17,287	$ 9,292
Add:			

Depreciation and amortization	31,287	4,579	6,492
Equity (loss) income from unconsolidated subsidiaries	(188)	82	2
EBITDA	$ 10,609	$ 21,948	$ 15,786
Asia Pacific			
Operating income (loss)	$ 11,213	$ 6,581	$ (2,128)
Add:			
Depreciation and amortization	3,119	3,077	3,910
Equity income from unconsolidated subsidiaries	373	819	618
EBITDA	$ 14,705	$ 10,477	$ 2,400

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

The Americas

Revenue increased by $381.6 million, or 49.8%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003. The overall increase was primarily driven by the Insignia acquisition, which resulted in the expansion of our market share in the real estate services area of our advisory services line of business. The increase in market share resulted in higher revenues particularly relative to leasing activity, predominately in the New York area. The Insignia acquisition also drove an increase in management fees in the current year. The continued improvement of general economic conditions led to an increase in sales and lease transaction revenue, while the anticipation of higher interest rates resulted in higher loan origination fees primarily during the first part of the year.

Cost of services increased by $233.3 million, or 61.2%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003. The increase was primarily due to higher commission expense, bonus accruals, insurance and benefits, producer retention and broker draw amortization as a result of the overall increase in revenue as well as due to the Insignia acquisition. The producer retention expense, which represents amounts paid to the top real estate advisory services professionals of Insignia that we retained at the time of the acquisition, is being amortized through cost of services over the respective lives of their underlying employment agreements. The broker draw amortization of $3.9 million includes a $1.4 million adjustment to correct the amortization taken for the period from the date of the Insignia acquisition through December 31, 2003. It also reflects the pattern in which the economic benefits of the broker draw asset acquired in the Insignia acquisition are consumed, the fair value of which was refined during the three months ended March 31, 2004. The remaining net broker draw asset of $2.8 million will be amortized on a straight-line basis over the next ten months. Both the producer retention and the broker draw amortization are considered integration costs associated with the Insignia acquisition and together amounted to $6.3 million for the nine months ended September 30, 2004. Cost of services as a percentage of revenue increased from 49.7% in the third quarter of 2003 to 53.5% in the third quarter of 2004, primarily driven by producers reaching higher commission tranches as a result of higher revenue as well as due to the producer retention and broker draw amortization recorded in 2004 and the new mix of compensation structures as a result of compensation plans adopted in the Insignia acquisition.

Operating, administrative and other expenses increased $118.8 million, or 37.5%. The increase was primarily driven by higher costs as a result of the Insignia acquisition, including $3.3 million of integration costs, as well as higher payroll-related expenses, including bonuses and insurance and benefits. Additionally, we incurred higher marketing expenses, professional fees, including $2.7 million related to Sarbanes-Oxley compliance work, and a $3.0 million charge for the write-down of investments. The investment write-down primarily related to the write-off of our investment in Workplace IQ, Ltd. in its entirety as a result of a period of negative operating cash flows, brought about by unanticipated product delays during 2004, as well as the restructuring and recapitalization of this entity in 2004, which caused a significant decline in our ownership percentage and preference in equity distributions. During the nine months ended September 30, 2003, we also incurred additional costs as a result of our initial public offering, including one-time compensation expense of $15.0 million related to bonus payments made to several of our non executive real estate advisory services employees as a result of provisions in their employment agreements. Additionally, during the nine months ended September 30, 2003 total operating expenses were reduced by substantial net foreign currency transaction gains as the dollar was very weak particularly relative to the Australian and New Zealand dollars, while in the current year period we experienced only moderate net foreign currency transaction losses.

EMEA

Revenue increased by $143.5 million, or 85.9%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003, primarily driven by increased revenue as a result of the Insignia acquisition as well as organic growth. This was evidenced by higher sales and lease transaction revenue, particularly in London and Paris, as well as increased consultation, appraisal and management fees, predominantly in the U.K. Foreign currency translation had a $33.3 million positive impact on total revenue during the nine months ended September 30, 2004.

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Cost of services increased $62.2 million, or 87.9%, as a result of higher producer compensation expense as well as increased payroll-related costs, including bonuses and insurance and benefits, particularly in the U.K. and France, primarily due to the higher revenue. Also included in producer compensation expense were integration costs of $1.9 million, representing the amortization of bonuses paid to the top producers in the U.K., which are being amortized over the respective lives of the underlying employment agreements. Foreign currency translation had a $14.1 million negative impact on cost of services during the nine months ended September 30, 2004.

Operating, administrative and other expenses increased by $71.1 million, or 77.6%, mainly driven by higher payroll-related expenses, including bonuses and insurance and benefits, as well as higher marketing expenses, particularly in the U.K. and France, primarily due to the Insignia acquisition. Also, expenses in the U.K. were higher due to increased occupancy expense as a result of our relocation to a new facility in London in the fourth quarter of 2003 as well as $8.7 million of charges related to an idle facility and a sublease termination in the U.K. Foreign currency translation had a $17.2 million negative impact on total operating expenses during the nine months ended September 30, 2004.

Asia Pacific

Revenue increased by $33.0 million, or 44.1%, for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003. The increase was primarily driven by an overall increase in revenue in Australia and Japan, primarily resulting from our successful efforts to increase incremental market share in the region. Foreign currency translation had a $10.1 million positive impact on total revenue during the nine months ended September 30, 2004.

Cost of services increased by $17.5 million, or 53.5%, mainly attributable to higher producer compensation expense due to the increased headcount in Australia and Japan resulting from our efforts to increase our market share in this region, in addition to higher commissions as a result of higher transaction revenue. Foreign currency translation had a $4.9 million negative impact on cost of services for the nine months ended September 30, 2004.

Operating, administrative and other expenses increased by $8.9 million, or 24.4%, primarily due to higher payroll-related costs, including bonuses, in Australia and Japan, mainly attributable to the aforementioned increased headcount. Additionally, higher bad debt expense in Japan related to the write-off on an uncollectible receivable during the period, also contributed to the increase. Foreign currency translation had a $4.1 million negative impact on total operating expenses during the nine months ended September 30, 2004.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

The Americas

Revenue increased by $301.6 million, or 33.7%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002 primarily driven by the expansion of our market share in our real estate services business line through our acquisition of Insignia, particularly in the leasing industry in the New York area. Additionally, the improvement of general economic conditions in the United States led to an increase in volume of transactions resulting in significantly higher sales transaction revenue as well as increased lease transaction revenue and appraisal fees. Cost of services increased by $170.8 million, or 38.9%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002 primarily due to higher commission expense, bonus accruals and producer retention expense as a result of the Insignia acquisition as well as the higher sales and lease transaction revenue. The producer retention expense represents bonuses paid to the top advisory services professionals of Insignia that we retained at the time of the acquisition that is being amortized through cost of services over the respective lives of the underlying employment agreements. The producer retention expense is considered an integration cost associated with the Insignia acquisition and amounted to $1.5 million for the year ended December 31, 2003. Operating, administrative and other expenses increased $107.0 million, or 29.1%, mainly caused by higher costs as a result of the Insignia acquisition, including integration expenses of $9.1

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million, increased bonuses and payroll related costs mainly resulting from improved operating performance, and a nonrecurring legal settlement in the United States. Included in the 2003 bonus 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, a trend that we have experienced in 2003 and 2002.

EMEA

Revenue increased by $131.5 million, or 72.1%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002, primarily driven by increased revenue as a result of the Insignia acquisition as evidenced by higher sales and lease transaction revenue as well as increased consultation and appraisal fees, predominantly in the United Kingdom and France. Foreign currency translation had a $35.5 million positive impact on total revenue during the year ended December 31, 2003. Cost of services increased $65.5 million, or 93.2%, as a result of higher producer compensation expense and bonuses as well as increased payroll-related costs, including insurance expense throughout Europe and pension expense in the United Kingdom, primarily due to the Insignia acquisition. Also included in producer compensation expense for 2003 were integration costs of $1.2 million, representing the amortization of bonuses paid to the top producers of Insignia in the United Kingdom, which is being amortized over the respective lives of the underlying employment agreements. Foreign currency translation had a $15.0 million negative impact on cost of services during the current year. Operating, administrative and other expenses increased by $61.0 million, or 67.8%, mainly driven by increased costs as a result of the Insignia acquisition, including integration expenses of $1.8 million, as well as higher bonus, payroll related and consulting expenses. Additionally, occupancy expense was higher in the United Kingdom as a result of our relocation to a new facility. Lastly, foreign currency translation had a $16.4 million negative impact on total operating expenses during the year ended December 31, 2003.

Asia Pacific

Revenue increased by $26.8 million, or 29.1%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002. The increase was primarily driven by an overall increase in revenue in Australia and New Zealand, primarily resulting from our incremental efforts to increase our market share in the region as well as due to our organic growth. Foreign currency translation had a $13.8 million positive impact on total revenue during the current year. Cost of services increased by $13.0 million, or 34.2%, mainly attributable to increased transaction revenue as well as higher producer compensation expense due to increased headcount in Australia and New Zealand resulting from our incremental efforts to increase our market share in this region. Foreign currency translation had a $6.1 million negative impact on cost of services for the year ended December 31, 2003. Operating, administrative and other expenses increased by $8.6 million, or 19.4%, primarily due to an increased accrual for long-term incentives as well as higher payroll related costs in Australia and New Zealand. The long-term incentive plan term ended in 2003 with payout of approximately $7.8 million anticipated in early 2004. We anticipate implementing a new long-term incentive plan starting in 2004. Foreign currency translation also had a $5.6 million negative impact on total operating expenses during the year ended December 31, 2003.

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

The 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 a lower average value per transaction in lease transaction revenue resulting from the continued softness in the leasing industry in the United States combined with a nonrecurring sale of mortgage fund contracts of $5.6 million in 2001. These decreases were partially offset by higher sales transaction revenue, which was driven by a higher number of transactions as well as a higher average value per transaction, primarily due to investment property sales. The improvement in sales transaction revenue continued in 2003. 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 commensurate with lower lease transaction revenue. 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. The trend of foreign currency transaction gains resulting from the weakening U.S. dollar continued throughout 2003.

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 the general economy in this region improved. Foreign currency translation had an $8.9 million positive impact on total revenue during the year ended December 31, 2002. Cost of services increased by $10.0 million, or 16.6%, due to higher producer compensation as a result of increased revenue arising from expanded activities in Europe. Foreign currency translation had a $3.4 million negative impact on cost of services during the year ended December 31, 2002. Operating, administrative and other expenses increased by $5.3 million, or 6.2%, mainly attributable to higher incentives due to improved results, higher occupancy costs and consulting fees. Foreign currency translation also had a $3.7 million negative impact on total operating expenses during the year ended December 31, 2002.

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 due to increased efforts to expand our market share in these locations, partially offset by lower revenues as a result of the sale of our wholly owned operations in Thailand, the Philippines and India. Foreign currency translation had a $2.8 million positive impact on total revenue during the year ended December 31, 2002. Cost of services increased by $4.3 million, or 12.6%, primarily driven by higher producer compensation expense due to increased personnel in Australia, New Zealand and China, slightly offset by lower commissions due to conversions to affiliate offices elsewhere in Asia. Foreign currency translation had a $1.3 million negative impact on cost of services for the year ended December 31, 2002. Operating, administrative and other expenses increased by $0.4 million, or 0.9%, primarily due to increased bonuses as a result of improved results in Australia and New Zealand, partially offset by lower expenses as a result of sales of operations in Asia. Foreign currency translation also had a $1.1 million negative impact on total operating expenses during the year ended December 31, 2002.

Liquidity and Capital Resources

We believe that we can satisfy our working capital requirements and funding of investments with internally generated cash flow and, as necessary, borrowings under the revolving credit facility of our amended and restated credit agreement described below. Included in the capital requirements that we expect to be able to fund during 2004 are approximately $40.0 million of anticipated capital expenditures, net of concessions received, of which $27.5 million has been funded on or prior to September 30, 2004. The capital expenditures for 2004 are primarily composed of information technology costs, which are driven largely by computer replacement costs as well as costs associated with upgrading various servers and systems, and leasehold improvements.

During both 2001 and 2003, we required substantial amounts of new equity and debt financing to fund our acquisitions of CB Richard Ellis Services and Insignia Financial Group. Absent extraordinary transactions such as these, we historically have not needed sources of financing other than our internally generated cash flow and our revolving credit facility to fund our working capital, capital expenditures and investment requirements. As a result, our management anticipates that our cash flow from operations and revolving credit facility will be sufficient to meet our anticipated cash requirements for the foreseeable future, but at a minimum for the next twelve months.

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From time to time, we consider potential strategic acquisitions. Our management believes that any future significant acquisitions that we make most likely would require us to obtain additional debt or equity financing. In the past, we have been able to obtain such financing for other material transactions on terms that our management believed to be reasonable. However, it is possible that we may not be able to find acquisition financing on favorable terms in the future, if we decide to make any material acquisitions.

Our current long-term liquidity needs, other than those related to ordinary course obligations and commitments such as operating leases, generally are comprised of two parts. The first is the repayment of the outstanding principal amounts of our long-term indebtedness, including our senior secured term loan in 2010, our 9 3/4% senior notes in 2010 and our 11 1/4% senior subordinated notes in 2011. During June 2004, we used a portion of the net proceeds we received from our June 15, 2004 initial public offering to prepay $15.0 million in principal amount of the senior secured term loan under our amended and restated credit agreement. During July 2004, we used the remaining net proceeds received from the initial public offering to redeem all $38.3 million in aggregate principal amount of the remaining outstanding 16% senior notes and $70.0 million in aggregate principal amount of our 9 3/4% senior notes. In the future, we will continue to look for opportunities to reduce debt, which is consistent with our de-leveraging efforts thus far in 2004. Our management is unable to project with certainty whether our long-term cash flow from operations will be sufficient to repay our long-term debt when it comes due. If this cash flow is insufficient, then our management expects that we would need to refinance such indebtedness or otherwise amend its terms to extend the maturity dates. Our management cannot make any assurances that such refinancings or amendments, if necessary, would be available on attractive terms, if at all.

The other primary component of our long-term liquidity needs, other than those related to ordinary course obligations and commitments such as operating leases, are our obligations related to our deferred compensation plan and our U.K. pension plans. Pursuant to our deferred compensation plans, a select group of our management and other highly-compensated employees have been permitted to defer receipt of some or all of their compensation until future distribution dates and have the deferred amount credited towards specified investment alternatives. Except for deferrals into stock fund units that provide for future issuances of our common stock, the deferrals under the deferred compensation plans represent future cash payment obligations for us. We currently have invested in insurance funds for the purpose of funding approximately half of our future cash deferred compensation obligations. In addition, upon each distribution under the plans, we receive a corresponding tax deduction for such compensation payment. Our U.K. subsidiaries maintain pension plans with respect to which a limited number of our U.K. employees are participants. Our historical policy has been to fund pension costs as actuarially determined and as required by applicable law and regulations. As of December 31, 2003, based upon actuarial calculations of future benefit obligations under these plans, these plans were in the aggregate approximately $44.2 million underfunded. Our management expects that any future obligations under our deferred compensation plans and pension plans that are not currently funded will be funded out of our future cash flow from operations.

Summary of Contractual Obligations and Other Commitments

The following is a summary of our various contractual obligations and other commitments as of September 30, 2004, except for operating leases which are as of December 31, 2003:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
	(In thousands)				
Total debt (1)	$ 755,306	$ 151,257	$ 24,342	$ 244,634	$ 335,073
Operating leases (2)	710,262	96,123	167,164	134,094	312,881
Deferred compensation plan liability (3)	146,709	6,048	15,702	17,470	107,489
Pension liability (3)	36,565				36,565

Total Contractual Obligations	$ 1,648,842	$ 253,428	$ 207,208	$ 396,198	$ 792,008

(footnotes on following page)

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Other Commitments	Amount of Commitments Expected by Period Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
			(In thousands)		
Letters of credit (4)	$ 6,070	$ 6,070	$	$	$
Guarantees	5,100	3,900		1,200	
Co-investment commitments	41,700	35,091	6,609		
Total Commitments	$ 52,870	$ 45,061	$ 6,609	$ 1,200	$

(1) Includes capital lease obligations.

(2) See note 13 to our audited consolidated financial statements included elsewhere in this prospectus.

(3) Because these obligations are related, either wholly or partially, to the future retirement of our employees and such retirement dates are not predictable, an undeterminable portion of this amount will be paid in future years.

(4) Excludes letters of credit related to our subsidiaries outstanding indebtedness and operating leases.

Historical Cash Flows

Operating Activities

Net cash provided by operating activities totaled $38.6 million for the nine months ended September 30, 2004, an increase of $109.3 million compared to the nine months ended September 30, 2003. The acquisition of Insignia Financial Group on July 2003 has impacted substantially all components of cash used in our operating activities making comparison against the same period in the prior year not meaningful.

Net cash provided by operating activities totaled $63.9 million for the year ended December 31, 2003, a decrease of $0.9 million compared to the year ended December 31, 2002. The acquisition of Insignia in July 2003 has impacted substantially all components of cash provided by our operating activities making comparison against the prior year not meaningful.

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 our 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.

Investing Activities

Net cash provided by investing activities totaled $8.8 million for the nine months ended September 30, 2004, representing an increase of $261.5 million compared to the nine months ended September 30, 2003. This increase was primarily due to the Insignia acquisition. In addition, during the nine months ended September 30, 2004, we received proceeds from the sale of property held for sale related to a real estate investment in Japan. These increases were slightly offset by an increase in capital expenditures, net of landlord concessions received, of $19.3 million, primarily resulting from integration costs related to leasehold improvements in new and combined offices as a result of the Insignia acquisition as well as a decrease in concessions received during the nine months ended September 30, 2004.

Net cash used in investing activities totaled $284.8 million for the year ended December 31, 2003, an increase of $260.7 million compared to the year ended December 31, 2002. This increase was primarily due to costs incurred in 2003 associated with the Insignia acquisition. Capital expenditures, net of concessions received, of $27.0 million during the year ended December 31, 2003 were $12.7 million higher than 2002. This increase was mainly driven by net capital expenditures incurred in connection with our relocation to new offices in the United Kingdom in 2003.

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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 July 2001. Capital expenditures, net of concessions received, of $14.3 million during the year ended December 31, 2002 were $7.0 million lower than 2001, driven primarily by efforts to reduce spending and improve cash flows.

Financing Activities

Net cash used in financing activities totaled $61.7 million for the nine months ended September 30, 2004 as compared to net cash provided by financing activities of $328.5 million for the nine months ended September 30, 2003. The decrease was primarily driven by debt repayments made in 2004 as well as a net increase in debt in the prior year mainly relating to the debt financing required by the Insignia acquisition. The impact of these items was partially offset by the repayment of Insignia notes payable in the prior year as well as higher deferred financing fees paid in the prior year.

Net cash provided by financing activities totaled $303.7 million for the year ended December 31, 2003 compared to net cash used in financing activities of $17.8 million for the year ended December 31, 2002. This increase was mainly attributable to the additional net debt and equity financing resulting from the Insignia acquisition.

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 for our acquisition of CB Richard Ellis Services in 2001.

Initial Public Offering

On June 15, 2004, we completed our initial public offering of shares of our Class A common stock. In connection with our initial public offering, we issued and sold 7,726,764 shares of our Class A common stock and received aggregate net proceeds of approximately $135.0 million, after deducting underwriting discounts and commissions and offering expenses payable by us. Also in connection with our initial public offering, selling stockholders sold an aggregate of 16,273,236 shares of our Class A common stock and received net proceeds of approximately $290.6 million, after deducting underwriting discounts and commissions. On July 14, 2004, selling stockholders sold an additional 229,300 shares of our Class A common stock to cover over-allotments of shares by the underwriters and received net proceeds of approximately $4.1 million, after deducting underwriting discounts and commissions. We did not receive any of the proceeds from the sale of shares by the selling stockholders on June 15, 2004 and July 14, 2004.

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 and other obligations. 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 titled Description of Certain Long-Term Indebtedness.

Most of our long-term indebtedness was incurred in connection with our acquisition of CB Richard Ellis Services in July 2001 and the Insignia acquisition. The CB Richard Ellis Services acquisition, which was a

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going private transaction involving members of our senior management, affiliates of Blum Capital Partners and Freeman Spogli & Co. and some of our other existing stockholders, was undertaken so that we could take advantage of growth opportunities and focus on improvements in the CB Richard Ellis Services businesses. The Insignia acquisition increased the scale of our real estate services and outsourcing services businesses as well as significantly increasing our presence in the New York, London and Paris metropolitan areas.

Since 2001, we have maintained a credit agreement with Credit Suisse First Boston and other lenders to fund strategic acquisitions and to provide for our working capital needs. On April 23, 2004, we entered into an amendment to our previously amended and restated credit agreement that included a waiver generally permitting us to prepay, redeem, repurchase or otherwise retire up to $30.0 million of our existing indebtedness and provided for the refinancing of all outstanding amounts under our previous credit agreement as well as the amendment and restatement of our credit agreement upon the completion of our initial public offering. On June 15, 2004, in connection with the completion of our initial public offering, we completed a refinancing of all amounts outstanding under our amended and restated credit agreement and entered into a new amended and restated credit agreement, which became effective in connection with such refinancing.

Our amended and restated credit agreement permitted us, among other things, to use the net proceeds we received from our initial public offering to pay down debt, including the redemptions in July 2004 of all $38.3 million in aggregate principal amount of our 16% senior notes due 2011 and $70.0 million in aggregate principal amount of our 9 $^{3}/4$% senior notes due 2010, and the prepayment of $15.0 million in principal amount of our term loan under our amended and restated credit agreement, which prepayment occurred on June 15, 2004.

Effective November 16, 2004, we amended our amended and restated credit agreement to reduce the interest rates applicable to the term loan facility, as described below, and to modify some of the restrictive covenants in the agreement that are described below.

Our amended and restated credit agreement includes the following: (1) a term loan facility of $295.0 million (of which $280.0 million was outstanding as of September 30, 2004), requiring quarterly principal payments of $2.95 million beginning December 31, 2004 through December 31, 2009 with the balance payable on March 31, 2010; and (2) a $150.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, all maturing on March 31, 2009. Our amended and restated credit agreement also permits us to borrow up to $25.0 million of additional term loans under our term loan facility, subject to the satisfaction of customary conditions.

Borrowings under the term loan facility bear interest at varying rates based, at our option, on either LIBOR plus 2.00% or the alternate base rate plus 1.00%. The alternate base rate is the higher of (1) Credit Suisse First Boston s prime rate or (2) the Federal Funds Effective Rate plus one-half of one percent. The potential increase of up to $25.0 million for the term loan facility would bear interest either at the same rate as the current rate for the term loan facility or, in some circumstances as described in the amended and restated credit agreement, at a higher or lower rate. During June 2004, we used a portion of the net proceeds we received from our initial public offering to prepay $15.0 million in principal amount of the term loan facility. The total amount outstanding under the term loan facility included in the senior secured term loan and current maturities of long-term debt in the accompanying consolidated balance sheets was $280.0 million and $297.5 million as of September 30, 2004 and December 31, 2003, respectively.

Borrowings under the revolving credit facility bear interest at varying rates based, at our option, on either the applicable LIBOR plus 2.00% to 2.50% or the alternate base rate plus 1.00% to 1.50%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the amended and restated credit agreement). As of September 30, 2004 and December 31, 2003, we had no revolving credit facility principal outstanding. As of September 30, 2004, letters of credit totaling $24.3 million were outstanding, which letters of credit primarily relate to our subsidiaries outstanding indebtedness and operating leases and reduce the amount we may borrow under the revolving credit facility.

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Borrowings under our amended and restated credit agreement are jointly and severally guaranteed by us and substantially all of our domestic subsidiaries and are secured by a pledge of substantially all of our assets. Additionally, our amended and restated credit agreement requires us to pay a fee based on the total amount of the unused revolving credit facility commitment.

In May 2003, in connection with the Insignia acquisition, CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, issued $200.0 million in aggregate principal amount of 9 3/4% senior notes, which are due May 15, 2010. CBRE Escrow, Inc. merged with and into CB Richard Ellis Services, and CB Richard Ellis Services assumed all obligations with respect to the 9 3/4% senior notes in connection with the Insignia acquisition. The 9 3/4% 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 9 3/4% senior notes are jointly and severally guaranteed on a senior basis by us and substantially all of our domestic subsidiaries. Interest accrues at a rate of 9 3/4% per year and is payable semi-annually in arrears on May 15 and November 15. The 9 3/4% 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 were permitted to redeem up to 35.0% of the originally issued amount of the 9 3/4% senior notes at 109 3/4% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings, which we elected to do. During July 2004, we used a portion of the net proceeds we received from our initial public offering to redeem $70.0 million in aggregate principal amount, or 35.0%, of our 9 3/4% senior notes, which also required the payment of a $6.8 million premium and accrued and unpaid interest through the date of redemption. In the event of a change of control (as defined in the indenture governing our 9 3/4% senior notes), we are obligated to make an offer to purchase the 9 3/4% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 9 3/4% senior notes included in the accompanying consolidated balance sheets was $130.0 million and $200.0 million as of September 30, 2004 and December 31, 2003, respectively.

In June 2001, in order to partially finance our acquisition of CB Richard Ellis Services, Blum CB Corp. issued $229.0 million in aggregate principal amount of 11 1/4% senior subordinated notes due June 15, 2011 for approximately $225.6 million, net of discount. CB Richard Ellis Services assumed all obligations with respect to the 11 1/4% senior subordinated notes in connection with the merger of Blum CB Corp. with and into CB Richard Ellis Services on July 20, 2001. The 11 1/4% senior subordinated notes are unsecured senior subordinated obligations of CB Richard Ellis Services and rank equally in right of payment with any of CB Richard Ellis Services existing and future unsecured senior subordinated indebtedness, but are subordinated to any of CB Richard Ellis Services existing and future senior indebtedness. The 11 1/4% senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by us and substantially all of our domestic subsidiaries. The 11 1/4% 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 were permitted to redeem up to 35.0% of the originally issued amount of the notes at 111 1/4% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings, which we did not do. In the event of a change of control (as defined in the indenture governing our 11 1/4% senior subordinated notes), we are obligated to make an offer to purchase the 11 1/4% senior subordinated notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. In May and June 2004, we repurchased $21.6 million in aggregate principal amount of our 11 1/4% senior subordinated notes in the open market. We paid an aggregate of $3.1 million of premiums in connection with these open market purchases. The amount of the 11 1/4% senior subordinated notes included in the accompanying consolidated balance sheets, net of unamortized discount, was $205.0 million and $226.2 million as of September 30, 2004 and December 31, 2003, respectively.

Also, to partially fund our acquisition of CB Richard Ellis Services in 2001, we issued $65.0 million in aggregate principal amount of 16% senior notes due July 20, 2011. The 16% senior notes were unsecured obligations, senior to all of our current and future unsecured indebtedness but subordinated to all of our current and future secured indebtedness. Interest accrued at a rate of 16.0% per year and was payable quarterly in arrears.

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Under the terms of the indenture governing the 16% senior notes and subject to the restrictions set forth in our amended and restated credit agreement, the notes were redeemable at our option, in whole or in part, at 116.0% of par commencing on July 20, 2001 and at declining prices thereafter. During July 2004, we used a portion of the net proceeds we received from our initial public offering to redeem the remaining $38.3 million in aggregate principal amount of our 16% senior notes, which also required the payment of a $2.5 million premium and accrued and unpaid interest through the date of redemption. The amount of the 16% senior notes included in the accompanying consolidated balance sheet, net of unamortized discount, was $35.5 million as of December 31, 2003.

Our amended and restated credit agreement and the indentures governing our $9\frac{3}{4}\%$ senior notes and our $11\frac{1}{4}\%$ senior subordinated notes each contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or make 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 (as defined in the amended and restated credit agreement) to funded debt.

From time to time, Moody s Investors Service and Standard & Poor s Ratings Service rate our outstanding senior secured term loan, our $9\frac{3}{4}\%$ senior notes and our $11\frac{1}{4}\%$ senior subordinated notes. Although neither the Moody s nor the Standard & Poor s ratings impact our ability to borrow, they may affect the applicable interest rate for our senior secured term loan. In addition, these ratings may impact our ability to borrow under new agreements in the future and the interest rates of any such future borrowings.

A joint venture that we have consolidated since 2001 incurred non-recourse debt to acquire a real estate investment in Japan in 2001. This debt was secured by a mortgage on the acquired real estate asset. During August 2004, the joint venture completed the sale of this real estate asset and utilized the proceeds from the sale to repay all of the non-recourse debt, plus accrued interest and other fees. In our accompanying consolidated balance sheet, this debt comprised $2.0 million of our other short-term borrowings and $41.8 million of our other long-term debt as of December 31, 2003.

Our wholly owned subsidiary, L.J. Melody & Company, has a credit agreement with Residential Funding Corporation, or RFC, for the purpose of funding mortgage loans that will be resold. On August 19, 2004, we entered into a Third Amendment to the Fourth Amended and Restated Warehousing Credit and Security Agreement (warehouse line of credit). The current agreement provides for a warehouse line of credit of up to $250.0 million, bears interest at one-month LIBOR plus 1.0% and expires on December 1, 2004. We expect that prior to December 1, 2004 L.J. Melody will be able to reach a satisfactory amendment to extend the term of the agreement with RFC or to enter into an agreement with another third party to provide substitute financing arrangements for the purpose of funding mortgage loans. However, if L.J. Melody is unable to do so, the business and results of operations of our mortgage loan origination and servicing line of business may be adversely affected. During the quarter ended September 30, 2004, we had a maximum of $244.6 million warehouse line of credit principal outstanding with RFC. As of September 30, 2004 and December 31, 2003, we had a $111.8 million and a $230.8 million warehouse line of credit outstanding, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. Additionally, we had $111.8 million and $230.8 million of mortgage loans held for sale (warehouse receivable), which represented mortgage loans funded through the line of credit that, while committed to be purchased, had not yet been purchased as of September 30, 2004 and December 31, 2003, respectively, which are also included in the accompanying consolidated balance sheets included elsewhere in this prospectus.

In connection with our acquisition of Westmark Realty Advisors in 1995, which significantly expanded our investment management services business, we issued approximately $20.0 million in aggregate principal amount of senior notes. The Westmark senior notes are secured by letters of credit equal to approximately 50% of the outstanding balance at December 31, 2003. The Westmark senior notes are redeemable at the discretion of the note holders and have final maturity dates of June 30, 2008 and June 30, 2010. During the year ended December 31, 2002, all of the Westmark senior notes bore interest at 9.0%. On January 1, 2003, the interest rate on some of these notes was converted to varying rates equal to the interest rate in effect with respect to amounts outstanding under our credit agreement. On January 1, 2005, the interest rate on all of the other Westmark senior notes will be adjusted to equal the interest rate then in effect with respect to amounts outstanding under our credit agreement. The amount of the Westmark senior notes included in short-term borrowings in our consolidated balance sheets included elsewhere in this prospectus was $12.1 million as of September 30, 2004 and December 31, 2003.

Insignia, which we acquired in July 2003, issued loan notes as partial consideration for previous acquisitions of businesses in the United Kingdom, which was part of Insignia s business strategy of increasing its presence in that country. 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. As of September 30, 2004 and December 31, 2003, $9.7 million and $12.2 million, respectively, of the acquisition loan notes were outstanding, which are included in short-term borrowings in our consolidated balance sheets included elsewhere in this prospectus.

A significant number of our subsidiaries in Europe have had a Euro cash pool loan since 2001, which is used to fund their short-term liquidity needs. The Euro cash pool loan is an overdraft line for our European operations issued by HSBC Bank. The Euro cash pool loan has no stated maturity date and bears interest at varying rates based on a base rate as defined by HSBC Bank plus 2.5%. The amount of the Euro cash pool loan included in short-term borrowings in our consolidated balance sheets included elsewhere in this prospectus was $3.5 million and $11.5 million as of September 30, 2004 and December 31, 2003, respectively.

Deferred Compensation Plan Obligations

We have two deferred compensation plans, one of which has been frozen and is no longer accepting deferrals, which we refer to as the Old DCP, and one of which became effective on August 1, 2004 and began accepting deferrals on August 13, 2004, which we refer to as the New DCP. Because a substantial majority of the deferrals under both the Old DCP and the New 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. In addition, participants may receive unscheduled in-service withdrawals subject to a 7.5% penalty. As the level of employee departures or in-service distributions 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 than we expect take in-service distributions or leave our employment.

Old DCP

Prior to amending the Old DCP as discussed below, each participant in the Old DCP was 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 and losses on deferrals are measured by one or more of approximately 80 mutual funds. Distributions with respect to the interest index and insurance fund accounts are made by us in cash. In addition, prior to July 2001, participants were entitled to invest their deferrals in stock fund units that are distributed as shares of our Class A common stock. As of November 30, 2004, there were 2,552,578 outstanding stock fund units under the Old DCP, all of which were vested. The deferred compensation liability in the accompanying consolidated balance sheets was $146.7 million and $138.0 million at September 30, 2004 and December 31, 2003, respectively.

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Effective January 1, 2004, we closed the Old DCP to new participants. Until January 1, 2005, the Old DCP will continue to accept compensation deferrals from those participants who currently have a balance in the plan, meet the eligibility requirements and elect to participate, in each case up to a maximum annual contribution amount of $250,000 per participant. Effective January 1, 2005, no additional deferrals will be permitted under this plan. Existing account balances under the plan will be paid to participants in the future according to their existing deferral elections. However, all participants may make unscheduled in-service withdrawals of their account balances, including the shares of Class A common stock underlying stock fund units, if they pay a penalty equal to 7.5% and the taxes due on the value of the withdrawal.

Prior to our initial public offering, all shares held by our current and former employees and consultants, including any shares that such employees and consultants are entitled to receive as distributions with respect to stock fund units in the Old DCP, were subject to transfer restrictions. In connection with our initial public offering, we waived all of these transfer restrictions. As a result, all of these shares, including any shares received as future distributions with respect to stock fund units in the Old DCP, may be sold, subject to applicable securities law requirements. Shortly after our initial public offering, we filed a registration statement on Form S-8 that registered, among other things, the shares of Class A common stock to be distributed in the future with respect to stock fund units in the Old DCP. We have entered into agreements with participants in the Old DCP holding stock fund units with 2,280,831 underlying shares of Class A common stock pursuant to which these participants have agreed to sell no more than 20% of the shares underlying their current stock fund unit balances during any year over the next five years in exchange for fixed cash payments by us to these participants.

New DCP

Effective August 1, 2004, we adopted the New DCP, which began accepting deferrals for compensation otherwise earned after August 13, 2004. Under the New DCP, each participant 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. Deferrals are credited at the participant s election to one or more investment alternatives under the New DCP, which include a money-market fund and a mutual fund investment option. There is limited flexibility for participants to change distribution elections once made. However, all participants may make unscheduled in-service withdrawals of their account balances if they pay a penalty equal to 7.5% and the taxes due on the value of the withdrawal.

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. The pension liability in our consolidated balance sheets included elsewhere in this prospectus was $36.6 million and $36.0 million at September 30, 2004 and December 31, 2003, respectively. We expect to contribute a total of $4.9 million to fund our pension plan for the year ended December 31, 2004, of which $3.8 million was funded as of September 30, 2004.

Other Obligations and Commitments

In connection with the sale of real estate investment assets by Insignia to Island Fund I LLC 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, 2004, an aggregate of approximately $5.2 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 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.

L.J. Melody & Company previously executed an agreement with Federal National Mortgage Association, or Fannie Mae, to initially fund the purchase of a commercial mortgage loan portfolio using proceeds from its RFC line of credit. Subsequently, a 100% participation in the loan portfolio was sold to Fannie Mae and L.J. Melody retains the credit risk on the first 2% of losses incurred on the underlying portfolio of commercial mortgage loans. As of September 30, 2004, the loan portfolio balance was $85.8 million and we have collateralized a portion of our obligations to cover the first 1% of losses through a letter of credit in favor of Fannie Mae for a total of approximately $0.9 million. The other 1% is covered in the form of a guarantee to Fannie Mae by L.J. Melody.

We had letters of credit totaling $6.1 million as of September 30, 2004, excluding letters of credit related to our subsidiaries outstanding indebtedness and operating leases. Approximately $5.2 million of these letters of credit were issued pursuant to the terms of the purchase agreement with Island Fund described above. The remaining $0.9 million outstanding letter of credit is for the Fannie Mae letter of credit as described above. The outstanding letters of credit as of September 30, 2004 expire at varying dates through July 23, 2005. However, we are obligated to renew the letters of credit related to the Island Fund purchase agreement until as late as July 23, 2006 and the Fannie Mae letter of credit until our obligation to cover potential credit losses is satisfied.

We had guarantees totaling $5.1 million as of September 30, 2004, which consisted primarily of guarantees of property debt as well as the obligations to Island Fund and Fannie Mae discussed above. Approximately $1.2 million of the guarantees is related to investment activity that is scheduled to expire on September 1, 2008. The guarantee related to the Island Fund purchase agreement expired on the September 15, 2004 maturity date of the underlying loan agreement, however, similar loan terms are expected to be renewed, modified or extended upon the completion of on-going negotiations. Currently, renewals, modifications and extensions to such loan may be made without our consent in connection with any such renewal, modification or extension. The guarantee obligation related to the agreement with Fannie Mae discussed above will expire in December 2004.

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, 2004, we had committed $41.7 million to fund future co-investments. We expect that approximately $11.0 million of these commitments will be funded during 2004. 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.

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.

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Inflation

Our commissions and other variable costs related to revenue are primarily affected by real estate market supply and demand, which may be affected by general economic conditions including inflation. However, to date, we do not believe that general inflation has had a material impact upon our operations.

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. 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 our accounts and those of our majority owned subsidiaries. Additionally, the consolidated financial statements included elsewhere in this prospectus include the accounts of CB Richard Ellis Services prior to the date we acquired it 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.

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Goodwill and Other Intangible Assets

Goodwill mainly 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 Services in 2001 and our acquisition of Insignia Financial Group in 2003. Other intangible assets include trademarks, which were separately identified as a result of the 2001 acquisition, 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 trademarks 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, franchise agreements and a trade name, which are all being amortized on a straight-line basis over estimated useful lives ranging up to 20 years.

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 perform an annual assessment of our goodwill and other intangible assets deemed to have indefinite lives for impairment based in part on a third-party valuation 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 tests as of October 1, 2003 and 2002 and determined that no impairment existed as of those dates. We are in the process of completing our annual impairment test for 2004.

New Accounting and Tax Pronouncements

On March 31, 2004, the Financial Accounting Standards Board, or FASB, issued its Exposure Draft, Share-Based Payment, which is a proposed amendment to Statement of Financial Accounting Standards, or SFAS, No. 123, Accounting for Stock-Based Compensation. The amendment would require all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values, which would include all unvested grants at the time of adoption. The FASB expects to issue a final standard late in 2004. On October 13, 2004, the FASB decided that the final amendment would be effective for public companies for any interim or annual period beginning after June 15, 2005, though early adoption would be encouraged. The adoption of this Exposure Draft is not expected to have a material impact on our financial position or results of operations.

In October 2004, the American Jobs Creation Act of 2004 was passed. We are currently assessing the impact of this law on our operations, particularly relative to provisions on repatriation of foreign earnings as well as deferred compensation. We do not expect this act to have a material impact on our financial position or results of operations.

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.

Exchange Rates

Approximately 30.2% of our business was transacted in local currencies of foreign countries for the nine months ended September 30, 2004 and the year ended December 31, 2003, the majority of which included the Euro, the British pound sterling, the Hong Kong dollar, the Singapore dollar and the Australian dollar. We attempt to manage our exposure primarily by balancing assets and liabilities, and maintaining cash positions in foreign countries only at levels necessary for operating purposes. However, we do not enter into agreements to hedge the risks associated with translation of foreign currencies into U.S. dollars. As a result, fluctuations in foreign currency exchange rates affect reported amounts of our total assets and liabilities, which are reflected in our financial statements as translated into U.S. dollars for each financial reporting period at the exchange rate in effect on the respective balance sheet dates, and our total revenues and expenses, which are reflected in our financial statements as translated into U.S. dollars for each financial reporting period at the monthly average exchange rate. For example, during 2003, the U.S. dollar dropped against many of the currencies in which we conduct business. During the nine months ended September 30, 2004, foreign currency translation had a $46.8 million positive impact on total revenue and a $43.3 million negative impact on our total costs of services and operating, administrative and other expenses. During the year ended December 31, 2003, foreign currency translation had a $54.4 million positive impact on our total revenue and a $47.3 million negative impact on our total costs of services and operating, administrative and other expenses.

We routinely monitor our exposure to currency exchange rate changes in connection with transactions and sometimes enter into foreign currency exchange forward and option contracts to limit our exposure to such transactions, as appropriate. In the normal course of business, we also sometimes utilize derivative financial instruments in the form of foreign currency exchange forward contracts to mitigate foreign currency exchange exposure resulting from intercompany loans. In all cases, we view derivative financial instruments as a risk management tool and, accordingly, do not engage in any speculative activities with respect to foreign currency. At September 30, 2004, we had foreign currency exchange forward contracts with an aggregate notional amount of $12.0 million, which expire on various dates through December 31, 2004. The net impact on our earnings for the nine months ended September 30, 2004 resulting from unrealized gains and/or losses on these foreign currency exchange forward contracts was not significant. On April 6, 2004, we entered into an option agreement to purchase an aggregate notional amount of 8.7 million British pounds sterling, which would have expired on December 29, 2004. On July 2, 2004, we entered into an option agreement to purchase an aggregate notional amount of 18.8 million euros, which also would have expired on December 29, 2004. During October 2004, we sold both of these option agreements and entered into two new option agreements to purchase an aggregate notional amount of 10.2 million British pounds sterling for a cost of $0.3 million and 20.0 million euros for a cost of $0.4 million, both of which expire on December 29, 2004. The net impact on our earnings resulting from gains and/or losses on these option agreements has not been, and is not expected to be, material.

We also enter into loan commitments that relate to the origination or acquisition of commercial mortgage loans that will be held for resale. SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, requires that these commitments be recorded at their relative fair values as derivatives. The net impact on our financial position for the nine months ended September 30, 2004 resulting from these derivative contracts was not significant.

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Interest Rates

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, 2004 consisted of the following:

Year of Maturity	Fixed Rate	One-Month LIBOR +1.0%	Three to Six-Month LIBOR +2.5%	Interest Rate Range of 1.0% to 6.25%	Six-Month Yen LIBOR +3.75%	Six-Month GBP LIBOR 2.0%	Total
			(Dollars in thousands)				
2004	$ 16,936	$ 111,840	$ 13,806 (1)	$ 4,320	$ 182	$ 4,173	151,257
2005	361		11,800		364		12,525
2006	17		11,800				11,817
2007	17		11,800				11,817
2008	17		232,800 (2)				232,817
Thereafter (3)	335,073						335,073
Total	$ 352,421	$ 111,840	$ 282,006	$ 4,320	$ 546	$ 4,173	$ 755,306