

Registration No. 333-59440

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 1

TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

CBRE Holding, Inc.  
(Exact name of Registrant as specified in its charter)

<TABLE>			
<S>	Delaware	<C>	6500
	(State or Other Jurisdiction of Incorporation or Organization)		(Primary Standard Industrial Classification Code Number)
</TABLE>			<C>
			94-3391143
			(I.R.S. Employer Identification Number)

909 Montgomery Street, Suite 400  
San Francisco, CA 94133  
(415) 434-1111  
(Address, including zip code, and telephone number including area code, of  
Registrant's principal executive offices)

Claus Moller, President  
CBRE Holding, Inc.  
909 Montgomery Street, Suite 400  
San Francisco, CA 94133  
(415) 434-1111  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

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

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

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

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

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

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



will be required to sign a subscription agreement. The subscription agreement will contain, among other things, significant restrictions on the transfer of the Class A common stock being offered by this prospectus. For additional information regarding these transfer restrictions, you should read the section of this prospectus beginning on page 51. The options being offered by this prospectus are non-transferable.

This offering is being made in connection with the proposed merger of a wholly-owned subsidiary of CBRE Holding with and into CB Richard Ellis Services, Inc. pursuant to an amended and restated merger agreement dated as of May 31, 2001. The consummation of this offering is conditioned upon the completion of the merger. After the merger, CBRE Holding will be controlled by RCBA Strategic Partners, L.P. and its affiliates, which will be entitled to appoint a majority of the members of CBRE Holding's board of directors, generally be able to control the outcome of all matters submitted to the stockholders of CBRE Holding and under specified circumstances may require holders of CBRE Holding's capital stock to sell their shares.

See "Risk Factors" beginning on page 21 to read about factors you should consider before investing in this offering.

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Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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<TABLE>  
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	Per Share	Total
	-----	-----
<S>	<C>	<C>
Offering price of shares of Class A common stock.....	\$16.00	\$51,786,224
Offering price of options to acquire shares of Class A common stock (1).....	N/A	N/A

</TABLE>

(1) Designated members of management will be eligible to receive grants of options based on the number of shares of Class A common stock purchased by these members in the offering.

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Prospectus dated , 2001.

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

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission. Under this registration statement, we may offer our Class A common stock and options to acquire our Class A common stock as described in this prospectus. This prospectus provides you with a general description of the securities we are offering as well as the terms of each offering. It is important for you to consider the information contained in this prospectus together with any additional information described under the heading "Where You Can Find Additional Information About Us" in making your investment decision.

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

PROSPECTUS SUMMARY

You should read this summary together with the entire prospectus, including the more detailed information in our financial statements and the accompanying notes appearing elsewhere in this prospectus. Unless otherwise indicated, information presented on a pro forma basis gives effect to the offers being made by this prospectus and to our acquisition of CB Richard Ellis Services, Inc., which will occur substantially simultaneously with the closing of these offerings. All references to "us," "we," "our" and "CBRE Holding" are to CBRE Holding, Inc., including what will become its wholly-owned subsidiary, CB Richard Ellis Services, and the subsidiaries of CB Richard Ellis Services, in each case after giving effect to the merger described below in the section titled "Summary of the Merger and Related Financings."

Summary of the Offerings

We have entered into a merger agreement to acquire CB Richard Ellis Services in a merger transaction. We intend to complete the merger immediately prior to consummating the offerings described below. The completion of the merger is a condition to these offerings.

In this prospectus, we use the following terms to describe the offerings that we are making:

- "Designated managers" refers to our employees who on April, 1 2001 were designated by our board of directors as designated managers and were notified by us on April 24, 2001 of their designation and who are employed by us as of the completion of the merger. Our board of directors selected the designated managers based on its opinion as to which of our managers have the potential to have the greatest impact on our business in the future.
- "Non-management employees" refers to all of our directors after the merger, all of our U.S. employees other than the designated managers and all of our independent contractors in the states of California, New York, Illinois and Washington, in each case who are employed or retained by us as of the completion of the merger.

Description of the Offerings

Shares of Class A common stock being offered by this

prospectus:

<S>	<C>	<C>
Shares for direct ownership..	1,187,982	shares
Shares to be held in the CB Richard Ellis Services 401(k) plan.....	889,819	shares
Shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan.....	1,158,838	shares

Options to acquire Class A  
common stock being offered  
to the designated managers  
by this prospectus .....

1,820,397 options to acquire shares of Class A  
common stock

Description of offering of  
shares for direct  
ownership.....

We are offering up to an aggregate of 1,187,982  
shares of our Class A common stock to the  
designated managers and the non-management  
employees for direct ownership at an offering  
price of \$16.00 per share. The number of shares  
being made available in this offering assumes  
that both the offering of shares to be held in

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the CB Richard Ellis Services 401(k) plan and the  
offering of shares underlying stock fund units in  
the CB Richard Ellis Services deferred  
compensation plan are fully subscribed for. To  
the extent shares are not subscribed for in those  
other offerings, we will make an equivalent  
number of additional shares available in the  
offering of shares for direct ownership.

In connection with the payment of the purchase  
price for the shares being offered for direct  
ownership, each of the designated managers and  
the non-management employees will have the option  
to irrevocably assign to us the right to receive  
the net cash proceeds that they would otherwise  
be entitled to receive in the merger, if any, for  
each of the following:

- . shares of CB Richard Ellis Services common  
stock owned by the designated manager or  
non-management employee at the time of the  
merger, other than those shares owned  
through the CB Richard Ellis Services  
401(k) plan; and
- . options held by the designated manager or  
non-management employee to acquire shares  
of CB Richard Ellis Services common stock.

These assigned proceeds would constitute payment  
for all or a portion of the shares of our Class A  
common stock that the designated manager or non-  
management employee decides to acquire in the  
offering for direct ownership.

In the event that this offering of shares is  
over-subscribed, meaning we receive offers to  
purchase more than the 1,187,982 shares we have  
set aside for this offering, we first will  
allocate a sufficient number of shares to the  
designated managers to allow them to subscribe  
for the minimum number of shares necessary to  
obtain grants of options, as described below, and  
all remaining shares then will be allocated  
proportionately among all participants in the  
offering of shares for direct ownership based  
upon the total number of those shares for which

we receive subscriptions.

Grants of options to  
designated managers.....

In connection with the offering of shares for direct ownership, the designated managers will be eligible to receive an aggregate of up to 1,820,397 options to acquire our Class A common stock. Unless our board of directors determines otherwise, a designated manager will receive a grant of a portion of these options only if he or she subscribes for a minimum number of shares in the offering of Class A common stock for direct ownership. The minimum number of shares that a designated manager must subscribe for in order to receive an option grant is a percentage of 625,000 shares that will be allocated to that designated manager by our board of directors. The minimum number of shares that a designated manager must subscribe for in order to receive a grant of options will be reduced

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by the number of deferred compensation plan stock fund units acquired by the designated manager at the closing of the offerings by the transfer of account balances currently allocated to the deferred compensation plan insurance fund.

If a designated manager subscribes for at least his or her minimum number of shares, then we will grant to the designated manager a percentage of the 1,820,397 total options equal to the percentage of the 625,000 shares allocated to that designated manager. Subject to our right to allocate the shares to be purchased if the offering is over-subscribed, a designated manager may subscribe for more than the minimum number of shares required to receive a grant of options. However, as long as the minimum number of shares required to receive an option grant are subscribed for, the number of options granted to the designated manager will be the same regardless of the actual number of shares subscribed for.

For example, if the percentage of 625,000 shares that a designated manager must subscribe for is 1%, if the designated manager subscribes for at least 6,250 shares in the offering for direct ownership, he or she will be granted 18,204 options, representing 1% of the aggregate options available for grant to all designated managers. This will be true even if the designated manager subscribes for more than 6,250 shares.

The exercise price for each of the options granted to the designated managers will be \$16.00 per share.

Subject to a designated manager's continued employment with us, all of his or her options will vest and become exercisable in 20% increments on each of the first five anniversaries of the date of the merger. All of the options will become fully vested and exercisable upon a change of control of us as defined in the option agreement. The options will not be exercisable prior to their vesting. Subject to early termination if the designated manager is no longer employed by us, his or her options will have a term of ten years. The stock options are not transferable and can only be exercised by the designated manager or his or her estate. All of the stock options are intended to be non-qualified stock options, which means that the designated managers will be subject to taxation at ordinary income rates upon their exercise.

Full-recourse note for  
designated managers.....

Under the circumstances described below, a designated manager may pay a portion of the purchase price for the shares of Class A common stock that he or she purchases in this offering by delivering to us a full-recourse note having the terms described below. A full-recourse note is one in which all of the assets of the borrower, not just the stock being purchased with the note, are available to repay the note.

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Unless our board of directors determines otherwise, in order to use a full-recourse note in the offering of shares of Class A common stock for direct ownership a designated manager must subscribe for the minimum number of shares required for such designated manager to receive a grant of options as described above. If the designated manager satisfies this requirement, the maximum amount of the full-recourse note that he or she may deliver to us will be equal to 50% of the aggregate purchase price of the minimum number of shares that must be subscribed for by the designated manager in order to receive a grant of options. The maximum amount of the full recourse note that may be delivered by a designated manager will be reduced by the amount, if any, of the manager's deferred compensation plan account of balance currently allocated to the insurance fund that he or she transfers to stock fund units at the closing of the offerings.

For example, if a designated manager must subscribe for at least 6,250 shares for direct ownership in order to receive a grant of options, then that designated manager may deliver a full-recourse note only if he or she subscribes for at least 6,250 shares. If such designated manager subscribes for at least 6,250 shares, the maximum amount of the offering price that may be paid for by the designated manager using a full-recourse note is \$50,000 minus the amount, if any, of the designated manager's deferred compensation plan account balance currently allocated to the insurance fund that he or she transfers to stock fund units at the closing of the offerings. The \$50,000 maximum amount of the full recourse note represents 50% of the \$100,000 purchase price for 6,250 shares. This maximum applies even if the designated manager subscribes for more than 6,250 shares for direct ownership.

The note will accrue interest at a market rate that we currently expect to be approximately 10% per year, which interest, unless the note terminates earlier, will be payable in cash at the end of each of our fiscal quarters. The note will have a nine-year term but will be payable in full prior to the end of that term if the designated manager's employment is terminated for any reason.

Pledge agreement.....

If a designated manager pays a portion of the purchase price for shares in this offering by delivering a full-recourse note, the designated manager must pledge as security for the note a number of shares of our Class A common stock having an offering price equal to 200% of the amount of the note. These pledged shares will be held by us to secure the repayment of the note. The pledge agreement will provide that, in the event the designated manager fails to repay this note, we can sell his or her pledged shares to satisfy this liability. If the proceeds from the sale of the pledged shares are less than the remaining outstanding balance of the note and the accrued and unpaid interest, unless the designated manager previously has died or become disabled, the unpaid portion of the

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note will remain outstanding as an obligation of the designated manager.

A designated manager may sell pledged shares only if he or she applies the after-tax proceeds of the sale to the repayment of the full-recourse note secured by the pledge. Without our prior written consent, the designated manager may not incur any liens on the pledged shares or enter into any agreements that would restrict our right to transfer the pledged shares.

Unless the designated manager has defaulted on the note, while we hold the pledged shares the designated manager will retain the right to vote the shares and to receive any dividends declared on them, although we will have a lien on any dividends regarding those shares received by the designated manager prior to the repayment in full of the note.

Description of offering of shares to be held in the CB Richard Ellis Services 401(k) plan.....

We are offering to all of our U.S. employees who are currently participants in the CB Richard Ellis Services 401(k) plan up to 889,819 shares of our Class A common stock at an offering price of \$16.00 per share. These shares will be held in the CB Richard Ellis Services 401(k) plan, which will be amended to add this new investment alternative.

To participate in this offering, an employee must either instruct the trustee of the 401(k) plan to sell existing investments held by the employee in the 401(k) plan and use those proceeds to purchase shares in this offering for his or her 401(k) account, or to use the proceeds received in the merger for shares of CB Richard Ellis Services common stock held by the employee in the 401(k) plan, if any, to purchase shares in this offering for his or her 401(k) account. No employee may have more than 50% of his or her entire 401(k) plan account balance invested in shares of our Class A common stock as of June 1, 2001.

If this offering is over-subscribed, the number of shares that each participating employee is able to purchase will be reduced proportionately based upon the total number of 401(k) plan shares for which we receive subscriptions.

To the extent that an employee holds shares of CB Richard Ellis Services common stock in his or her 401(k) plan account and does not elect to use the merger proceeds received for these shares to participate in this offering, he or she must instruct the trustee to invest the excess proceeds in one or more of the other investment alternatives that are available under the CB Richard Ellis Services 401(k) plan.

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Description of offering of shares underlying stock fund units in the CB Richard Ellis Services' deferred compensation plan.....

A number of our current and former U.S. employees and independent contractors currently hold stock fund units in the CB Richard Ellis Services deferred compensation plan. Each stock fund unit currently gives the person who owns it the right, subject to any applicable vesting requirements, to receive one share of CB Richard Ellis Services common stock on a future distribution date as described in the plan. The deferred compensation



plan has been amended to provide that, after the merger, each stock fund unit will entitle its holder to receive one share of our Class A common stock on a future distribution date under the plan, rather than a share of CB Richard Ellis Services common stock.

Each of our current U.S. employees and our current independent contractors in the states of California, New York, Illinois and Washington at the time of the merger who holds stock fund units in the CB Richard Ellis Services deferred compensation plan that have vested prior to the merger will be entitled to do one of the following with each of these stock fund units:

- . convert the value of the stock fund unit, based upon a value of \$16.00 per stock fund unit, into the interest index fund alternative or any of the insurance mutual fund alternatives that are available under the deferred compensation plan; or
- . continue to hold stock fund units in the deferred compensation plan.

As part of the investment alternative described in the second bullet point immediately above, we are offering up to 996,338 shares of our Class A common stock that are issuable to these holders of stock fund units upon future distributions under the deferred compensation plan.

All participants in the deferred compensation plan who are not our current U.S. employees or our current independent contractors in the states of California, New York, Illinois or Washington at the time of the merger and hold stock fund units that have vested prior to the merger must convert the value of each of these stock fund units, based upon a value of \$16.00 per stock fund unit, into the interest index fund alternative or any of the insurance mutual fund alternatives that are available under the deferred compensation plan. They will not be permitted to continue to hold these stock fund units after the merger.

All stock fund units that have not vested prior to the time of the merger, including any stock fund units that will vest as a result of the merger, will automatically remain in the deferred compensation plan after the merger and represent the right to receive shares of our Class A common stock on future distribution dates as described in the plan.

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Our designated managers will also have the right to transfer into stock fund units an aggregate of up to \$2.6 million of deferred compensation plan account balances that are currently allocated to the insurance fund under the deferred compensation plan. We are offering up to 162,500 shares of our Class A common stock that are issuable to these holders of stock fund units upon future distributions under the deferred compensation plan.

Tax Consequences If You  
Subscribe to the  
Offerings.....

The tax consequences applicable to you will depend upon your particular situation, so you should consult your tax advisor for a full understanding of the tax consequences to you if you participate in any of the offerings. In addition, you should read the sections of this prospectus titled "U.S. Federal Tax Consequences," "U.S. Federal Tax Consequences for Non-U.S. Holders," "Description of the Plans--CB Richard Ellis Services Deferred Compensation

Plan--Federal Income Tax Consequences of the Amendments" and "Description of the Plans--2001 Stock Incentive Plan--Federal Income Tax Consequences of the Awards Under the Stock Incentive Plan" for a description of tax consequences to you if you subscribe to any of the offerings.

Common Stock and Options To Be Outstanding After the Offerings.....

2,599,648 shares of Class A common stock  
10,605,966 shares of Class B common stock  
13,205,614 shares of Class A and Class B common stock, taken together

This number of shares is based on the closing of the merger and assumes that each of the offerings is fully subscribed. The shares outstanding exclude the following:

- . . . shares of Class A common stock initially reserved for future issuance under our 2001 Stock Incentive Plan, including up to 1,820,397 shares underlying options granted to the designated managers in the offerings and up to 910,199 shares underlying options with an exercise price of \$50.00 per share that will be available for grant to our employees in the discretion of our board of directors;
- . 1,841,233 shares of Class A common stock underlying stock fund units; and
- . 264,027 shares of Class B common stock issuable upon the exercise of warrants to acquire our Class B common stock at an exercise price of \$30.00 per share.

Voting Rights..... The Class A common stock and Class B common stock vote as a single class on all matters, except as otherwise required by law, with each share of Class A common stock entitling its holder to

one vote and each share of Class B common stock entitling its holder to ten votes. The shares of Class A common stock and the shares of Class B common stock otherwise have the same rights. All of the shares of Class B common stock will initially be owned by members of the buying group who are described below under the section titled "Summary of the Merger and Related Financings."

Subscription Agreements

Generally.....

Each of the designated managers and non-management employees who decides to purchase shares for direct ownership will be required to sign a subscription agreement. Any shares received from the exercise of options by the designated managers or distributions under the CB Richard Ellis Services 401(k) plan and deferred compensation plan will also be subject to the terms of the subscription agreements.

Description of terms in all subscription agreements

Transfer restrictions....

Prior to the earlier of the tenth anniversary of the merger and the date that is 180 days after we close an underwritten initial public offering in which our Class A common stock is listed on a national securities exchange or on the Nasdaq National Market, the shares subject to the subscription agreement will have significant restrictions on transfer. Generally, the only

persons to whom these shares may be transferred prior to this date are the following:

- . specified family members of the employee or fiduciaries acting on behalf of one of those family members;
- . a trust or other entity, all of the beneficial interests of which are held by the employee or a person described in the immediately prior bullet point;
- . us;
- . RCBA Strategic Partners, L.P. and its affiliates, which we refer to together as the "BLUM Funds";
- . FS Equity Partners III, L.P., FS Equity Partners International, L.P. and their affiliates; or
- . except for any shares subject to a right of repurchase by us, any of our employees who agrees to the terms of the subscription agreement.

If shares are transferred to anyone other than the persons listed in the third and fourth bullet points above, the transferee will become subject to most of the terms of the subscription agreement. Shares

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that are subject to a right of repurchase may not be transferred by a designated manager. These shares are described below under "Repurchase right."

The employee will also agree to not transfer any shares during the 30 days prior to, and up to 180 days after, any underwritten initial public offering of our Class A common stock.

Co-sale right..... Prior to the end of the transfer restrictions, if a majority of the outstanding shares of our Class A common stock and Class B common stock, taken together, are sold to anyone other than the BLUM Funds, then the employee will be able to sell the same proportion of his or her shares of Class A common stock that are not subject to a right of repurchase as are being sold by the other selling stockholders. If the employee exercises this right, the sale of his or her shares will generally be on the same terms as the sale of a majority of our outstanding shares that triggered the right. However, in the event that the purchaser requires the sale to be structured as a recapitalization for financial accounting purposes, then the form of consideration paid to the majority selling stockholders may differ from the form paid to the employee.

Required sale..... To the extent permitted by applicable law, prior to the end of the transfer restrictions, if a majority of the outstanding shares of our Class A common stock and Class B common stock, taken together, are sold to anyone other than the BLUM Funds, then those selling stockholders generally will be able to require the employee to sell to the same proposed transferee the same proportion of his or her shares of Class A common stock as are being sold by the selling stockholders. If the selling stockholders exercise this right, the sale of the employee's shares of Class A common stock will be on the same terms as the sale of a majority of our outstanding shares that triggered the sale. However, in the event that the purchaser requires the sale to be structured as a recapitalization for financial accounting purposes, then the form of consideration paid to the majority selling stockholders may differ from the form paid to the employee.

Confidentiality.....

After signing the subscription agreement the employee will be subject to a confidentiality provision in the subscription agreement generally preventing him or her from disclosing any of our confidential information both during his or her term of employment by us and for five years afterwards.

Description of terms in only the designated manager subscription agreements

Repurchase right.....

If a designated manager's employment with us is terminated, we will have the right to repurchase a portion of the shares that he or she purchased in the offering of shares for direct ownership for the

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price described below. The amount of shares initially subject to this repurchase right will be the minimum number of shares required for such designated manager to receive a grant of options as described above. However, if the number of shares actually purchased by the designated manager for direct ownership is less than this amount, then all of the shares purchased for direct ownership will initially be subject to the right of repurchase.

For example, if the minimum number of shares that must be subscribed for by the designated manager in order to receive a grant of options is 6,250 shares, if such designated manager subscribes for 6,250 shares or more then 6,250 shares will initially be subject to the right of repurchase. If the designated manager only purchases 6,000 shares, then all of these shares will initially be subject to the right of repurchase.

On each of the first five anniversaries of the merger during which the designated manager remains employed by us, 20% of the shares initially subject to repurchase will cease to be subject to this right. If the designated manager's employment by us ends, then any remaining shares subject to repurchase on the date employment ends will continue to remain subject to repurchase at all times after that date.

The price for any shares that we repurchase pursuant to this right will be the fair market value of the shares at the time the designated manager's employment ends, unless the designated manager was terminated for cause or voluntarily ended his or her employment for other than a good reason, in which case the repurchase price will be the lesser of the fair market value and the amount that the designated manager paid for those shares in the offerings.

Shares that are subject to a right of repurchase may not be transferred by the designated manager.

Sale right.....

Prior to the end of the transfer restrictions, if the designated manager is no longer employed by us and we have not exercised the repurchase right at least 20 days prior to the date that the designated manager's full-recourse note becomes due, then the designated manager generally may require us to repurchase the number of shares held by the designated manager necessary to repay the note on the date it becomes due. The purchase price for the shares that we buy upon exercise of a designated manager's sale right will be the same as we would pay if we had exercised the repurchase right. The entire purchase price for these shares will be applied to the repayment of the note. If the purchase price for these shares

is not sufficient to repay the note in full then the designated manager will remain obligated to repay the remaining amount of the note.

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Tax Election..... Each designated manager will be required to make an election under Section 83(b) of the Internal Revenue Code with respect to any shares purchased that are subject to repurchase, which election means that the designated manager will include in gross income the excess of the fair market value of the shares over the amount, if any, the designated manager paid for those shares. However, we believe that the purchase price of those shares will be equal to their fair market value and accordingly, that the election will not result in any taxable income to the designated managers.

Use of Proceeds..... We will contribute the proceeds of the offerings, the proceeds received from the sale of at least \$65 million in aggregate principal amount of our senior notes and the proceeds received by us from the sale of shares of our Class B common stock to the BLUM Funds to our subsidiary, BLUM CB Corp. In connection with the merger of BLUM CB with and into CB Richard Ellis Services, CB Richard Ellis Services will use these proceeds, together with the proceeds from the issuance by BLUM CB of 11 1/4% senior subordinated notes and borrowings under a new credit agreement to be entered into by it, for the following uses:

- . payment of \$16.00 per share to the holders of CB Richard Ellis Services common stock at the time of the merger, other than the members of the buying group listed on the next page;
- . repayment of substantially all of the outstanding indebtedness of CB Richard Ellis Services at the time of the merger;
- . loans to be made to Ray Wirta and Donald Koll to replace existing margin loans;
- . payment of the fees and expenses incurred in connection with the merger transactions described below and the offerings; and
- . working capital and other general corporate purposes.

For additional information regarding the use of the proceeds of the offerings, you should read the section of this prospectus titled "Use of Proceeds."

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#### Summary of the Merger and Related Financings

In this prospectus, we refer to the merger and the related financings described below, other than the offerings being made by this prospectus, as the "merger transactions."

#### Merger Agreement

We are making the offerings in connection with our acquisition of CB Richard Ellis Services pursuant to the amended and restated merger agreement, dated as of May 31, 2001, among us, CB Richard Ellis Services and our subsidiary, BLUM CB Corp. Upon the satisfaction or the waiver of conditions described in the merger agreement, BLUM CB will merge into CB Richard Ellis Services. The stockholders of CB Richard Ellis Services at the time of the merger, other than the buying group described below who will receive shares of our Class B common stock instead, will have the right to receive \$16.00 in cash for each share of CB Richard Ellis Services common stock that they own. As a result of this merger, CB Richard Ellis Services will become the direct, wholly-owned subsidiary of CBRE Holding and the common stock of CB Richard Ellis Services will be delisted from the New York Stock Exchange.

This prospectus relates to offerings by us of (1) shares of CBRE Holding Class A common stock, including shares for direct ownership, shares to be held in the CB Richard Ellis Services 401(k) plan and shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan, and (2) options to acquire shares of CBRE Holding Class A common stock. The proceeds from these offerings will be used to fund in part the merger transactions. The offerings being made by this prospectus are conditioned upon completion of the merger.

#### The Buying Group

##### Contribution and Voting Agreement

On May 31, 2001 an amended and restated contribution and voting agreement was signed by the following persons, whom we refer to together in this prospectus as the "buying group":

- . The BLUM Funds, which are affiliates of BLUM Capital Partners, L.P. and Richard Blum and Claus Moller, each of whom will be one of our directors after the merger;
- . FS Equity Partners III, L.P. and FS Equity Partners International, L.P., which we refer to together as "Freeman Spogli," which are affiliates of Freeman Spogli & Co. Incorporated and Bradford Freeman, who will be one of our directors after the merger;
- . Raymond Wirta, who will be one of our directors and our Chief Executive Officer after the merger;
- . Brett White, who will be one of our directors and our Chairman of the Americas after the merger;
- . The Koll Holding Company, which is controlled by Donald Koll, who is a director of CB Richard Ellis Services prior to the merger; and
- . Frederic Malek, who is a director of CB Richard Ellis Services prior to the merger.

As of the date of the prospectus, the members of the buying group beneficially own approximately 39% of the outstanding shares of CB Richard Ellis Services common stock.

Pursuant to the contribution and voting agreement, immediately prior to the merger, each of the members of the buying group will contribute to us all of the shares of CB Richard Ellis Services common stock that he

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or it directly owns. Each of these shares contributed to us will be cancelled as a result of the merger. We will issue one share of our Class B common stock in exchange for each share of CB Richard Ellis Services common stock contributed to us. This will result in the issuance to the buying group of an aggregate of 8,052,087 shares of our Class B common stock in exchange for these contributions. For purposes of our financial statements, the 8,052,087 shares of CB Richard Ellis Services common stock being contributed to us along with warrants to be issued to Freeman Spogli will be valued at \$122,507,229. Other than 2,345,900 of the shares being contributed to us by the BLUM Funds that we will value at the BLUM Funds' historical equity basis of \$12.87 per share for purposes of our financial statements, all of the shares of CB Richard Ellis Services common stock being contributed to us by the buying group are being valued at \$16.00 per share. The \$16.00 per share value is the same amount per share as the amount of cash that stockholders of CB Richard Ellis Services, other than the members of the buying group, will receive for their shares in the merger. The \$16.00 per share value is also the offering price of the shares of our Class A common stock being offered by this prospectus.

Also pursuant to the contribution and voting agreement, the BLUM Funds have agreed to purchase for cash immediately prior to the merger a minimum of 2,553,879 shares of our Class B common stock at \$16.00 per share. In addition, the BLUM Funds have agreed to purchase for \$16.00 per share in cash an additional number of shares of Class B common stock equal to (1) 3,236,639 shares minus (2) the number of shares of our Class A common stock and stock fund units subscribed for in the offerings plus (3) the aggregate amount of full-recourse notes delivered by designated managers divided by \$16.00. The number of shares purchased by the BLUM Funds will be reduced by 241,885 shares, which is the number of shares of our Class B common stock the BLUM Funds have purchased for \$16.00 per share in connection with the closing of the sale of 11 1/4 senior subordinated notes by BLUM CB Corp. as described below. The proceeds from the sale of those shares to the BLUM Funds were contributed to BLUM CB Corp., which deposited the proceeds in an escrow account for release when the merger is completed. After the offerings have been completed, depending upon the amount to which the offerings are subscribed, the shares of our Class B common stock owned by the buying group will be equal to between approximately 80% and 96% of our outstanding Class A and Class B common stock, taken

together. Only the members of the buying group will have an opportunity to acquire shares of our Class B common stock.

#### Securityholders' Agreement

In connection with the closing of the merger, the members of the buying group, together with DLJ Investment Partners II, L.P. and its affiliates, will enter into a securityholders' agreement. The shares subject to the securityholders' agreement will represent a majority of the voting power of our outstanding Class A and Class B common stock, taken together. Pursuant to the securityholders' agreement, each of the members of the buying group will agree to vote each of the shares of Class B common stock it or he beneficially owns to elect to our board of directors individuals designated by the buying group. The BLUM Funds will initially designate four of our eight directors and have the right to increase our board of directors by one member and designate five of nine members.

Also pursuant to the securityholders' agreement, subject to exceptions, each member of the buying group other than the BLUM Funds will agree to vote each of the shares of Class B common stock it or he beneficially owns on matters to be decided by our stockholders in the same manner as the BLUM Funds vote the shares of our Class B common stock that they beneficially own. The exceptions apply to transactions between the BLUM Funds and us or our subsidiaries and to amendments to our certificate of incorporation or bylaws that adversely affect the other members of the buying group relative to the BLUM Funds. As a result, on most matters to be decided by our stockholders after the merger, the BLUM Funds will be able to control the outcome. The securityholders' agreement also contains terms regarding transfer restrictions, participation rights, registration rights and a right of first offer in favor of the BLUM Funds.

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#### Debt Financing for the Merger

In connection with the merger transactions, we will issue and sell at least \$65.0 million in aggregate principal amount of our 16% Senior Notes due 2011 to DLJ Investment Partners II, L.P. and its affiliates and issue and sell 521,847 shares of our Class A common stock to DLJ Investment Partners II, L.P. and its affiliates for a purchase price of \$0.01 per share. Also in connection with the merger, CB Richard Ellis Services will assume \$229 million in aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2011 of BLUM CB Corp., which were issued and sold for approximately \$225.6 million on June 7, 2001. The net proceeds from the sale of those notes by BLUM CB Corp. are currently being held in an escrow account and will be released when the merger is completed. In addition, CB Richard Ellis Services will enter into a new senior secured credit agreement with Credit Suisse First Boston and other lenders under which CB Richard Ellis Services will borrow up to \$225 million in term loans. The credit agreement will also include a \$100 million revolving credit facility, which is intended to finance our working capital requirements and a portion of which will be drawn upon at the time of the merger. The credit agreement will be secured by a pledge of stock of many of the subsidiaries of CB Richard Ellis Services, as well as a pledge of substantially all of our other assets. If the merger had occurred on March 31, 2001, on a pro forma basis we would have incurred an aggregate of \$554.0 million of indebtedness, excluding any additional borrowings under the revolving credit facility that would have been required to finance our working capital needs, to finance the merger transactions.

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#### Our Structure After the Merger Transactions

The following chart summarizes our corporate structure and the ownership of our Class A and Class B common stock and stock fund units in the CB Richard Ellis Services deferred compensation plan after the consummation of the merger transactions and assuming the offerings are fully subscribed for and no shares are paid for with full-recourse notes. The ownership summarized in the chart below does not include options or warrants to purchase our Class A or Class B common stock.

<TABLE>					
<S>	<C>	<C>	<C>	<C>	<C>
The BLUM Funds (2)	Freeman Spogli (2)	Other Members of the Buying Group (1) (2)	Designated Managers and Non-Management Employees (1) (3)	401(k) Plan (3)	DLJ Investment Partners II, L.P. and its affiliates (3)
</TABLE>					

<TABLE>					
<C>	<C>	<S>	<C>	<C>	<C>

-----  
CBRE  
Holding, Inc.

100%

CB Richard Ellis  
Services, Inc.

Operating  
Subsidiaries

- 
- (1) For the purposes of this chart, all shares owned by Raymond Wirta and Brett White are included with the Other Members of the Buying Group and not with the Designated Managers.
  - (2) These individuals or entities will hold our Class B common stock, which is entitled to ten votes per share.
  - (3) These individuals or entities will hold our Class A common stock, which is entitled to one vote per share, or stock fund units in the CB Richard Ellis deferred compensation plan, which are nonvoting prior to a distribution of the underlying Class A common stock under the plan.

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CBRE Holding, Inc. and CB Richard Ellis Services, Inc.

Our business after the merger will be the same as the business of CB Richard Ellis Services and its subsidiaries before the merger. CB Richard Ellis Services is the largest global commercial real estate services firm in terms of revenue offering a full range of services to commercial real estate occupiers, owners, lenders and investors. Through its 250 offices, it provides, under the CB Richard Ellis brand name and the CB Hillier Parker brand name in the United Kingdom, services on a local, national and international basis across approximately 100 markets in 44 countries. During 2000, CB Richard Ellis Services advised on approximately 25,000 lease transactions involving aggregate rents, under the terms of leases facilitated, of approximately \$26.0 billion and approximately 7,500 sales transactions with transaction values totaling approximately \$26.0 billion. Also during 2000, CB Richard Ellis Services managed approximately 516 million square feet of property, provided investment management services for \$10.0 billion of assets, originated nearly \$7.2 billion in loans, serviced \$16.7 billion in loans, engaged in approximately 32,000 valuation/appraisal and advisory assignments and serviced approximately 1,400 subscribers with proprietary research. In addition, at March 31, 2000 CB Richard Ellis Services employed approximately 9,700 employees.

We filed our certificate of incorporation in Delaware in February 2001 under the name BLUM CB Holding Corp. We changed our name to CBRE Holding, Inc. in March 2001. Our principal executive offices are currently located at 909 Montgomery Street, Suite 400, San Francisco, California 94133 and our telephone number is (415) 434-1111. Following the merger our principal executive offices will be located at 200 North Sepulveda Boulevard, El Segundo, California 90245-4380 and our phone number will be (310) 563-8600.

Other Information

Unless otherwise noted, this prospectus assumes:

- . the filing of our restated certificate of incorporation in Delaware authorizing an aggregate of 100,000,000 shares of common stock, including 75,000,000 shares of Class A common stock and 25,000,000 shares of Class B common stock; and
- . the consummation of the merger transactions.

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Summary Consolidated Financial Data

The following table is a summary of CB Richard Ellis Services' historical consolidated financial data for the periods presented, as well as the pro forma combined financial data of CBRE Holding giving effect to the merger transactions, the consummation of the offerings and the application of the net



proceeds as described under the section of this prospectus titled "Use of Proceeds." You should read this data along with the sections of this prospectus titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Unaudited Pro Forma Combined Financial Statements" and the audited consolidated financial statements and related notes of CB Richard Ellis Services and CBRE Holding included elsewhere in this prospectus. The unaudited pro forma combined statement of operations data do not purport to represent what our results of operations would have been if the merger transactions had occurred as of the date indicated or what our results will be for future periods. The results include the activities of two of the companies previously acquired by CB Richard Ellis Services, namely REI, Ltd. from April 17, 1998, and Hillier Parker May and Rowden from July 7, 1998. For the year ended December 31, 1998, basic and diluted loss per share include a deemed dividend of \$32.3 million on the repurchase of CB Richard Ellis Services' preferred stock. See per share information in Note 9 to the Consolidated Financial Statements of CB Richard Services and Note 8 to the unaudited pro forma combined statement of operations.

<TABLE>  
<CAPTION>

	Year Ended December 31,			Quarter Ended March 31,		Pro Forma Combined Year Ended	Pro Forma for the Quarter Ended
	1998	1999	2000	2000	2001	December 31, 2000	March 31, 2001
	(in thousands, except share and per share numbers and ratios)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Consolidated Statement of Operations Data:							
Revenue.....	\$1,034,503	\$1,213,039	\$1,323,604	\$ 260,919	\$ 272,498	\$1,323,604	\$ 272,498
Operating income.....	78,476	76,899	107,285	9,239	2,325	101,803	1,317
Interest expense, net...	27,993	37,438	39,146	9,196	8,255	65,687	15,284
Net income.....	24,557	23,282	33,388	20	(2,846)	11,656	(8,298)
Basic earnings (loss) per share.....	(0.38)	1.11	1.60	--	(0.13)	0.79	(0.56)
Weighted average shares outstanding for basic earnings (loss) per share.....	20,136,117	20,998,097	20,931,111	20,819,268	21,309,550	14,720,963	14,720,963
Diluted earnings (loss) per share.....	\$ (0.38)	\$ 1.10	\$ 1.58	\$ --	(0.13)	\$ 0.79	(0.56)
Weighted average shares outstanding for diluted earnings (loss) per share.....	20,136,117	21,072,436	21,097,240	20,851,184	21,309,550	14,759,486	14,720,963
Ratio of earnings to fixed charges (1).....	2.17	1.79	2.15	0.97	0.63	1.43	0.37

</TABLE>

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<TABLE>  
<CAPTION>

	Year Ended December 31,			Quarter Ended March 31,		Pro Forma for the Year Ended	Pro Forma for the Quarter Ended
	1998	1999	2000	2000	2001	December 31, 2000	March 31, 2001
	(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Other Data:							
Net cash (used in) provided by operating activities.....	\$ 76,614	\$ 74,011	\$ 84,112	\$(67,522)	\$(104,263)	\$ 84,112	\$(104,263)
Net cash (used in) provided by investing activities.....	(223,520)	(26,767)	(35,722)	6,314	(536)	(35,722)	(536)
Net cash (used in) provided by financing activities.....	119,438	(37,721)	(53,523)	58,794	104,940	(53,523)	104,940
EBITDA, excluding merger-related and other nonrecurring charges (2).....	127,246	117,369	150,484	19,808	14,021	149,130	13,647

</TABLE>

- - - - -

(1) Includes a deficiency of \$0.4 million for the quarter ended March 31, 2000, a deficiency of \$5.2 million for the quarter ended March 31, 2001 and a

deficiency of \$13.2 million for the pro forma quarter ended March 31, 2001.

(2) EBITDA, excluding merger-related and other nonrecurring charges, represents earnings before interest expense, income taxes, depreciation and amortization of intangible assets and excludes merger-related and other nonrecurring charges. Our management believes that the presentation of EBITDA, excluding merger-related and other nonrecurring charges, will enhance a reader's understanding of our operating performance and ability to service debt as it provides a measure of cash generated subject to the payment of interest and income taxes, that can be used by us to service debt and for other required or discretionary purposes. EBITDA, excluding merger-related and other nonrecurring charges, should not be considered as an alternative to operating income determined in accordance with GAAP or operating cash flow determined in accordance with GAAP. Our calculation of EBITDA, excluding merger-related and other nonrecurring charges, may not be comparable to similarly titled measures reported by other companies.

EBITDA, excluding merger related and other nonrecurring charges, is calculated as follows:

<TABLE>  
<CAPTION>

	Year Ended December 31,		Quarter Ended		Pro Forma	Pro Forma	
	1998	1999	March 31,	March 31,	Condensed	for the	
			2000	2001	Year Ended	Quarter	
					December 31,	Ended	
					2000	March 31,	
						2001	
	(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Operating Income.....	78,476	76,899	107,285	9,239	2,325	101,806	
Add:							
Depreciation and							
Amortization.....	32,185	40,470	43,199	10,569	11,696	47,324	
Merger Related and							
Other Nonrecurring							
Charges.....	16,585	--	--	--	--	--	
Adjusted EBITDA.....	127,246	117,369	150,484	19,808	14,021	149,130	

</TABLE>

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The following table contains consolidated balance sheet data of CB Richard Ellis Services as of December 31, 2000 and March 31, 2001 on an actual basis and CBRE Holding on a pro forma basis. The pro forma data gives effect to the merger transactions as if they had occurred on March 31, 2001.

<TABLE>  
<CAPTION>

	As of	As of	Pro Forma
	December 31,	March 31,	As of
	2000	2001	March 31,
			2001
	(in thousands)		
<S>	<C>	<C>	<C>
Consolidated Balance Sheet Data:			
Cash and cash equivalents.....	\$ 20,854	\$ 20,339	\$ 1,485
Total assets.....	963,105	931,296	1,085,547
Long-term debt, excluding current portion....	303,571	409,653	516,286
Total liabilities.....	724,018	704,037	845,557
Total stockholders' equity.....	235,339	224,292	237,023

</TABLE>

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#### RISK FACTORS

The offerings being made by this prospectus involve a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before deciding to invest in shares of our Class A common stock or securities exercisable for shares of our Class A common stock. If any of the following risks or uncertainties actually occur, our business, financial condition and operating results would likely suffer. In that event, you could lose all or part of the money you paid in the offerings.

##### Risks Related to the Merger Transactions

Our substantial leverage could harm our ability to operate our business and fulfill our debt obligations.

We will be highly leveraged after the closing of the merger transactions and will have significant debt service obligations. As of March 31, 2001 after giving effect to the merger transactions on a pro forma basis, we would have had total debt of approximately \$561.7 million (net of \$11.7 million of unamortized discounts), excluding unused commitments under our new revolving credit facility, and total stockholders' equity of \$237.0 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 to our indebtedness. For fiscal year 2000, after giving effect to the merger transactions on a pro forma basis, our interest expense would have been \$68.2 million. 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 our indebtedness documents.

Our substantial debt could have important consequences to you, including the following:

- . we will be required to use a substantial portion, if not all, of our cash flow from operations to pay principal and interest on our debt, and 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 in general increase because all of our debt under our credit agreement, including up to \$225 million in terms loans and a revolving credit facility of up to \$100 million, bears interest at floating rates generally between LIBOR plus 3.25% and LIBOR plus 3.75%;
- . our substantial leverage will increase our vulnerability to general economic downturns and adverse competitive and industry conditions and could place us at a competitive disadvantage compared to those of our competitors that are less leveraged;
- . our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the real estate services industry generally; and
- . our failure to comply with the financial and other restrictive covenants in our debt instruments, which require us to maintain specified financial ratios and limit our ability to incur 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 bankruptcy.

We cannot be certain that our earnings will be sufficient to allow us to pay principal and interest on our debt, and meet our other obligations. If we do not have sufficient earnings, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities. We cannot guarantee that we will be able to refinance our debt, sell assets, borrow money or sell more securities on terms acceptable to us or at all.

Our substantial leverage is one of the reasons why an investment in our Class A common stock is significantly more risky than an existing investment in CB Richard Ellis Services common stock.

Servicing our indebtedness requires a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

We expect to obtain from our operations the cash to make payments on our senior notes, the senior secured credit facilities, the 11 1/4% senior subordinated notes of BLUM CB Corp., which will be assumed by CB Richard Ellis Services in connection with the merger, and the 8 7/8% senior subordinated notes of CB Richard Ellis Services to the extent not tendered in connection with the merger transactions, and to fund working capital, strategic acquisitions, investments, joint ventures and other general corporate requirements. Our ability to generate cash from our operations is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. As a result, we cannot assure you that our business will generate sufficient cash flow from operations, that we will realize currently anticipated cost savings, revenue growth and operating improvements on schedule or at all or that future borrowings will be available to us under our revolving credit facility, in each case, in amounts sufficient to enable us to service our debt and to fund our other liquidity needs. If we cannot service our debt, we will have to take actions such as reducing or delaying strategic acquisitions, investments and joint ventures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, the terms of existing or future debt agreements, including the new credit agreement and the indentures for the senior notes and the 11 1/4% senior subordinated notes, may restrict us from adopting any of these alternatives.

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

The credit agreement and the indentures relating to the senior notes and the 11 1/4% senior subordinated notes will permit us, subject to specified conditions, to incur a significant amount of additional debt. The conditions to incurrence of this debt include customary conditions in agreements for senior bank financing and high yield securities, including a requirement that our ratio of EBITDA to consolidated interest expense, determined after giving effect to any proposed new incurrence of debt, not exceed a specified ratio to be agreed. In addition, we may incur additional debt under our \$100 million revolving credit facility. If we incur additional debt above the levels in effect upon the closing of the merger transactions, the risks associated with our substantial leverage, including our ability to service our debt, could intensify.

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

In connection with the incurrence of indebtedness under the new credit agreement upon the closing of the merger transactions, the lenders under the new credit agreement will receive a pledge of all of the equity interests of our significant domestic subsidiaries, including CB Richard Ellis Services, CB Richard Ellis, Inc., CB Richard Ellis Investors, L.L.C. and L.J. Melody & Company, and 65% of the voting stock of our foreign subsidiaries that are held directly by us or our domestic subsidiaries. Additionally, these lenders generally will 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 new credit agreement, the lenders under the credit agreement would be entitled to foreclose on substantially all of our assets and liquidate these assets. Under those circumstances, the holders of our Class A common stock may lose the entire value of their investment.

As a result of the merger transactions, we will be controlled by the BLUM Funds whose interests may be different than yours.

On the closing of the merger transactions, the BLUM Funds will own approximately 45.3% of our outstanding Class A and Class B common stock, taken together, assuming (1) the offerings are fully subscribed for and (2) no shares are paid for with full-recourse notes. To the extent these offerings to employees are not fully subscribed or are paid for with full-recourse notes, the BLUM Funds will purchase additional shares of

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CBRE Holding Class B common stock and their percentage ownership will increase. In addition, on the closing date, the BLUM Funds will enter into a securityholders' agreement with the other holders of our Class B common stock and DLJ Investment Partners II, L.P. and its affiliates. The Class A and Class B common stock subject to the securityholders' agreement will represent approximately 98% of the voting power of our outstanding Class A and Class B common stock, taken together, assuming the offerings are fully subscribed for and no shares are paid for with full-recourse notes. As a result of the percentage of our voting power owned by the BLUM Funds and the other parties to the securityholders' agreement and the rights granted to the BLUM Funds pursuant to the securityholders' agreement, we will be controlled by the BLUM Funds, which control will have, among others, the effects indicated below.

- . General Voting: Subject to exceptions in the securityholders' agreement, the BLUM Funds will control the outcome of all votes of holders of our Class A and Class B common stock, taken together.
- . Board: The BLUM Funds will have the right to designate a majority of the members of our board of directors.
- . Change of Control: The BLUM Funds generally will be able to prevent any transaction that would result in a change of control of us. Subject to exceptions in the securityholders' agreement, the BLUM Funds also will be able to cause a change of control. In addition, as a result of the terms of the subscription agreement required to be executed in connection with participating in the offerings, if the BLUM Funds and other stockholders agree to sell common stock equal to at least a majority of our outstanding Class A common stock and Class B common stock, taken together, then the BLUM Funds will be able to require you to sell your Class A common stock to the purchaser as well.

In connection with the BLUM Funds control of us, the interests of the BLUM Funds may differ significantly from yours and your ability to sell your shares of Class A common stock prior to an underwritten initial public offering of our Class A common stock will be extremely limited pursuant to the terms of the subscription agreement.

The new credit agreement and the indentures governing our new senior notes and the 11 1/4% senior subordinated notes will impose significant operating and financial restrictions on us, and in the event of default, all of these borrowings would become immediately due and payable.

The indentures for our new senior notes and for BLUM CB Corp.'s 11 1/4% senior subordinated notes will impose, and the terms of any future debt may impose, operating and other restrictions on us, CB Richard Ellis Services and many of our subsidiaries. These restrictions will affect, and in many respects will limit or prohibit the ability of us, CB Richard Ellis Services and our other restricted subsidiaries after the merger to:

- . incur or guarantee additional debt;
- . pay dividends or distributions on capital stock;
- . repurchase equity interests;
- . make investments;
- . create restrictions on the payment of dividends or other amounts to us;
- . sell or otherwise dispose of assets, including capital stock of subsidiaries;
- . create liens;
- . enter into transactions with affiliates; and
- . enter into mergers or consolidations.

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In addition, the new credit agreement will include other and more restrictive covenants and prohibit us from prepaying most of our other debt while debt under the credit agreement is outstanding. The new credit agreement will also require 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 the indenture and the credit agreement 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 our operations, strategic acquisitions, investments or alliances 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 our inability to comply with the required financial ratios could result in a default under the new credit agreement and the indentures governing the senior notes and the 11 1/4% senior subordinated notes. If any such default occurs, the lenders under the credit agreement and the holders of the senior notes and the 11 1/4% senior subordinated notes, pursuant to the respective indentures may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable. The lenders will 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 credit agreement will also have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash. If the debt under the credit agreement, the senior notes, and the 11 1/4% senior subordinated notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that debt and our other debt.

We are a party to numerous lawsuits, including lawsuits related to merger transactions, which if determined adversely to us, could result in the imposition of damages against us and could harm our business and financial condition.

Both BLUM CB Corp. and CB Richard Ellis Services have been subject to putative class action lawsuits in Delaware and California in connection with the announcement of the merger transactions. These actions all alleged that BLUM CB's offering price was unfair and inadequate and sought injunctive relief or rescission of the merger transactions and, in the alternative, money damages. Although BLUM CB and CB Richard Ellis Services entered into a memorandum of understanding with respect to the actions that have been filed in Delaware that may lead to a settlement, there are numerous conditions to the settlement and not all of them may be satisfied. In addition, we may be subject to other lawsuits in connection with the merger transactions that have not yet been filed. In the event that the current lawsuits with respect to the merger transactions are not settled or we become subject to additional suits, these lawsuits could result in the imposition of damages against us or CB Richard Ellis Services. In the event that damages are awarded, our business and

financial condition could be harmed.

In addition, CB Richard Ellis Services is the defendant in numerous lawsuits filed in the ordinary course of business. Although it is defending these claims, CB Richard Ellis Services cannot be certain that these cases will be resolved in its favor, and its insurance policies may not cover any such losses. Any losses not covered by insurance could adversely impact our business.

#### Risks Related to Our Business

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

In the latter part of the first quarter of 2001, the business of CB Richard Ellis Services was adversely affected by a slowdown in the U.S. economy in general, and certain local and regional U.S. economies in particular, which have led to deteriorating commercial real estate market conditions. Its first quarter results reflected a slowdown in its U.S. sales activities beginning in February and a slowdown in its U.S. lease activities

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beginning in March, as well as lower than expected revenues in Europe and Asia Pacific. This weakness in sales and lease activity has continued into the second quarter. Operating results for the month of April 2001 were considerably below its operating results for the month of April 2000 and the month of March 2001.

Periods of economic slowdown or recession in the United States and in other countries, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, can harm many segments of our business. These economic conditions could result in a general decline in rents which in turn would reduce revenues from property management fees and brokerage commissions derived from property sales and leases. In addition, these conditions could lead to a decline in sale prices as well as a decline in demand for 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 other segments of our business will also suffer, due to the relationship among our various business segments. Further, as a result of our debt level and the terms of the debt instruments we will enter into in connection with the merger transactions, our vulnerability to adverse general economic conditions will be heightened.

The sharp downturn in the commercial real estate market beginning in the late 1980s in the United States caused, and downturns in the future may again cause, some property owners to dispose of or lose their properties through foreclosures and has caused many real estate firms to undergo restructuring or changes in control. Changes in the ownership of properties may be accompanied by a change in property and investment management firms and could cause us to lose management agreements or make the agreements we retain less profitable.

We may not be able to implement our cost savings strategy; if we are able to implement it, it may not reduce our operating expenses by as much as we anticipate and could even compromise our business.

In light of the recent slowdown in the U.S. economy and the decline in the operating performance of CB Richard Ellis Services, it has announced a major cost cutting program. As part of this plan, it intends to reduce its work force, reduce the bonuses it pays to managers and reduce other operating and back office expenses. While it expects to realize between approximately \$35 to \$40 million in cost savings during the remainder of 2001, excluding one-time severance costs, we cannot assure you that we and CB Richard Ellis Services will be able to implement the plan during 2001 or at all. Even if we are able to implement the plan, it may yield substantially less savings than we expect. In fact, the implementation of the plan could adversely affect our revenue, as it could create inefficiencies in our business operations, result in labor disruptions and limit our ability to expand and grow our business.

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 property management/asset services segment, and to some extent from our facilities management segment, is generally a percentage of aggregate rent collections from properties, with many management agreements providing for a specified minimum management fee. Accordingly, our success will be dependent in part upon the performance of the properties we manage and 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 or may be put into effect;

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- . 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.

We have numerous significant competitors, many 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 asset management, agency leasing, valuation and mortgage banking. In general, with respect to each of our business disciplines, we cannot assure you that we will be able to continue to compete effectively, maintain our current fee arrangements or margin levels or not encounter increased competition. Each of the business disciplines in which we compete is highly competitive on an international, national, regional or local level. Although we are one of the largest real estate services firms in the world, 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. Many of our competitors are local or regional firms, which are substantially smaller than us. However, they may be substantially larger on a local or regional basis. We are also subject to competition from other large national and multinational firms.

In addition to our historical competitors, the advent of the Internet has introduced new ways of providing real estate services, as well as new entrants and competitors in our industry. We cannot currently predict who these competitors will be, nor can we predict what our response to them will be. Our response to competitive pressures could require significant capital resources, changes in our organization or technological changes. If we are not successful in developing a strategy to address the risks and to capture the related opportunities presented by technological changes and the emergence of e-business, our business, financial condition or results of operations could be harmed.

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

We conduct a substantial portion of our business, and a substantial number of our employees are located, outside of the U.S. In the first quarter of 2001, we generated approximately 23% of our revenue from operations outside the U.S. The international scope of our operations may lead to volatile financial results and difficulties in managing our businesses. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include the following factors:

- . difficulties and costs of staffing and managing international operations;
- . currency restrictions, such as those in Brazil, India and Malaysia, which may prevent us from transferring capital and profits to the U.S.;
- . changes in regulatory requirements;
- . potentially adverse tax consequences;
- . the burden 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 between personnel in different areas of the world;
- . greater difficulty in collecting accounts receivable in some geographic regions such as Asia and Europe;
- . political instability; and

. foreign ownership restrictions with respect to operations in countries such as Indonesia, India and China.

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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 which 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.

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

Our revenues from non-U.S. operations have been primarily denominated in the local currency where the associated revenues were earned. During the first quarter of 2001, approximately 23% of our business was transacted in currencies of foreign countries, primarily the British Pound Sterling, the Canadian Dollar, the French Franc, the Hong Kong Dollar and the Australian Dollar. We may experience significant negative fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. For example, as a result of exchange rate adjustments, our total net income was reduced by approximately \$1.1 million during 2000.

We have made significant acquisitions of non-U.S. companies since the beginning of 1998, including Hillier Parker May and Rowden, REI, Ltd. and CB Commercial Real Estate of Canada, Inc. We may acquire additional foreign companies in the future as well. 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 have a material adverse effect on our business, operating results and financial condition. 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. Due to the constantly changing currency exposures to which we will be subject and the volatility of currency exchange rates, we cannot assure you that we will not experience currency losses in the future, nor can we predict the effect of exchange rate fluctuations upon future operating results.

Our management may decide to use currency hedging instruments including foreign currency forward contracts, purchased currency options, where applicable, and borrowings in foreign currency. Economic risks associated with these hedging instruments include fluctuations in inflation rates impacting cash flow relative to paying down debt and changes in the underlying net asset position. These hedging activities may not be effective.

We have grown significantly during the past five years which has placed significant demands on our resources and we may not be able to effectively manage this growth or future growth.

We have grown significantly in recent years from total consolidated revenues of approximately \$583 million in 1996 to approximately \$1.3 billion in 2000. This historical growth and any significant future growth will continue to place demands on our resources. Accordingly, our future success and profitability will depend, in part, on our ability to enhance our management and operating systems, manage and adapt to rapid changes in technology, obtain financing for strategic acquisitions and investments, retain employees due to policy and procedural changes and retain customers due to our ability to manage change. We may not be able to successfully manage any significant expansion or obtain adequate financing on favorable terms to manage our growth.

A significant portion of our operations are concentrated in California, and our business could be harmed if an economic downturn occurs in the California real estate market.

During the first quarter of 2001, approximately \$57.7 million, or 32.6%, of our \$177.0 million in total sale, lease and corporate service revenue, including revenue from investment property sales, was generated from transactions originated in the State of California. As a result of the geographic concentration in California, a material downturn in the California commercial real estate market or in the local economies in San Diego, Los Angeles or Orange County could harm our results of operations.

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

Our operating income and earnings have historically been substantially lower during the first three calendar quarters than in the fourth quarter. The reasons for the concentration of income and earnings in the fourth quarter include a general, industry-wide focus on completing transactions by calendar year end, as well as the constant nature of our non-variable expenses throughout the year versus the seasonality of our revenues. This has



historically resulted in a small operating loss in the first quarter, a small operating profit or loss in the second and third quarters and a larger profit in the fourth quarter, excluding the recognition of investment generated performance fees. As a result, quarter-to-quarter comparisons may be difficult to interpret.

Our growth has depended significantly upon acquisitions and we have experienced difficulties integrating these acquired businesses with our business.

A significant component of our growth from 1996 to 1998 was, and part of our principal strategy for continued growth is, through acquisitions. Our strategic acquisitions since 1995 have included Hillier Parker May and Rowden, REI, Ltd., Koll Real Estate Services, L. J. Melody & Company and Westmark Realty Advisors. Recent tactical acquisitions have included Cauble and Company, North Coast Mortgage and Shoptaw-James. We expect to continue our acquisition program. Any future growth by us 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 or whether the consequences of any acquisition will prove incorrect.

We have had, and may experience in the future, significant difficulties in integrating operations acquired from other companies, including the diversion of our management's attention from other business concerns and the potential loss of our key employees or those of the acquired operations. For example, in the Westmark acquisition, serious differences in corporate culture resulted in the loss of several key employees. In the Melody acquisition it took over a year to blend our loan servicing operations with those of L. J. Melody. The integration of Koll and our property, facilities and corporate accounting systems took almost nine months to complete. We believe that most acquisitions will have an adverse impact on operating income and net income during the first six months following the acquisition. In addition, during this time period, there are generally significant one-time costs relating to integrating information technology, accounting and management services and rationalizing personnel levels.

We have had particular difficulty integrating the accounting systems of all the businesses we have acquired. We have numerous different accounting systems each of which reports results in a different currency. 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 us to coordinate geographically diverse organizations and implement new accounting and information technology systems.

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

An important part of the strategy for our investment management business involves investing our own capital in real estate investments with our clients. As of March 31, 2001, we had a total net investment of \$66.5 million in co-investments and had committed an additional \$40.6 million to fund future co-investments. Our participation in real estate transactions through co-investment activity could increase fluctuations in our earnings and cash flow. Other risks associated with these activities include:

- . loss of our investments;

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- . difficulties associated with international co-investment described in the risk factors above "Our international operations subject us to social, political and economic risks of doing business in foreign countries" and "Our revenues and earnings may be adversely affected by foreign currency fluctuations"; and
- . our 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.

We have invested in a number of non-core, e-commerce businesses and other Internet-related real estate investments and may never realize a return on these investments.

We have invested approximately \$23.0 million in a number of non-core e-commerce businesses and other Internet-related real estate investments. These investments are highly speculative and may never generate any income for us. In addition, we may lose all the money we have invested in these businesses. For example in the second quarter, we will write-off our \$2.9 million investment in Eziaz, which has recently declared bankruptcy. Our write-off of our Eziaz investment, and any other write-offs we may take in the future, will adversely affect our earnings.

We may incur liabilities related to our subsidiaries being general partners of numerous general and limited partnerships.

We have subsidiaries which are general partners in numerous general and limited partnerships that invest in or manage real estate assets in connection with our co-investments. Any subsidiary that is a general partner is potentially liable to its partners and for the obligations of its partnership, including those obligations related to environmental contamination of properties owned or managed by the partnership. If our exposure as a general partner is not limited, or if our exposure as a general partner expands in the future, any resulting losses may harm our business, financial condition or results of operations. We own our general partnership interests through special-purpose subsidiaries. We believe this structure will limit our exposure to the total amount we have invested in and the amount of notes from, or advances and commitments to, these special-purpose subsidiaries. However, this limited exposure may be expanded in the future based upon, among other things, changes in our operating practices, changes in applicable laws or the application of additional laws to our business.

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

We have utilized joint ventures for large commercial investments, initiatives in Internet-related technology and local brokerage partnerships. In the future, we may acquire interests in additional limited and general partnerships and other joint ventures formed to own or develop real property or interests in real property. We have acquired and may acquire minority interests in joint ventures, and we may also acquire interests as a passive investor without rights to actively participate in the management of the joint ventures. Investments in joint ventures involve additional risks, including the following:

- . the other participants may become bankrupt or have economic or other business interests or goals which are inconsistent with our own; and
- . 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.

If a joint venture participant acts contrary to our interest, it could harm our business, results of operations and financial condition.

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

Our continued success is highly dependent upon the efforts of our executive officers and key employees. We expect that after the consummation of the merger transactions, the only members of our senior management that will be parties to employment agreements with us are Raymond Wirta, our Chief Executive Officer, and Brett White, our Chairman of the Americas. If either of Messrs. Wirta or White leaves or his or her services become otherwise unavailable to us, our business and results of operations may suffer.

In addition, as a decentralized, global commercial real estate services firm, we rely to a considerable extent on the quality of local management and the reputation of our employees in the various countries in which we operate. If we fail to attract and retain key personnel in the foreign countries in which we operate, particularly in those foreign countries where we have a limited operating history and brand recognition, 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 segments of our business, we may incur significant financial penalties.

Due to the broad geographic scope of our operations and the numerous forms of real estate services we perform, we are subject to numerous federal, state and local laws and regulations specific to the services we perform. For example, our 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 our license suspended. In addition, because the size and scope of real estate sale transactions has 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. In the future, the laws and regulations applicable to our business, both in the U.S. and in foreign countries, also may change in ways that materially increase our costs of compliance.

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

As a licensed real estate broker, we and our licensed employees are subject to statutory due diligence, disclosure and standard-of-care obligations in connection with brokerage transactions. Failure to fulfill these obligations could subject us or our employees to litigation from parties who purchased, sold or leased properties we brokered or managed. We may become subject to claims by participants in real estate transactions 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 properties. While our role generally 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 and results of operations.

#### Risks Related to Participating in Any of the Offerings

Because of the lack of any market for our Class A common stock and the transfer restrictions that we are imposing, you should only purchase shares of Class A common stock in the offerings if you are financially able and prepared to hold these shares of Class A common stock for an indefinite period of time.

There is no public market for our Class A common stock. In connection with the offerings, each purchaser of our Class A common stock for direct ownership will be required to sign a subscription agreement, which will include significant restrictions on transferring our Class A common stock. As a result of these restrictions,

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prior to any initial underwritten public offering of our Class A common stock and the listing of our Class A common stock on a national securities exchange or the Nasdaq National Market, the holders of our Class A common stock generally will only be able to transfer their shares to specified family members, specified estate planning vehicles, affiliates and, if the shares are not subject to a right of repurchase, other employees of us and our subsidiaries as well as our other stockholders. In addition, designated managers will be prohibited from transferring any shares that are subject to our right of repurchase. During the transfer restriction period described above, before a participant in the CB Richard Ellis Services 401(k) plan or deferred compensation plan may receive a distribution of shares of our Class A common stock, if the participant has not previously signed a subscription agreement he or she will be required to sign a stockholder's agreement that contains substantially the same restrictions on transfer as the subscription agreements. Accordingly, no public market will exist for the sale of the shares of our Class A common stock after the offerings.

Even if a limited market were to develop in the manner permitted under the subscription agreements and the stockholder's agreements described in the prior paragraphs, the liquidity of the market would be very limited and the holders of Class A common stock would be significantly limited in their ability to transfer their shares. In addition, the prices that may be offered for the shares in a limited market may vary significantly and the prices may be higher or lower than the price for which the shares are being offered in the offerings. We do not intend to apply for a listing of our shares of Class A common stock on any national securities exchange or automated quotation system.

We are offering shares of our Class A common stock, which have significantly less voting power than the shares of our Class B common stock that will be held by the buying group.

We will be offering shares of our Class A common stock for direct ownership and ownership through the CB Richard Ellis Services 401(k) plan, options to acquire shares of our Class A common stock and shares of our Class A common stock underlying stock fund units in the CB Richard Ellis Services deferred compensation plan in these offerings. Each share of our Class A common stock has the right to one vote on all matters submitted to our stockholders. In connection with the merger transactions, each of the members of the buying group will receive shares of our Class B common stock, which have the right to ten votes per share on all matters submitted to our stockholders. In addition, in the event that any holder of Class B common stock acquires shares of Class A common stock in the future, whether pursuant to rights set forth in the subscription agreements or otherwise, the holder of Class B common stock may elect to convert those shares of Class A common stock into an equal number of shares of Class B common stock. However, under circumstances set forth in our certificate of incorporation described in the section of this prospectus titled "Description of Capital Stock," each of the outstanding shares of Class B common stock may convert into a share of Class A common stock.

As a result of the disparate voting rights of the Class A common stock and the Class B common stock, the holders of our Class B common stock, which generally will only be members of the buying group, will be able to determine all matters submitted to our stockholders. Accordingly, if you acquire any

shares of Class A common stock as a result of the offerings, you will have little ability to exercise any control of us through the voting of your shares.

Other than with respect to voting rights, the shares of Class A common stock and Class B common stock have the same rights.

We may issue additional Class A common stock or Class B common stock in the future for a price per share less than what you are paying in this offering, which will result in additional dilution to you.

You may experience dilution in book value per share of Class A common stock outstanding upon the exercise of options that may be issued from time to time. In addition, we may increase the number of authorized shares of Class A common stock or Class B common stock or grant additional options or other equity interests that will have the effect of diluting your equity interests.

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We have no current intention to pay dividends on our Class A common stock or Class B common stock.

We have no current intention to pay dividends on our Class A common stock or Class B common stock at any time in the foreseeable future. In addition, the credit agreement and the indentures for the senior notes and the 11 1/4% senior subordinated notes contain restrictions on our ability to declare and pay dividends on our capital stock.

Holder of a majority of our Class A common stock and Class B common stock, taken together, will be able to require you to sell your shares of Class A common stock upon the same terms and conditions that they receive.

Pursuant to the subscription agreements, if stockholders decide to sell shares of our Class A common stock and Class B common stock equal to at least a majority of the outstanding shares of our Class A common stock and Class B common stock, taken together, then they may require you to sell your shares generally upon the same terms and conditions. These terms and conditions may include, among other things, making representations and warranties regarding your ownership of these shares, agreeing to indemnify the purchaser for breaches of representations, warranties and covenants that you are required to make in the sale agreement and placing a portion of the consideration received for your shares in escrow to satisfy any potential obligations owed to the purchaser of the shares. However, in the event that the purchaser requires the sale to be structured as a recapitalization, then the form of consideration paid to the majority selling stockholders may differ from the form paid to the employees. The requirement to sell your shares at the request of our majority stockholders will apply even if you do not want to sell your shares at that time and upon the terms and conditions negotiated by our majority stockholders. For additional information regarding our stockholders' ability to require you to sell your shares, see the section of this prospectus titled "Description of the Offering Documents--Subscription Agreements--Required Sale."

Your participation in the offerings could result in unfavorable tax treatment of cash that you receive in the merger in exchange for shares of CB Richard Ellis Services common stock that you own directly.

If you participate in the offerings, any cash consideration that you receive in the merger in exchange for shares of CB Richard Ellis Services common stock that you own directly may be treated as a dividend taxable as ordinary income, without regard to your gain or loss, unless you satisfy one of three tests for capital gain or loss treatment. These tests, which are described more fully under "U.S. Federal Tax Consequences," are complex and require an analysis of your actual and constructive ownership of CB Richard Ellis Services before and after the merger and the offerings. In addition, we have attempted to structure the offerings so that, by irrevocably assigning your right to receive the cash proceeds that you would have received in the merger as payment to us for your Class A common stock, you can claim that you exchanged shares of CB Richard Ellis Services common stock for our Class A common stock in a tax-free exchange. There can be no assurance that the Internal Revenue Service will agree with that characterization. For more information about the U.S. federal income tax consequences of the merger and the offerings, see the section of this prospectus entitled "U.S. Federal Tax Consequences."

Designated managers will be required to make a Section 83(b) election under the federal income tax laws with respect to any shares subject to repurchase, and this election may not always be beneficial with respect to these taxes.

Pursuant to the subscription agreement, designated managers will be required to make a Section 83(b) election under the Internal Revenue Code of 1986 with respect to shares subject to repurchase. This means that a designated manager will include in gross income the excess of the fair market value of the shares subject to repurchase over the amount, if any, the designated manager paid for those shares. However, we believe that the purchase price of those shares will be equal to their fair market value and, accordingly that the election will not result in any taxable income to the designated managers. If, however, such shares were determined to have a higher value than the purchase price, a

entitled to claim any tax loss in that amount with respect to any shares subject to repurchase that are subsequently forfeited upon the termination of a designated manager's employment.

#### Risks Related to the Deferred Compensation Plan Offering

Participants in the CB Richard Ellis Services deferred compensation plan will be subject to taxation at ordinary income rates on the fair market value of our Class A common stock at the time that common stock is distributed to them and may need separate financial resources to pay these taxes.

Participants in the offering of shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan will be subject to taxation at ordinary income rates and we will be required to withhold these taxes, including federal taxes, at the time they have elected to receive distributions of our Class A common stock or other payments from their account balance under the plan. However, participants under the plan are permitted to delay the time that they will receive their distributions under specified circumstances. Participants will also owe Federal Insurance Contributions Act taxes and Medicare taxes as their deferred compensation vests.

For federal income tax purposes, the ordinary income that is attributable to shares of our Class A common stock will equal the fair market value of such shares at the time of their distribution, determined without taking into account the transfer restrictions applicable to our Class A common stock. Because there may be little or no ability to sell the shares of Class A common stock that are distributed from the deferred compensation plan, the funds needed to pay the taxes on the Class A common stock distribution will need to be obtained from the participant's other financial resources.

Account balances invested in stock fund units may not be transferred into other investment funds under the CB Richard Ellis Services deferred compensation plan.

Account balances invested in stock fund units may not be transferred into other investment funds under the CB Richard Ellis Services deferred compensation plan. As a result, a participant in the plan that holds stock fund units will not have any ability to dispose of his or her investment in such stock fund units or the Class A common stock underlying such units until a distribution event under the plan has occurred and the underlying shares of Class A common stock are distributed to the participant. In addition, prior to the earlier of the tenth anniversary of the merger or the completion of an initial public offering following which our Class A common stock is listed on a national securities exchange or the Nasdaq National Market, any shares of Class A common stock distributed to a participant under the plan will be subject to significant transfer restrictions described in this prospectus.

#### Risk Related to the 401(k) Plan Offering

If you purchase shares of our Class A common stock that will be held in the CB Richard Ellis Services 401(k) plan, you will be unable to change this investment to another investment alternative under the plan.

Prior to the merger, participants that hold shares of CB Richard Ellis Services common stock in their CB Richard Ellis Services 401(k) plan accounts can sell these shares and invest the proceeds in other investment alternatives under the plan. After the merger, anyone who purchases shares of our Class A common stock to be held in the 401(k) plan in the offerings generally will not be able to sell these shares and invest the proceeds in other investments under the plan. We currently expect to implement a limited trading mechanism among 401(k) plan participants that would allow participants that hold shares of our Class A common stock in the 401(k) plan to periodically sell a limited number of these shares to other participants in the plan who want to purchase those shares. However, even if we establish this type of mechanism, the ability to sell shares held in the 401(k) plan would be significantly limited and would depend on whether other participants in the plan wanted to liquidate other investments held in their 401(k) plan account in order to purchase shares of Class A common stock to be held in their accounts. In addition, we may not be able to ever implement this mechanism or may terminate the mechanism after it is implemented.

Participants should also take into account that an investment in our Class A common stock through the CBRE Holding Common Stock Fund may limit the participant's ability to receive loans or hardship withdrawals from the plan, since assets held in the CBRE Holding Common Stock Fund may not be used for loans or hardship withdrawals.

## Risk Related to Designated Managers Who Sign a Full-Recourse Note

You generally will be personally liable for the full amount of the note even if the shares of Class A common stock securing the note decrease in value and become worth less than the amount owed on the note.

If a designated manager delivers a full-recourse note for a portion of his or her purchase price for shares of Class A common stock to be owned directly, the note will be secured by a pledge of shares of our Class A common stock directly owned by the designated manager having an aggregate offering price equal to 200% of the amount of the note. The pledge agreement will provide that, in the event that the designated manager fails to repay the note, we will be able to sell these pledged shares to satisfy this liability. If the value of the pledged shares securing the note decreases after the offering, then the proceeds from the sale of the pledged shares may be less than the remaining outstanding balance of the note. As a result, unless the designated manager has died or become disabled, the unpaid portion of the note will remain outstanding as a personal obligation of the designated manager. Under these circumstances, a designated manager would lose more than the cash that he or she originally invested in the pledged shares.

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## FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. The words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and similar terms and phrases are used in this prospectus to identify forward-looking statements. Forward-looking statements included in this prospectus include, but are not limited to, statements under the headings "Prospectus Summary," "Risk Factors," "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 which are 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, that could cause our actual results to differ materially from those 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 countries in which we operate;
- . foreign currency fluctuations;
- . our ability to manage our growth and integrate our decentralized businesses;
- . our ability to reduce operating expenses;
- . an economic downturn in real estate markets across the world, particularly in California;
- . acquisitions;
- . our co-investment activities;
- . our joint venture activities;
- . our investments in e-commerce initiatives;
- . our ability to retain senior management and other qualified and experienced employees in the many countries in which we operate;
- . our ability to comply with the laws and regulations applicable to real estate brokerage and mortgage transactions; and
- . significant litigation.

All of the forward-looking statements should be considered in light of these factors. We do not undertake any obligation to update the forward-looking

statements or risk factors contained in this offering circular to reflect new information, future events or otherwise, except as required by law.

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#### QUESTIONS AND ANSWERS

The following questions and answers briefly address some commonly asked questions about the offerings. They may not include all of the information that is important to you. We urge you to read carefully this entire prospectus.

Q: Why is CBRE Holding making the offerings?

A: We are making the offerings in order to give the employees and selected independent contractors of CB Richard Ellis Services and its subsidiaries the opportunity to own equity in us after the merger. We believe that equity ownership by these employees and independent contractors will provide them with an ability to participate in any future growth in our equity value and, as a result of their proprietary interest, motivate and incentivize them to exert their best efforts on our behalf.

Q: Does CBRE Holding need to sell a particular number of shares of its Class A common stock in the offerings in order to complete the merger transactions?

A: No. Although we will use the proceeds received from the offerings to help fund the merger transactions, including the merger, we do not need the proceeds of the offerings to consummate the merger transactions. In the event that less than all of the shares of Class A common stock and stock fund units that are being made available in the offerings are purchased, the BLUM Funds will purchase a number of shares of Class B common stock equal to the number of shares of Class A common stock and stock fund units that are not purchased in the offerings. For additional information regarding the contribution and voting agreement, you should read the section of this prospectus titled "The Merger Transactions--Contribution and Voting Agreement."

Q: Which of the offerings can I participate in?

A: The qualifications for participation in each of the offerings are the following:

- . Offering of shares for direct ownership and grants of options: All of (1) the designated managers, (2) our directors after the merger, (3) our U.S. employees other than designated managers and (4) our independent contractors in the states of California, New York, Illinois and Washington may participate in the offering of shares for direct ownership. If a designated manager purchases a specified amount of shares in the offering of shares for direct ownership, the designated manager will be eligible to receive a grant of stock options.
- . Offering of shares held in 401(k) plan: All of our U.S. employees who are currently participants in the CB Richard Ellis Services 401(k) plan may participate in this offering.
- . Offering of shares underlying stock fund units: All of (1) our U.S. employees and (2) our independent contractors in the states of California, New York, Illinois and Washington, in each case at the time of the merger, who have stock fund units in the CB Richard Ellis Services deferred compensation plan that have vested prior to the merger may participate in this offering. In addition, designated managers will also have the right to transfer into stock fund units an aggregate of up to \$2.6 million of deferred compensation plan account balances that are currently allocated to the insurance fund under the deferred compensation plan.

Q: If I am a designated manager, could the limitation on participation in the offering of shares for direct ownership prevent me from purchasing enough shares to be eligible to receive stock options?

A: No. Even if the total subscriptions for participants in the offering of shares for direct ownership exceeds the aggregate number of shares being made available in that offering, we will ensure that each designated manager is allowed to purchase enough shares to satisfy the eligibility requirements for receiving stock options.

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Q: How were the purchase price for the Class A common stock and the exercise price for the options to acquire Class A common stock determined?

A: The purchase price of \$16.00 per share for the shares of our Class A common and the exercise price of \$16.00 for the options to acquire our Class A common stock are the same as the cash price that will be paid by the BLUM

Funds to purchase shares of our Class B common stock pursuant to the contribution and voting agreement. The offering price of \$16.00 per share is also the same price that is being paid in the merger to the CB Richard Ellis Services stockholders, other than the members of the buying group, for each share of CB Richard Ellis Services common stock that they own.

- Q: Are there any risks associated with investing in the offerings that I should consider?
- A: Yes. There are numerous and significant risks associated with investing in any of the offerings. You should read each of the risk factors in the section of this prospectus titled "Risk Factors" before you decide to invest in any of the offerings. As a result of these risks, you could lose all or part of the money that you pay to buy shares of our Class A common stock in the offerings.
- Q: How does an investment in Class A common stock differ from an existing investment in CB Richard Ellis Services common stock?
- A: Our business after the merger will be substantially the same as CB Richard Ellis Services' business before the merger. However, as a result of the merger transactions, we will have substantially more indebtedness than CB Richard Ellis Services currently has. In addition, because our Class A common stock, unlike CB Richard Ellis Services common stock, will not be publicly traded or listed on a national stock exchange and because you will be required to sign a subscription agreement significantly restricting your ability to transfer shares of our common stock you own directly, it will be much more difficult to sell shares of our Class A common stock than it is for you to currently sell shares of CB Richard Ellis Services common stock. Also, if you purchase shares of our Class A common stock to be held in the CB Richard Ellis Services 401(k) plan, you will generally not be able to sell those shares prior to becoming eligible for a distribution under the plan, unlike shares of CB Richard Ellis Services common stock currently held in the plan, which generally may be sold by plan participants at any time. Each share of our Class A common stock also will have proportionately lower voting rights than each share of CB Richard Ellis Services common stock because each share of Class A common stock will have one vote and each share of Class B common stock, which shares will be held only by the members of the buying group, will have ten votes. For additional information about the amounts and terms of the indebtedness that we will incur in connection with the merger transactions, you should read the sections of this prospectus titled "Capitalization" and "Description of Indebtedness." If you would like to know more about the restrictions on your ability to transfer shares of our Class A common stock, you should read the sections of this prospectus titled "Description of the Offering Documents--Subscription Agreements" and "Description of the Plans--CB Richard Ellis Services Capital Accumulation Plan." If you would like to know more about the voting and other rights applicable to our Class A common stock and our Class B common stock, you should read the section of this prospectus titled "Description of Capital Stock."
- Q: If I want to subscribe in the offerings, what should I do?
- A: We expect to conduct a series of meetings between members of our senior management and our employees and independent contractors who are eligible to participate in these offerings. The meetings will be held at CB Richard Ellis Services' offices in a number of cities in the United States on dates and at times that we will communicate to these employees. If you do not work at one of CB Richard Ellis Services' offices in or near one of the cities where the meetings will be conducted, we will make available to you a video or telephonic connection with at least one of the meetings. At these meetings, we will distribute the preliminary prospectus and discuss the matters described in the prospectus. Upon the effectiveness of the registration statement, if you decide that you want to participate in one or more of the offerings, you will be required to complete and return to us the appropriate subscription materials no later than

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. , 2001. The subscription materials will indicate how and when you should deliver payment for any of our securities that you decide to acquire in the offerings. If you would like to know more about the offering process, you should read the section of this prospectus titled "The Offerings."

- Q: When will the offerings be completed?
- A: We expect to complete the offerings substantially simultaneously with the closing of the merger agreement. We currently expect to close the merger agreement in July 2001.
- Q: What if the merger agreement is terminated, abandoned or does not close for some other reason?



A: The offerings will not be completed if the merger agreement is terminated, abandoned or does not close for some other reason. If you have delivered any subscription materials or payment to us before the termination or abandonment of the merger agreement, we will promptly return the materials or payment to you. You should read the section of this prospectus titled "The Merger Transactions--Merger Agreement" if you would like to know more about the conditions to the closing of the merger agreement.

Q: What type of information will be available about CBRE Holding and CB Richard Ellis Services after the closing of the merger agreement and the offerings?

A: After the closing of the merger transactions and the offerings, we expect to be subject to both the reporting requirements and the proxy rules of the Securities Exchange Act of 1934. These requirements mean that we will file the same type of periodic and other reports and proxy statements that CB Richard Ellis Services currently files, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and a proxy statement for each of our stockholder meetings. In addition, our stockholders that beneficially own 5% or more of our common stock, such as the BLUM Funds and Freeman Spogli, will be required to file, and amend as warranted, a Schedule 13D or Schedule 13G and our directors, officers and stockholders that beneficially own 10% or more of our common stock will be subject to the "short-swing" trading rules under Section 16 of the Securities Exchange Act. In the future, if we no longer have at least 300 holders of record of our common stock, we may decide to deregister our common stock under the Securities Exchange Act. In that case we would no longer need to file proxy statements and our stockholders, directors and officers would not need to file Schedule 13Ds or Schedule 13Gs and would no longer be subject to Section 16. However, even if we deregister our common stock, we would be required under the indenture governing our senior notes to continue to provide the other reports indicated above for as long as the senior notes remain outstanding and CB Richard Ellis Services would be required under the indenture governing the 11 1/4% senior subordinated notes to continue to provide the other reports indicated above for as long as the senior subordinated notes remain outstanding. After the closing of the merger transactions and the offerings, the common stock of CB Richard Ellis Services is expected to be deregistered under the Securities Exchange Act of 1934 and will be delisted from the New York Stock Exchange. As a result, although CB Richard Ellis Services will continue to file periodic reports, it will cease to file proxy statements and its directors, officers and stockholders will cease making filings under Section 13 or 16 of the Securities Exchange Act.

Q: Does CBRE Holding have any current intentions to apply for a listing of the shares of its common stock on a national securities exchange or the Nasdaq National Market?

A: No. Although an underwritten public offering of shares of our common stock and a listing of these shares may occur in the future, we do not have any current intention to do so and these events may never happen.

Q: Will I be able to transfer my shares to whomever I want?

A: No. Prior to the earlier of ten years from the closing of the merger transactions or 180 days after an underwritten initial public offering of our common stock that results in the listing of our common stock on a national stock exchange or the Nasdaq National Market, you generally will only be able to transfer your shares to the following types of persons:

- . specified members of your family or a person acting as a fiduciary on their behalf;
- . trusts or other entities, all of the beneficial interests of which are held by you or one or more of the persons indicated in the prior bullet point;
- . us;
- . the BLUM Funds;
- . Freeman Spogli or their affiliates; or
- . except for shares held by our designated managers that remain subject to a right of repurchase, any of our employees who have signed a subscription agreement or generally agree to become subject to the terms of your subscription agreement.

In addition, if you are a designated manager and you sell shares of our common stock that are subject to a pledge agreement securing a full-recourse note delivered to us in connection with the offerings, you will be required to use the after-tax proceeds from this sale to repay all or, if

the after-tax proceeds are less than the outstanding balance of the note, a portion of the outstanding balance of the note.

If you purchase shares to be held in our 401(k) plan in the offerings, the terms of this plan generally will prevent you from selling those shares prior to the time you are eligible to receive a distribution under the plan. In addition, prior to receiving a distribution under the 401(k) plan, if you have not previously signed a subscription agreement you will be required to sign a stockholder's agreement that has restrictions on transfer identical to those included in the subscription agreements. If you elect to continue to hold stock fund units in the deferred compensation plan, prior to receiving shares of our Class A common stock upon a distribution under this plan, if you have not previously signed a subscription agreement you generally will be required to sign a stockholder's agreement that has restrictions on transfer identical to those included in the subscription agreements.

For additional information about the transfer restrictions in the subscription agreements and under our 401(k) plan, you should read the sections of this prospectus titled "Description of the Offering Documents--Subscription Agreements" "Description of the Plans--CB Richard Ellis Services Capital Accumulation Plan."

- Q: What happens to my shares of Class A common stock if holders of at least a majority of the shares of CBRE Holding Class A and Class B common stock decide to sell their shares?
- A: These holders may be able to require you to sell the same proportion of the outstanding shares of our Class A common stock that you own as the Class A and Class B common stock they sell to the proposed purchaser. If these holders do not, or are not able to, exercise the "required sale" right described in the prior sentence, as long as the purchaser is not an affiliate of the BLUM Fund, you will be able to sell, if you so desire, the same proportion of the outstanding shares of our Class A common stock that you own as the Class A and Class B common stock these holders sell to the proposed purchaser. With respect to both the "co-sale" right described in the immediately preceding sentence and the "required sale" right, you generally will be entitled to receive the same amount and type of consideration per share as the majority selling stockholders. However, in the sale, you will also be required to provide the same representations, warranties, covenants and indemnities as the majority holders. For additional information about the "required sale" right and the "co-sale" right, you should read the sections of this prospectus titled "Description of the Offering Documents--Subscription Agreements--Co-Sale" and "--Required Sale Right."
- Q: Does CBRE Holding have a right to repurchase any of the shares that I purchase in the offerings?
- A: Only designated managers that purchase shares for direct ownership will have a portion of their shares subject to a right of repurchase. The amount of shares initially subject to repurchase will be the minimum number of shares required for the designated manager to receive a grant of options. However, if the number of shares actually purchased by the designated manager for direct ownership is less than that

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amount, then all of the shares purchased for direct ownership by the designated manager will be subject to repurchase. This right to repurchase generally will lapse with respect to 20% of the shares initially subject to repurchase on each of the first five anniversaries of the closing of the merger. If the designated manager's employment by us ends, then any remaining shares subject to repurchase on that date will continue to remain subject to repurchase at all times after that date.

- Q: What will happen to my account balance in the deferred compensation plan if CB Richard Ellis Services files for bankruptcy or becomes insolvent?
- A: To the extent your account balance is invested in any alternative under the plan other than stock fund units, you will become a general unsecured creditor of CB Richard Ellis Services for the value of your account. As an unsecured creditor of CB Richard Ellis Services, you will be subordinate to any claims by the secured creditors of CB Richard Ellis Services against its assets, including the lenders under the senior secured credit facilities of CB Richard Ellis Services, which lenders will have liens on substantially all of its assets after the merger. In the event that any of its assets remain after the claims of its secured creditors have been satisfied in full, then you would share in the distribution of these remaining assets with all of its other general unsecured creditors. To the extent your account balance is invested in stock fund units in the plan, you would not receive any of the assets of CB Richard Ellis Services in the event of the bankruptcy or insolvency of us or CB Richard Ellis Services. For additional information regarding the deferred compensation

plan, you should read the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Deferred Compensation Plan," and for additional information regarding the senior secured credit facilities of CB Richard Ellis Services after the merger, you should read the section of this prospectus titled "Description of Indebtedness--CB Richard Ellis Services Senior Secured Credit Facilities."

Q: What if I have additional questions regarding the offerings?

A: As we indicated above, we will be holding meetings at CB Richard Ellis Services' offices in a number of cities in the United States and subject to securities law restrictions, we will attempt to answer all questions that you may have regarding the offerings. In addition, if you have questions regarding the merger, you should refer to the proxy statement that has been filed by CB Richard Ellis Services with the SEC or contact the following:

CB Richard Ellis Services, Inc.  
200 North Sepulveda Boulevard, Suite 300  
El Segundo, California 94025  
Telephone Number: (310) 563-8600

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#### THE OFFERINGS

Generally

We are offering up to 3,236,639 shares of our Class A common stock, including shares to be owned directly, shares to be held in the CB Richard Ellis Services 401(k) plan and shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan. In addition, in connection with the offering of shares to the designated managers, we also will grant an aggregate of 1,820,397 options to acquire shares of our Class A common stock to eligible designated managers. Except for designated managers in the countries of the United Kingdom, Canada and Australia, the offerings are only being made to our U.S. employees and our independent contractors in the states of California, New York, Illinois and Washington who continue to work for us through the completion of the merger. Except for the designated managers described in the preceding sentence, the offerings are not being made to any of our employees outside the United States.

Reasons for the Offerings. We are making these offerings to allow these employees and independent contractors to have an equity stake in our company after the closing of the merger. We believe that allowing these employees and independent contractors to participate in the offerings will provide the following benefits for us and the employees and independent contractors:

- . provide an incentive for them to continue improving the operating performance of CB Richard Ellis Services and its subsidiaries; and
- . assist us in retaining employees and independent contractors.

Purchase Price and Exercise Prices. The purchase price for the shares of our Class A common stock that we are offering will be \$16.00 per share. This price is the same as the price being paid to the CB Richard Ellis Services stockholders for each of their shares of CB Richard Ellis Services common stock in connection with the merger and is the same price per share being paid by the BLUM Funds for the shares of our Class B common stock they purchase for cash under the contribution and voting agreement. The exercise price for each of the options to acquire our Class A common stock that we will grant in connection with the offering of shares to our designated managers will be \$16.00 per share of Class A common stock underlying those options.

Payment of the Purchase Price and the Exercise Prices. The purchase price for each of the shares purchased in the offerings will be payable in full upon the closing of the merger agreement. The exercise price for each of the shares underlying stock options that is granted to our designated managers in the offerings will be payable, upon exercise of the option by the designated manager, at any time after the applicable stock options have become vested and exercisable until the applicable termination date of the stock options. For additional information regarding the terms of payment of the purchase price and exercise prices, you should read the sections below titled "Subscription Documents" and the section of this prospectus titled "Description of Offering Documents."

Conditions to the Offerings. Each of the offerings being made pursuant to this prospectus is conditioned upon the prior or simultaneous completion of the merger. One of the conditions to the completion of the merger is that the registration statement of which this prospectus forms a part has been declared effective by the Securities and Exchange Commission. We have filed the registration statement, but it has not yet been declared effective by the SEC. The completion of the merger, however, is not conditioned upon the sale of any shares pursuant to the offerings. For additional information regarding the conditions to the completion of the merger, you should read the section of this

prospectus titled "The Merger Transactions--Merger Agreement."

Offerings Meetings. We expect to conduct a series of meetings between members of our senior management and our employees and independent contractors from the states of California, New York, Illinois and Washington. These meetings will be held at CB Richard Ellis Services' offices in a number of cities in the U.S. on dates and at times that we will communicate to these employees and independent contractors. For these employees and independent contractors who do not work at one of CB Richard Ellis Services' offices in or near

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one of the cities where the meetings will be conducted, we will make available video or telephonic connections to one of the meetings. At the meetings, we will distribute the preliminary prospectus to discuss the matters described in this prospectus.

Deadline for Subscriptions. If you would like to participate in any of the offerings that are being made available to you, you must return to us the signed and completed subscription documents described below that are applicable to the offerings in which you would like to participate no later than . : . .m. on . , . , 2001.

#### Subscription Documents

After the registration statement, of which this prospectus forms a part, has been declared effective by the SEC, we will provide our U.S. and selected non-U.S. employees and our independent contractors in the states noted above with copies of each of the following subscription documents that are applicable to them. Each of the following subscription documents are described in greater detail in the section of this prospectus titled "Description of the Offering Documents" and are included as exhibits to the registration statement.

Our "designated managers" are our employees who on April 1, 2001 were designated by our board of directors as designated managers and on April 24, 2001 were notified by us of their designation and who are employed by us as of the closing of the merger agreement. Our board of directors selected the designated managers based on its opinion as to which of our managers have the potential to have the greatest impact on our business in the future. Our "non-management employees" are all of our U.S. employees, other than the designated managers, and all of our independent contractors in the states of California, New York, Illinois and Washington, who are employed or retained by us as of the closing of the merger agreement.

Subscription Agreements. If you are a designated manager or a non-management employee and would like to participate in offerings of shares for direct ownership described below, you will be required to execute and deliver a copy of the subscription agreement to us by the subscription deadline, which agreement is described in the section of this prospectus titled "Description of the Offering Documents--Subscription Agreements." The subscription agreement that will be made available to our designated managers will contain additional terms as a result of shares subject to repurchase and the full-recourse note they may be entitled to deliver to us in connection with the offering of shares for direct ownership. If you are married, your spouse will be required to agree to the terms of the subscription agreement by signing and delivering to us by the subscription deadline the Consent of Spouse page that is part of the subscription agreement.

Full-Recourse Note and Pledge Agreement. If you are a designated manager, you may be able to pay a portion of the purchase price for the shares of Class A common stock that you purchase in the offering of shares for direct ownership by delivering to us a full-recourse note. A full-recourse note is one in which all of the assets of the borrower, not just the stock being purchased with the note, are available to repay the note. Unless our board of directors determines otherwise, in order to use a full-recourse note in the offering of shares for direct ownership, a designated manager must subscribe for the minimum number of shares required for such designated manager to receive a grant of options as designated by our board of directors. If the designated manager pays a portion of the purchase price for shares by delivering a full-recourse note, the designated manager must pledge as security for the note a number of shares of our Class A common stock having an offering price equal to 200% of the principal amount of the note. These pledged shares will be held by us to secure the repayment of the note. The pledge agreement will provide that, in the event the designated manager fails to repay this debt, we can sell his or her pledged shares to satisfy this liability.

If you are a designated manager and decide to use this payment option for the offering of shares for direct ownership, you will need to sign and deliver to us by the subscription deadline a copy of the full-recourse note and a copy of the pledge agreement. The terms of the full-recourse note is described in the section of this prospectus titled "Description of the Offering Documents--Full-Recourse Note," and the pledge agreement is described in the section of this prospectus titled "Description of the Offering Documents--Pledge Agreement."

If you are married, your spouse will be required to agree to the terms of the pledge agreement by signing and delivering to us by the subscription deadline the Consent of Spouse page that is a part of the pledge agreement.

Option Agreement. If you are a designated manager eligible to receive a grant of stock options in connection with the offering of shares for direct ownership and would like to receive this grant, you will be required to execute and deliver to us a copy of the option agreement, which is described in the section of this prospectus titled "Description of the Offering Documents-- Option Agreement."

401(k) Plan Instructions Form. If you are one of our U.S. employees currently participating in the CB Richard Ellis Services 401(k) plan and you would like to participate in the offering of shares of our Class A common stock to be held in the CB Richard Ellis Services 401(k) plan as described below, you will be required to execute and deliver to a representative of U.S. Trust Company, which will be the trustee for the stock fund under the 401(k) plan after the merger, a form of CB Richard Ellis Services Capital Accumulation Plan Instructions to Trustee prior to the subscription deadline. If you have any questions regarding the 401(k) plan instructions to trustee form, you should contact U.S. Trust at the following phone number: (800) 535-3093.

Deferred Compensation Plan Election Forms. If you are one of our U.S. employees or our independent contractors in the states of California, New York, Illinois and Washington that holds stock fund units in the CB Richard Ellis Services deferred compensation plan that have vested prior to the merger, your vested stock fund units will remain in the deferred compensation plan after the merger and each stock fund unit will represent the right to receive one share of our Class A common stock, unless you affirmatively elect to convert the value of these stock fund units, based upon a value of \$16.00 per stock fund unit, into another investment alternative available under the deferred compensation plan. If you do not want to continue to hold the vested stock fund units and would like to convert the value of your vested stock fund units into another investment alternative, then you will be required to execute and deliver to us by the subscription deadline a specific form related to the CB Richard Ellis Services Deferred Compensation Plan, which form is described in the section of this prospectus titled "Description of the Offering Documents-- DCP Election Forms." In addition, if you are a designated manager and you decide to transfer into stock fund units a portion of your deferred compensation plan account balance that is currently allocated to the insurance fund under the deferred compensation plan, you will be required to execute and deliver to us by the subscription deadline a specific form related to the CB Richard Ellis Services Deferred Compensation Plan.

#### Descriptions of the Offerings

##### Offering of Shares for Direct Ownership

We are offering up to an aggregate of 1,187,982 shares of our Class A common stock to the designated managers and the non-management employees for direct ownership at an offering price of \$16.00 per share. The number of shares being made available in this offering assumes that both the offering of shares to be held in the CB Richard Ellis Services 401(k) plan and the offering of shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan are fully subscribed for. To the extent shares are not subscribed for in those other offerings, we will make an equivalent number of additional shares available in the offering of shares for direct ownership.

Assignment of Proceeds From the Merger. In connection with the payment of the purchase price for the shares being offered for direct ownership, each designated manager and non-management employee will have the option to irrevocably assign to us the right to receive the net cash proceeds that they would otherwise be entitled to receive, if any, in the merger for each of the following:

- . shares of CB Richard Ellis Services common stock owned by the designated manager or non-management employee at the time of the merger, other than those shares owned through the CB Richard Ellis Services 401(k) plan; and
- . options held by the designated manager or non-management employee to acquire shares of CB Richard Ellis Services common stock.

These assigned proceeds would constitute payment for all or a portion of the shares of our Class A common stock that the designated manager or non-management employee decides to acquire for direct ownership.

Over-Subscription. In the event that this offering of shares is over-subscribed, meaning we receive offers to purchase more than the 1,187,982 shares we have set aside for this offering, we first will allocate a sufficient number of shares to the designated managers to allow them to subscribe for the

minimum number of shares necessary to obtain grants of options, as described below, and all remaining shares then will be allocated proportionately among all participants in the offering of shares for direct ownership based upon the total number of those shares for which we receive subscriptions.

Grants of Stock Options to Designated Managers. In connection with the offering of shares for direct ownership, the designated managers will be eligible to receive an aggregate of up to 1,820,397 options to acquire our Class A common stock. Unless our board of directors determines otherwise, a designated manager will receive a grant of a portion of these options only if he or she subscribes for a minimum number of shares in the offering of Class A common stock for direct ownership. The minimum number of shares that a designated manager must subscribe for in order to receive an option grant is a percentage of 625,000 shares that will be allocated to that designated manager by our board of directors. The minimum number of shares that a designated manager must subscribe for in order to receive a grant of options will be reduced by the number of CB Richard Ellis Services deferred compensation plan stock fund units acquired by the designated manager at the closing of the offerings by the transfer of account balances currently allocated to the deferred compensation plan insurance fund. For additional information about the CB Richard Ellis Services deferred compensation plan, you should read the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Deferred Compensation Plan."

If a designated manager subscribes for at least his or her minimum number of shares, then we will grant to the designated manager a percentage of the 1,820,397 total options equal to the percentage of the 625,000 shares allocated to that designated manager. Subject to our right to allocate the shares to be purchased if the offering is over-subscribed, a designated manager may subscribe for more than the minimum number of shares required to receive a grant of options. However, as long as the minimum number of shares required to receive an option grant are subscribed for, the number of options granted to the designated manager will be the same regardless of the actual number of shares subscribed for.

For example, if the percentage of 625,000 shares that a designated manager must subscribe for in order to receive options is 1%, and the designated manager subscribes for at least 6,250 shares in the offering for direct ownership, he or she will be granted 18,204 options, representing 1% of the aggregate options available for grant to all designated managers. This will be true even if the designated manager subscribes for more than 6,250 shares.

At the time that the merger and the offerings are completed, the 1,820,397 total options available for grant to the designated managers will equal 10% of the sum of the following:

- . the outstanding shares of our Class A common stock and Class B common stock;
- . the shares of our Class A common stock underlying the vested and unvested stock fund units under the CB Richard Ellis Services deferred compensation plan;
- . the shares of our Class A common stock issuable upon exercise of the options granted to the designated managers, assuming all 1,820,397 options are granted;
- . the shares of our Class A common stock issuable upon exercise of 910,199 options to acquire Class A common stock for a purchase price of \$50.00 per share that will be available for grant to employees in the discretion of our board of directors; and
- . the shares of our Class B common stock issuable upon exercise of warrants.

The exercise price for each of the options granted to the designated managers will be \$16.00 per share. Subject to the designated manager's continued employment, the options will vest and become exercisable in

20% increments on each of the first five anniversaries of the date of grant. All of the options will become fully vested and exercisable upon a change of control of us as defined in the option agreement. The options will not be exercisable prior to their vesting. The options are non-transferable and can only be exercised by the designated manager or his or her estate. Subject to earlier termination if the designated manager no longer is employed by us, his or her options will have a term of ten years. For additional information regarding the termination and the term of the stock options, you should read the section of this prospectus titled "Description of the Offering Documents--Option Agreement."

Each designated manager who receives a grant of options to acquire our Class A common stock will be required to sign an option agreement. For additional

information about the terms of the option agreement, you should read the section of this prospectus titled "Description of the Offering Documents--Option Agreement."

All of the stock options are intended to be non-qualified stock options and are not intended to be treated as options that comply with Section 422 of the Internal Revenue Code of 1986, which means that the designated manager will be subject to taxation at ordinary income rates upon exercise of the stock options. The options will be granted and the option shares will be issued under our 2001 Stock Incentive Plan, which is described in the section of this prospectus titled "Description of the Plans--2001 Stock Incentive Plan."

Full-Recourse Note for Designated Managers. Under the circumstances described below, a designated manager may pay a portion of the purchase price for the shares of Class A common stock that he or she purchases in this offering by delivering to us a full-recourse note having the terms described below. A full-recourse note is one in which all of the assets of the borrower, not just the stock being purchased with the note, are available to repay the note.

Unless our board of directors determines otherwise, in order to use a full-recourse note in the offering of shares of Class A common stock for direct ownership a designated manager must subscribe for the minimum number of shares required for such designated manager to receive a grant of options as described above. If the designated manager satisfies this requirement, the maximum amount of the full-recourse note that he or she may deliver to us will be equal to 50% of the aggregate purchase price of the minimum number of shares that must be subscribed for by the designated manager in order to receive a grant of options. The maximum amount of the full recourse note that may be delivered by a designated manager will be reduced by the amount, if any, of the designated manager's deferred compensation plan account balance currently allocated to the insurance fund that he or she transfers to stock fund units at the closing of the offerings.

For example, if a designated manager must subscribe for at least 6,250 shares for direct ownership in order to receive a grant of options, then that designated manager may deliver a full-recourse note only if he or she subscribes for at least 6,250 shares. If such designated manager subscribes for at least 6,250 shares, the maximum amount of the offering price that may be paid for by the designated manager using a full-recourse note is \$50,000 minus the amount, if any, of the designated manager's deferred compensation plan account balance currently allocated to the insurance fund that he or she transfers to stock fund units at the closing of the offerings. The \$50,000 maximum amount of the full-recourse note represents 50% of the \$100,000 purchase price for 6,250 shares. This maximum applies even if the designated manager subscribes for more than 6,250 shares for direct ownership.

The terms of the note are described in the section of this prospectus titled "Description of the Offering Documents--Full-Recourse Note."

Pledge Agreement. If a designated manager delivers a full-recourse note for a portion of the aggregate purchase price for shares, then the designated manager must deliver a pledge agreement, the terms of which are described below in the section of this prospectus titled "Description of the Offering Documents--Pledge Agreement" and a form of which is included as an exhibit to the registration statement that has been filed with the SEC.

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Right of Repurchase for Designated Manager Shares. If a designated manager's employment with us is terminated, we will have the right to repurchase a portion of the shares that he or she purchased in the offering of shares for direct ownership for the price described below. The amount of the shares initially subject to this repurchase right immediately after the offerings will be the minimum number of shares required for such designated manager to receive a grant of options as determined by our board of directors. However, if the number of shares actually purchased by the designated manager for direct ownership is less than this amount, then all of the shares purchased for direct ownership will be subject to the right of repurchase.

For example, if the minimum number of shares that must be subscribed for by the designated manager in order to receive a grant of options is 6,250 shares, and the designated manager subscribes for and purchases 6,250 shares or more, then 6,250 shares will initially be subject to the right of repurchase. If the designated manager only purchases 6,000 shares, then all of these shares will initially be subject to the right of repurchase.

Upon each of the first five anniversaries of the closing of the merger during which the designated manager remains employed by us, 20% of the shares initially subject to repurchase will cease to be subject to this right. If the designated manager's employment by us ends, then any remaining shares subject to repurchase on that date will continue to remain subject to repurchase at all times after that date.

The price for any shares that we repurchase pursuant to this right will be the fair market value of the shares at the time the designated manager's employment ends, unless the designated manager was terminated for cause or voluntarily ended his or her employment for other than a good reason, in which case the repurchase price will be the lesser of the fair market value and the amount that the designated manager paid for those shares in the offering.

Any of the designated manager's shares that are subject to a right of repurchase may not be sold by the designated manager while they are subject to this right.

Subscription Agreement. Each designated manager and non-management employee that purchases shares of our Class A common stock for direct ownership will be required to sign a subscription agreement. The subscription agreement for designated managers will include additional terms applicable to the full-recourse note and the right of repurchase. For additional information about the subscription agreements, you should read the sections of this prospectus titled "Description of the Offering Documents--Subscription Agreements."

2001 Stock Incentive Plan. The shares of our Class A common stock being offered for direct ownership will be issued under our 2001 Stock Incentive Plan, which is described in the section of this prospectus titled "Description of the Plans--2001 Stock Incentive Plan."

#### Offering of Shares to be held in CB Richard Ellis Services 401(k) Plan

We are offering to all of our U.S. employees who are currently participants in the CB Richard Ellis Services 401(k) plan up to 889,819 shares of our Class A common stock at an offering price of \$16.00 per share. These shares will be held in the CB Richard Ellis Services 401(k) plan, which will be amended to add this new investment alternative. To participate in this offering, an employee must either instruct the trustee of the 401(k) plan to sell existing investments held by the employee in the 401(k) plan and use those proceeds to purchase shares in this offering, or to use the proceeds, if any, received in the merger by the employee for shares of CB Richard Ellis Services common stock held by the employee in the 401(k) plan. To the extent that an employee holds shares of CB Richard Ellis Services common stock in his or her 401(k) account at the time of the merger and does not elect to use the merger proceeds for these shares to participate in this offering, then he or she will be required to instruct the trustee to invest the proceeds in one or more of the other investment alternatives available under the CB Richard Ellis Services 401(k) plan. Except for the ability to invest in shares of our Class A common stock in the 401(k) plan, we expect the range of available investment alternatives at the time of the merger to be substantially the same as those that are currently available.

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Limitations on Investment in 401(k) Stock Fund. As a group, our U.S. employees currently participating in the CB Richard Ellis Services 401(k) plan will be offered the opportunity to direct the trustee of the plan to purchase for the CBRE Holding Common Stock Fund an aggregate of up to 889,819 shares of our Class A common stock at an offering price of \$16.00 per share. However, no individual participant in the plan may invest in the CBRE Holding Common Stock Fund more than 50% of his or her entire 401(k) plan account balance on the date of this prospectus. If this offering is oversubscribed, the number of shares that each participating employee is able to purchase will be reduced proportionately based upon the total number of 401(k) plan shares for which we receive subscriptions.

401(k) Plan Trustee and Election Form. U.S. Trust Company, National Association has been retained by CB Richard Ellis Services to act as an independent trustee of the CBRE Holding Common Stock Fund investment alternative in the plan. In order to acquire shares of our Class A common stock in this offering using his or her plan account, a participant in our 401(k) plan at the time of the merger must affirmatively elect, prior to the subscription deadline, to direct U.S. Trust, as stock fund trustee, to invest a portion of his or her plan account in CBRE Holding shares after the merger, as described above. In order to make this election, the participant will be required to complete and return to U.S. Trust the election form described in the section of this prospectus titled "Description of the Offering Documents--401(k) Plan Instruction Form." If an employee has not furnished instructions to the trustee using the appropriate completed election form prior to the subscription deadline as described above, the employee will not be able to participate in the offering of shares of our Class A common stock to be held in the 401(k) plan.

Adequate Consideration Requirement. U.S. Trust will be obligated to follow the purchase decisions made by participants unless it determines that the instructions are not consistent with its fiduciary obligations under Employee Retirement Income Security Act of 1974. In this regard, U.S. Trust will engage an independent financial advisor and will only follow the purchase instructions if it receives an opinion from this advisor that concludes that the purchase price is fair to plan participants and constitutes not more than "adequate



consideration" for purposes of the ERISA.

Inability to Sell Shares Held in the Plan. In evaluating the offer of securities to be purchased within the plan, and whether an investment in the CBRE Holding Common Stock Fund satisfies the prudence requirements of ERISA for retirement plan investments, participants should take into account that following the merger they will not be able to sell those shares and invest the proceeds in other investments under the plan. We currently expect to implement a limited trading mechanism among 401(k) plan participants that except pursuant to a limited trading mechanism among participants that we may implement, would allow participants that hold shares of our Class A common stock in the CB Richard Ellis Services 401(k) plan to periodically sell a limited number of these shares to other participants in the plan want to purchase those shares. However, even if we establish this type of mechanism, the ability to sell shares held in the 401(k) plan would be significantly limited and would depend on whether other participants in the plan wanted to liquidate other investments held in their 401(k) plan account in order to purchase shares of Class A common stock to be held in their accounts. In addition, we may never be able to implement this mechanism or may terminate the mechanism after it is implemented.

Participants should also take into account that an investment in the CBRE Holding Common Stock Fund may limit the participant's ability to receive loans or hardship withdrawals from the plan, since assets held in the CBRE Holding Common Stock Fund may not be used for loans or hardship withdrawals.

Voting and Plan Distributions. Participants will generally be entitled to direct U.S. Trust with respect to the voting of shares allocated to their accounts in the CBRE Holding Common Stock Fund consistent with the current practice Vanguard has implemented with respect to the CB Richard Ellis Services Common Stock Fund, which is described in the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Capital Accumulation Plan--Voting Rights." To the extent a participant who is invested in the CBRE Holding Common Stock Fund is entitled to a distribution under the plan, the participant will have the right either to receive such portion of his or her distribution in shares of CBRE Holding Class A common stock or to instruct

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the trustee to sell the shares and receive the cash proceeds of the sale. If, the trustee cannot otherwise sell the shares prior to an underwritten initial public offering after which our Class A common stock is listed for trading on a national securities exchange or quoted on the Nasdaq National Market, we will be obligated to purchase these shares at the then fair market value.

Stockholders' Agreement. If a participant elects to receive a distribution of shares, rather than cash, at any time prior to the earlier of the tenth anniversary of the merger or 180 days after an underwritten initial public offering of our Class A common stock after which our Class A common stock is listed on a national securities exchange or the Nasdaq National Market, the participant will be required to sign a stockholders' agreement if the participant has not previously signed a subscription agreement other than with respect to the provision regarding purchasing shares. This agreement will include substantially the same provisions as the subscription agreement. For a description of the terms of the subscription agreement, see "Description of the Offering Documents--Subscription Agreements."

Amended 401(k) Plan. The CB Richard Ellis Services 401(k) plan, including the amendments, is described in the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Capital Accumulation Plan."

Offering of Shares Underlying Stock Fund Units in CB Richard Ellis Services Deferred Compensation Plan

A number of our current and former U.S. employees and independent contractors in the states of California, New York, Illinois and Washington at the time of the merger currently hold stock fund units in the CB Richard Ellis Services deferred compensation plan. Each stock fund unit currently gives the person that owns it the right to receive one share of CB Richard Ellis Services common stock on future distribution dates as described in the plan. The deferred compensation plan is being amended to provide that, after the merger, each stock fund unit will entitle its holder to receive one share of our Class A common stock on a future distribution date under the plan, rather than one share of CB Richard Ellis Services common stock. We are offering to our current U.S. employees and to our current independent contractors in the states of California, New York, Illinois, and Washington up to 996,338 shares of our Class A common stock that are issuable to these holders of stock fund units upon future distributions under the CB Richard Ellis Services deferred compensation plan.

Merger Agreement Provisions. Pursuant to the terms of the merger agreement, at the effective time, the CB Richard Ellis Services deferred compensation plan will be amended so that each stock fund unit will represent the right to receive one share of our Class A common stock on a future distribution date as

described in the plan. Each of our U.S. employees and each of our independent contractors in the states of California, New York, Illinois or Washington who prior to the merger has vested stock fund units credited to his or her account will be required, prior to the merger, to make one of the following elections with respect to those vested stock fund units:

- . convert the value of those stock fund units, based upon a value of \$16.00 per stock fund unit, into any of the insurance mutual fund or interest index fund alternatives that are available under the deferred compensation plan as of the effective time of the merger, or
- . continue to hold those stock fund units in his or her account under the deferred compensation plan.

If no election is made, those vested stock fund units will remain in the deferred compensation plan after the merger and represent the right to receive one share of our Class A common stock.

Every other participant in the deferred compensation plan who has stock fund units credited to his or her account as of the merger that have vested prior to the merger must convert the value of those stock fund units, based upon a value of \$16.00 per stock fund unit, into any of the insurance mutual fund or interest index fund alternatives that are available under the deferred compensation plan.

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The offering of shares underlying stock fund units is being made pursuant to this prospectus to permit our U.S. employees and independent contractors in the states of California, New York, Illinois and Washington to continue to hold the stock fund units and then receive a number of shares of our Class A common stock upon future distributions under the deferred compensation plan equal to the number of shares of CB Richard Ellis Services common stock that he or she would have received prior to the amendment of the deferred compensation plan.

Any CB Richard Ellis Services stock fund units held by a participant in the deferred compensation plan that have not vested prior to the time of the merger, including any stock fund units that will vest as a result of the merger, will automatically remain in the deferred compensation plan after the merger. These stock fund units will represent the right to receive shares of our Class A common stock on future distribution dates as described in the plan.

Additional Offering to Designated Managers. Our designated managers will also have the right to transfer into stock fund units an aggregate of up to \$2.6 million of deferred compensation plan account balances that are currently allocated to the insurance mutual fund under the deferred compensation plan. We are offering up to 162,500 shares of our Class A common stock that are issuable to those holders of stock fund units upon future distributions under the deferred compensation plan.

Stockholder's Agreement. Prior to the earlier of the tenth anniversary of the merger and 180 days after an underwritten initial public offering of our Class A common stock after which our Class A common stock is listed on a national securities exchange or the Nasdaq National Market, before a participant may receive a distribution of shares of our Class A common stock under the plan, if the participant has not previously signed a subscription agreement he or she will be required to sign a stockholder's agreement. This agreement will include substantially the same provisions, other than with respect to the provisions regarding purchasing shares, as the subscription agreement described below under the title "Description of the Offering Documents--Subscription Agreements."

Amended Deferred Compensation Plan. The deferred compensation plan is described in the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Deferred Compensation Plan."

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#### DETERMINATION OF OFFERING PRICE

The offering price for the shares of CBRE Holding Class A common stock being offered by this prospectus was determined to be \$16.00 per share because that is the same cash price per share being paid by the BLUM Funds to acquire shares of our Class B common stock and is the same cash price per share that will be paid to holders of CB Richard Ellis Services common stock, other than members of the buying group, under the merger agreement.

The common stock of CB Richard Ellis Services is currently traded on the New York Stock Exchange under the symbol "CBG," but these shares will be delisted from the NYSE upon completion of the merger. The following table sets forth the high and low closing sale prices for shares of CB Richard Ellis Services common stock, as reported on the New York Stock Exchange, for the periods listed.

<TABLE>

<CAPTION>

	High	Low
<S>	<C>	<C>
Year Ended December 31, 1999		
First quarter.....	\$19 13/16	\$14 5/8
Second quarter.....	24 7/8	14 7/16
Third quarter.....	24 7/16	12 1/2
Fourth quarter.....	14 13/16	10 11/16
Year Ended December 31, 2000		
First quarter.....	13 1/2	10 3/16
Second quarter.....	11 7/16	9 1/8
Third quarter.....	13 3/16	9 3/8
Fourth quarter.....	15 5/8	11 13/16
Year Ended December 31, 2001		
First quarter.....	15.88	13.90
Second quarter through . . . , 2001.....	.	.

</TABLE>

On November 10, 2000, the last trading day prior to the public announcement of BLUM CB Corp.'s merger proposal to the board of directors of CB Richard Ellis Services, the high, low and closing sale prices for the common stock of CB Richard Ellis Services as reported on the New York Stock Exchange were \$13 1/8, \$12 5/8 and \$13 1/8 per share, respectively. On February 23, 2001, the last trading day before the public announcement of the merger agreement, the high, low and closing sale prices for the common stock of CB Richard Ellis Services as reported on the New York Stock Exchange were \$13.94, \$13.68 and \$13.90 per share, respectively. On . . . , 2001, the closing price as reported on the New York Stock Exchange was \$ . . . per share.

The shares of CB Richard Ellis Services common stock and our Class A common stock are not directly comparable and the trading price of shares of CB Richard Ellis Services common stock are not necessarily indicative of the fair market value of shares of our Class A common stock as a result of, among other things:

- . the difference in the relative rights and restrictions;
- . the greater amount of long-term indebtedness that we will have as compared to CB Richard Ellis Services prior to the merger; and
- . the relative lack of liquidity for shares of our Class A common stock, which shares will not be listed on a national securities exchange.

DESCRIPTION OF THE OFFERING DOCUMENTS

The following summarizes the subscription documents that apply to one or all of the offerings, each of which is included as an exhibit to the registration statement, of which this prospectus forms a part, filed with the Securities and Exchange Commission. You should carefully read the subscription documents that apply to any offering in which you decide to participate and not rely solely upon the descriptions of those documents provided below.

Subscription Agreements

Generally

Any of the designated managers and non-management employees who participate in the offering of shares for direct ownership will be required to execute and deliver to us a copy of the relevant subscription agreement described below by . . . .m. on . . . , . . . , 2001, which is the subscription deadline. The section below titled "Description of Terms in All Subscription Agreements" summarizes the terms that are in all of the subscription agreements. The subscription agreements that will be made available to our designated managers for execution and delivery to us will contain additional terms that are summarized in the section below titled "Description of Terms in Only the Designated Manager Subscription Agreements."

The subscription agreements will not apply to any shares that are held in the CB Richard Ellis Services 401(k) plan or the shares underlying stock fund units in the deferred compensation plan. However, the subscription agreement will apply to shares received upon distributions from the 401(k) plan or the deferred compensation plan. In addition, before someone who purchases shares to be held in the 401(k) plan may receive any future distribution of those shares pursuant to the terms of the plan, if he or she is not a party to a subscription agreement he or she generally will be required to sign and deliver to us a stockholder's agreement that is described in the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Capital Accumulation Plan." In addition, before someone who participates in the offering of shares of our Class A common stock underlying stock fund units in

the CB Richard Ellis Services deferred compensation plan may receive any future distribution of those shares pursuant to the terms of the plan, if he or she is not a party to a subscription agreement he or she generally will be required to sign and deliver to us a stockholder's agreement that is described in the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Deferred Compensation Plan."

#### Risks Related to Subscription Agreements

If you participate in the offering of shares for direct ownership or receive shares in a distribution from your 401(k) plan or deferred compensation plan account, your ownership of shares of our Class A common stock will be subject to significant restrictions under the subscription agreement, which will subject you to numerous risks associated with your investment. To learn more about these risks, you should read the section of this prospectus titled "Risk Factors."

#### Description of Terms in All Subscription Agreements

The following terms are in both the subscription agreements that will be provided to designated managers and the subscription agreements that will be provided to non-management employees.

**Assignment of Proceeds from Merger.** Pursuant to the subscription agreement, you may use some or all of the net cash proceeds that you would otherwise be entitled to receive under the merger agreement for any shares of CB Richard Ellis Services common stock that you own of record at the time of the merger or options that you hold to acquire CB Richard Ellis Services common stock to purchase shares of our Class A common stock for direct ownership. If you decide to use your merger proceeds in this way, then you will be required to irrevocably assign these cash proceeds to us under the subscription agreement. As a result of this assignment, we will become entitled to receive those proceeds from the merger as payment, in part or in whole, for the shares that you purchase for direct ownership.

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We have attempted to structure the offerings so that, by irrevocably assigning your right to receive the cash proceeds that you would have received in the merger as payment to us for your Class A common stock, you can claim that you exchanged shares of CB Richard Ellis Services common stock for our Class A common stock in a tax-free exchange. This tax treatment will not apply in merger proceeds you receive for options or for shares acquired through the Special Incentive Plan whether or not you irrevocably assign your right to receive those proceeds to us. There can be no assurance that the Internal Revenue Service will agree with our characterization. In addition, any cash proceeds you receive for options that you hold will be fully taxable to you whether or not those proceeds are assigned to us as payment for Class A common stock. For more information about the U.S. federal income tax consequences of the merger and the offerings, see the section of this prospectus entitled "U.S. Federal Tax Consequences."

If you decide to assign part of your merger proceeds to us as payment for your shares for direct ownership, then you must deliver to us prior to the stockholder vote on the merger the form of assignment attached to the subscription agreements. Following completion of the merger you will receive your shares of Class A common stock when you deliver the share certificates evidencing the shares whose merger proceeds you have assigned to us. Your decision to assign the merger proceeds from any shares of CB Richard Ellis Services' common stock will not affect your ability to sell those shares of common stock prior to the merger.

**Legends and Additional Shares Acquired.** Each certificate representing shares of Class A common stock held directly will have a legend on it stating that the holder of the certificate agrees to be bound by the provisions of the subscription agreement, including the restrictions on transfer described below. In addition, any additional shares of our Class A common stock that are acquired by an employee who signs a subscription agreement, including as a result of a permitted transfer from any other employees or as a result of the exercise of stock options, generally will be subject to the terms of the subscription agreement.

**Representations and Warranties.** Under the terms of the subscription agreement, the employee will represent and warrant to us as to each of the following on the date that the subscription agreement is signed by him or her:

- . the employee is competent to, and has sufficient capacity to, execute and deliver the subscription agreement, as well as the full-recourse note and the pledge agreement, if applicable to the employee;
- . the subscription agreement, as well as the full-recourse note and the pledge agreement, if applicable to the employee, have been duly executed and delivered and constitute valid and binding obligations of the employee enforceable against the employee in accordance with their

terms;

- . the number of shares of CB Richard Ellis Services common stock for which the employee is the record owner is correctly identified in the subscription agreement; and
- . the employee understands that the shares subject to the agreement will be subject to restrictions and limitations, including with respect to transfers, and has read this prospectus, including the section titled "Risk Factors."

We will give representations and warranties regarding the subscription agreement to you similar to those described in the first two bullet points immediately above.

Conditions to Subscription. After the employee has signed and delivered the subscription agreement, we are not obligated to complete the sale of shares to the employee unless each of the following conditions have been satisfied:

- . the employee has delivered payment in full for the shares;
- . the employee has executed and delivered to us (1) the stock purchase agreement described below and, (2) if applicable to the employee, the full-recourse note, the pledge agreement and the stock power for the shares of CB Richard Ellis Services common stock for which the employee is the record owner if the employee is assigning any of his or her merger proceeds to us; and
- . the merger has been completed.

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Your obligation under the subscription agreement to purchase the shares of Class A Common Stock that you subscribe for will generally be subject to the condition that the merger has been completed.

General Transfer Restrictions. Prior to the earlier of the tenth anniversary of the merger and 180 days after we close a qualifying initial public offering of our Class A common stock, which is described below, shares of our Class A common stock owned by the employee will have significant restrictions on transfer. Generally, the only persons or entities to which these shares may be transferred prior to the end of the transfer restriction period are the following:

- . the employee's spouse, parent, descendant, step-child or step-grandchild, or any executor, estate, guardian, committee, trustee or other fiduciary acting solely on behalf or solely for the benefit of any spouse, parent, descendant, step-child or step-grandchild;
- . any trust, corporation, partnership or limited liability company, all of the beneficial interests in which are held, directly or indirectly, by the employee and/or one or more of the individuals listed in the prior bullet point, so long as during the period that any trust, corporation, partnership or limited liability company holds any right, title or interest in any shares of our Class A common stock, no person other than the employee or the individuals listed in the prior bullet point may be or become beneficiaries, stockholders, general partners or members of any trust, corporation, partnership or limited liability company;
- . us;
- . the BLUM Funds, Freeman Spogli or any of their respective affiliates; and
- . except for shares owned by designated managers subject to a right of repurchase, which are described in the section titled "Description of Terms in Only the Designated Manager Subscription Agreements--Repurchase Right" below, any of our other employees who has signed a subscription agreement or who agrees to be subject to the terms of the transferring employee's subscription agreement.

Assumption Agreement. If shares are transferred to anyone described in the first two bullet points above, prior to the transfer, both the transferring employee and the transferee must sign and deliver to us an assumption agreement. Under the assumption agreement, the transferor will remain subject to the subscription agreement and the transferee generally will become subject to most of the terms of the subscription agreement, including all of the limitations on transfers. After the transfer, if the transferee at any time ceases to have the same status described in the first two bullet points above that allowed the initial transfer to occur, then the transferee will be required to transfer back to the transferring employee any shares received by the transferee.

Qualifying Initial Public Offering. Under the terms of the subscription agreement, a "qualifying initial public offering" means an underwritten

offering of our Class A common stock to the public after the effective time of the merger pursuant to an effective registration statement filed under the Securities Act pursuant to which our Class A common stock becomes listed on a national securities exchange or authorized for quotation on the Nasdaq National Market.

Co-Sale Right. Prior to the end of the transfer restrictions, if a majority of the outstanding shares of our Class A and Class B common stock, taken together, are sold to anyone other than the BLUM Funds, then the employee will be able to sell the same proportion of his or her shares of Class A common stock that are not subject to a right of repurchase as are being sold by the other selling stockholders. If the employee exercises this right, the sale of his or her shares will generally be on the same terms as the sale of a majority of our outstanding shares that triggered that right. However, in the event that the purchaser requires that the sale be structured as a recapitalization for financial accounting purposes then the form of consideration paid to the majority selling stockholders may differ from the form paid to the employee.

In order to participate in this sale, the employee generally will be required to make the same representations and warranties, and provide related indemnification, to the proposed purchaser regarding the ownership of, and title to, the shares being sold by the employee as the majority sellers make regarding the

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shares they are selling. In addition, the employee will be required to pay his or her pro rata share of any liability arising out of any representations, warranties, covenants or agreements between the sellers and the purchaser that survive the closing of the sale and do not relate to the ownership of, or title to, the shares being sold.

The co-sale right does not apply to any underwritten offering of our securities to the public pursuant to an effective registration statement under the Securities Act of 1933.

Required Sale. To the extent permitted by applicable law, prior to the end of the transfer restrictions, if any of our stockholders sell a majority of the outstanding shares of our Class A and Class B common stock, taken together, to anyone other than the BLUM Funds, then these selling stockholders will be able to require the employee to sell to the same proposed transferee the same proportion of the shares of Class A common stock owned by the employee as are being sold by the stockholders selling a majority of the outstanding shares. If the selling stockholders exercise this right, the sale of the employee's shares of Class A common stock will generally be on the same terms as the sale of a majority of our outstanding Class A and Class B common stock that triggered such sale. However, in the event that the purchaser requires that the sale be structured as a recapitalization for financial accounting purposes, then the form of consideration paid to the majority selling stockholders may differ from the form paid to the employee.

In connection with this sale, the employee generally will be required to make the same representations and warranties, and provide related indemnification, to the proposed purchaser regarding the ownership of, and title to, the shares being sold by the employee as the majority sellers make regarding the shares they are selling. In addition, the employee will be required to pay his or her pro rata share of any liability arising out of any representations, warranties, covenants or agreements between the sellers and the purchaser that survive the closing of the sale and do not relate to the ownership of, or title to, the shares being sold.

The required sale right does not apply to any underwritten offering of our securities to the public pursuant to an effective registration statement under the Securities Act of 1933.

Other Agreements. In addition to the provisions described above, the subscription agreement also includes, among others, the following agreements:

- . Holdback Agreement. In connection with any initial underwritten offering of shares of our Class A common stock to the public pursuant to a registration statement filed under the Securities Act of 1933, the employee will agree not to sell any shares of our Class A common stock or any securities exchangeable or exercisable for, or convertible into, shares of our Class A common stock during the period beginning 30 days prior to the effective date of the applicable registration statement and ending 180 days after the effective date.
- . Confidentiality. The employee generally agrees that, except as required by law, he or she will not, during his or her term of employment or for five years afterwards, disclose any non-public confidential information about us and our affiliates to any person, other than our responsible officers and employees, without our prior written consent.
- . Arbitration. We and the employee generally agree that all disputes arising under, or in connection with the interpretation of, the

subscription agreement will be resolved solely through confidential binding arbitration proceedings.

Termination in Event of Sale. Most provisions in the subscription agreement will terminate upon the sale of all or substantially all of our equity interests to anyone other than our stockholders, whether by merger, consolidation or otherwise.

Shares Subject to the 2001 Stock Incentive Plan. The shares of Class A common stock purchased for direct ownership pursuant to the subscription agreement are subject to the 2001 Stock Incentive Plan. In the

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event of a conflict between any term or provision of the 2001 Stock Incentive Plan and any term or provision of the subscription agreement, the applicable terms and provisions of the subscription agreement will govern and prevail. To learn more about this plan, you should read the section of this prospectus titled "Description of the Plans--2001 Stock Incentive Plan."

#### Description of Terms in Only the Designated Manager Subscription Agreements

Repurchase Right. If a designated manager's employment with us is terminated, we will have the right to repurchase a portion of the shares that he or she purchases in the offering of shares for direct ownership for the price described below. We will be required to exercise this right within 180 days after the designated manager's employment ends. The amount of the shares initially subject to this repurchase right will be the minimum number of shares required for such designated manager to receive a grant of options as determined by our board of directors. However, if the number of shares actually purchased by the designated manager for direct ownership is less than this amount, then all of the shares purchased for direct ownership will initially be subject to the right of repurchase.

For example, if the minimum number of shares that must be subscribed for by the designated manager in order to receive a grant of options is 6,250 shares, and the designated manager subscribes for and purchases 6,250 shares or more, then 6,250 shares will initially be subject to the right of repurchase. If the designated manager only purchases 6,000 shares, then all of these shares will initially be subject to the right of repurchase.

Upon each of the first five anniversaries of the closing of the merger during which the designated manager remains employed by us, 20% of the shares initially subject to repurchase will cease to be subject to this right. If the designated manager's employment by us ends, then any remaining shares subject to repurchase on the date employment ends will continue to remain subject to repurchase at all times after that date. Any of the designated manager's shares subject to our right of repurchase may not be sold by the designated manager while they are subject to this right.

The repurchase price for the shares is the fair market value of the shares at the time the designated manager's employment ends, unless the designated manager was terminated for cause or voluntarily ended his or her employment for other than good reason, in which case the repurchase price is the lesser of the fair market value and the amount that the designated manager paid for those shares in the offerings. Prior to a qualifying initial public offering, which is described in the section titled "General Transfer Restrictions" above, the "fair market value" of the shares will be determined in good faith and on a consistent basis by our board of directors, disregarding any discount for minority interests, restrictions on transfer or lack of marketability.

Under the designated manager subscription agreements, the following definitions are used:

- . "cause" means (1) the willful failure of the designated manager to perform his or her duties to us or our subsidiaries which is not cured following written notice, (2) the conviction of the designated manager of a felony, (3) willful malfeasance or misconduct by the designated manager that is materially and demonstrably injurious to us or our subsidiaries or (4) the breach by the designated manager of the material terms of the full-recourse note, the pledge agreement or the designated manager subscription agreement, including, without limitation, the provisions described below regarding transfer restrictions, business opportunities, confidentiality and discharge of indebtedness; and
- . "good reason" means (1) a substantial diminution in the designated manager's position or duties with us or our subsidiaries, an adverse change in the reporting lines of the designated manager, or the assignment to the designated manager by us or our subsidiaries of duties materially inconsistent with his or her position with us or our subsidiaries, (2) any reduction in the designated manager's base salary or any material adverse change in the designated manager's bonus opportunity or (3) our failure or that of our subsidiaries to pay the designated manager's compensation or benefits when due; in each of the foregoing clauses (1) through (3) which is not cured within 30 days

following our receipt of written notice from the designated manager describing the event that would constitute good reason if not cured within the 30 day period.

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Shares that are subject to a right of repurchase may not be transferred by the designated manager.

**Sale Right.** Prior to the end of the transfer restrictions, if the designated manager's employment by us ends and we have not exercised our repurchase right at least 20 days prior to the date that the designated manager's full-recourse note becomes due and payable, as described below under the section titled "Full-Recourse Note," then the designated manager may require us to repurchase the number of shares of our Class A common stock held by the designated manager necessary to repay the full-recourse note on the date it becomes due and payable. In order to exercise this sale right, the designated manager must deliver a notice to us indicating the exercise no later than 10 days prior to the date that the full-recourse note becomes due and payable. The purchase price for the shares that we buy upon exercise of the designated manager's sale right will be the same as we would pay if we had exercised the repurchase right described above. The entire purchase price for the shares will be applied to the repayment of the note. If the purchase price for these shares is not sufficient to repay the note in full then the designated manager will remain personally obligated to repay the remaining amount of the note.

**Required Section 83(b) Tax Election.** Each designated manager will be required to make an election under Section 83(b) of the Internal Revenue Code with respect to any shares purchased that are subject to repurchase, which election means that the designated manager will include in gross income the excess of the fair market value of the shares over the amount, if any, the designated manager paid for those shares. However, we believe that the purchase price of those shares will be equal to their fair market value and, accordingly, that the election will not result in any taxable income to the designated managers.

#### Full-Recourse Note

Under the circumstances described in the section of this prospectus titled "The Offerings," a designated manager may pay a portion of the purchase price for the shares of Class A common stock that he or she purchases in the offering of shares for direct ownership by delivering to us a full-recourse note having the terms that are summarized below.

**Interest and Payment.** Interest will accrue on the principal amount of the full-recourse note at a market rate that we currently expect to be approximately 10% per year, compounded annually, and payable in cash on each March 31, June 30, September 30 and December 31 prior to the payment in full of all unpaid principal and accrued and unpaid interest. All accrued and unpaid interest, together with all unpaid principal, if not paid sooner, will be due on the earliest of:

- . the 9th anniversary of the loan;
- . 30 days after the termination of the designated manager's employment by us with cause or by the designated manager without good reason;
- . 180 days after the termination of the designated manager's employment by us without cause, by the designated manager for good reason or upon the designated manager's death or disability;
- . the acceleration of the maturity of the loan as described below; or
- . the designated manager's receipt of any proceeds of the sale of the common stock subject to the pledge agreement, but only to the extent of the after tax proceeds from such sale.

The definitions of "cause" and "good reason" are the same as those described above in the section titled "Subscription Agreements--Description of Terms in Only the Designated Manager Subscription Agreements--Repurchase Right." Any overdue amount under the full-recourse note will bear an annual interest rate of 12%, compounded annually.

If the designated manager's employment with us is terminated due to his or her death or disability, the repayment obligations under the note will be satisfied only to the extent of the shares of our Class A common stock that are pledged as security for the note. Under all other circumstances, if the proceeds from the sale of the pledged shares are less than the remaining outstanding balance of the note and accrued and unpaid interest, the unpaid balance of the note will remain outstanding as an obligation of the designated manager.

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Acceleration. The outstanding principal amount and accrued interest on a note will automatically become due and payable if:

- . the designated manager commences an action under any law relating to bankruptcy, insolvency or relief of debtors;
- . there is commenced against the designated manager an action under any law described in the prior bullet point which results in the entry of an order for relief or the action remains undismissed for a period of 60 days; or
- . the designated manager otherwise becomes insolvent.

In the event that the designated manager defaults in any payment obligation under the full-recourse note or in any agreement contained in the pledge agreement, we may accelerate the full-recourse note by delivery of a written notice to the designated manager. If we deliver a notice of acceleration, the unpaid outstanding principal amount of the note and all the accrued and unpaid interest will become immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the designated manager in the full-recourse note.

#### Pledge Agreement

If a designated manager pays a portion of the purchase price for shares of our Class A common stock to be directly owned by delivering a full-recourse note, the designated manager must pledge as security for the note a number of these shares having an offering price equal to 200% of the amount of the note. The pledged shares will be held by us pursuant to a pledge agreement. Under the pledge agreement, the designated manager will pledge and grant to us a first priority security interest in all of the pledged shares, as well as any proceeds derived from the pledged shares.

In connection with the pledging of the pledged shares, we will take possession of the certificates representing the pledged shares at the time of the closing of the offerings and the designated manager will be required to execute and deliver to us prior to the closing of the offerings an assignment that we will make available to the designated manager. The designated manager will also be required to make to us a representation and warranty that there are no other encumbrances on the pledged shares. The pledged shares will be held by us until the repayment of all principal and all accrued but unpaid interest on the full-recourse note.

Without our prior written consent, the designated manager may not transfer the pledged shares, incur any liens or interests in favor of any other persons on the pledged shares or otherwise enter into any agreements that would restrict our right to transfer the pledged shares. Unless the designated manager has defaulted on the note, while we hold the pledged shares the designated manager will retain the right to vote and receive any dividends declared on the shares, although we will have a lien on any dividends received by the designated manager prior to the repayment in full of the note.

If any obligation under the full-recourse note is not paid in full when due or accelerated, after notifying the designated manager of our intent, we will have the right to receive any and all cash payments paid, and be able to exercise all the rights of the designated manager, with respect to the pledged shares. Also, we will have and may exercise all our rights and remedies under applicable New York law, including selling the pledged shares. If the proceeds from the sale of the pledged shares are less than the remaining outstanding balance of the note and accrued and unpaid interest, unless the designated manager previously has died or become disabled, the unpaid portion of the note will remain outstanding as an obligation of the designated manager. To the extent permitted by law, the designated manager agrees to waive all claims and damages against us arising out of the exercise of our rights.

The designated manager also will agree to deliver all further documents or take all further action to perfect and protect the pledge of the shares and the first priority security interest granted to us and will authorize us to

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file a financing statement with respect to the collateral with the signature of the designated manager as appropriate. The designated manager will further agree to pay and indemnify us and our directors, employees and affiliates for any and all liabilities and expenses related to or arising from the full-recourse note or the pledge agreement or any exercise of remedies under either the note or the pledge agreement.

The pledge agreement will be a continuing assignment and remain effective until all obligations under the full-recourse note are paid. Once the obligations are fully paid, the designated manager will be entitled to the return of the note and the release of our security interest in the pledged shares.

#### Option Agreement

Each designated manager who receives a grant of options to acquire our Class A common stock in connection with the offering of shares of our Class A common stock for direct ownership will be required to sign an option agreement. For additional information regarding the circumstances under which the designated managers may receive grants of options, you should read the section of this prospectus titled "The Offerings--Description of the Offerings."

**Grant of the Options.** The options are intended to be non-qualified stock options and are not intended to be treated as options that comply with Section 422 of the Internal Revenue Code of 1986, as amended.

**Vesting Schedule.** The options will vest and become exercisable with respect to 20% of the shares of our Class A common stock subject to the options on the first, second, third, fourth and fifth anniversaries of the date of grant. Prior to vesting, the options will not be exercisable. Upon a change of control, all options will become fully vested and exercisable. Under the 2001 Stock Incentive Plan, which together with the option agreement governs the terms of the stock options, a "change of control" is generally defined as either of the following:

- . the sale or disposition, in one or a series of related transactions, of all, or substantially all, of the assets of CBRE Holding to any "person" or "group", as defined in Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, other than the BLUM Funds, Freeman Spogli or their affiliates; or
- . any person or group, other than the BLUM Funds, Freeman Spogli or their affiliates, is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of CBRE Holding, including by way of merger, consolidation or otherwise, and the representatives of the BLUM Funds, Freeman Spogli or their affiliates, individually or in the aggregate, cease to have the ability to elect a majority of the board of directors of CBRE Holding; for our purposes, a member of a group will not be considered to beneficially own the securities owned by other members of the group.

**Termination of Employment.** If the designated manager's employment with us is terminated for any reason, the options will, to the extent not then vested, be canceled by us without consideration. However, in the case of Messrs. Wirta or White, (1) if his employment is terminated by us without cause or if he resigns from his employment with us for good reason, the options will immediately vest and become exercisable for all the shares subject to the options, or (2) if his employment is terminated due to his death or disability, the options will immediately vest and become exercisable for the number of shares with respect to which the options would have become vested and exercisable in the calendar year of the termination of employment.

**Period of Exercise.** The designated manager may exercise the vested portion of the options at any time prior to the earliest to occur of:

- . the tenth anniversary of the date of grant;
- . one year following the date of the designated manager's termination of employment as a result of death or disability;

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- . ninety days following the date of the designated manager's termination of employment by us without cause, other than as a result of death or disability, or by the designated manager for any reason; and
- . the date of the designated manager's termination of employment by us for cause.

For purposes of the option agreement:

"cause" means (1) the designated manager's willful failure to perform duties to us, which is not cured within ten days, (2) the designated manager's conviction of a felony, (3) the designated manager's willful malfeasance or misconduct which is materially and demonstrably injurious to us or (4) breach by the designated manager of the material terms of any confidentiality provisions to which the designated manager is subject;

"disability" means the inability of a designated manager to perform in all material respects his or her duties and responsibilities to us, for a period of six consecutive months or for an aggregate of nine months in any twenty-four consecutive month period by reason of a physical or mental incapacity; and

"good reason" means (1) a substantial diminution in the designated manager's position or duties, adverse change in reporting lines, or assignment of duties materially inconsistent with his or her position, (2) any reduction in the designated manager's base salary or material adverse change in the designated manager's bonus opportunity or (3) our failure to pay compensation or benefits to the participant when due under an employment agreement, in each case which

is not cured within 30 days after notice.

**Method of Exercise.** The vested portion of the options may be exercised by delivering to us at our principal office written notice of intent to so exercise. The notice must specify the number of shares for which the options are being exercised and be accompanied by payment in full of the option price.

The purchase price for the shares as to which options are exercised must be paid to us in full at the time of exercise at the election of the designated manager (1) in cash or its equivalent, such as by check, (2) in shares of our Class A common stock having a fair market value equal to the aggregate option price for the shares being purchased and satisfying any other requirements imposed by us, as long as the shares have been held by the designated manager for no less than six months, or any other period as established from time to time by us in order to avoid adverse accounting treatment when applying U.S. generally accepted accounting principles, (3) partly in cash and partly in shares or (4) if shares of Class A common stock are listed on a national securities exchange or quoted on the Nasdaq National Market at the time, through the delivery of irrevocable instructions to a broker to sell shares obtained upon the exercise of the option and to deliver promptly to us an amount out of the proceeds of the sale equal to the aggregate option price for the shares being purchased. The designated manager will also be required to pay all withholding taxes relating to the exercise.

Unless there is an available exemption the options may not be exercised prior to any registration or qualification of the options or the shares required to comply with applicable state and federal securities laws or with any ruling or regulation of any governmental body or national securities exchange that we in our sole discretion determine in good faith to be necessary or advisable. We expect to file, shortly after the effectiveness of the registration statement for these offerings, a registration statement on Form S-8 under the Securities Act covering all shares of Class A common stock underlying the options we grant to designated managers in the offering, as well as all other shares reserved for issuance under the 2001 Stock Incentive Plan.

Should the designated manager die while holding the options, the vested portion of the options will remain exercisable by the executor or administrator of the designated manager's estate, or the person or persons to whom the designated manager's rights will pass by will or by the laws of descent and distribution. Any heir or legatee of the designated manager will take the options subject to the terms and conditions of the 2001 Stock Incentive Plan and the option agreement.

**Legend on Certificates.** The certificates representing the shares issued upon exercise of an option will contain a legend stating that they are subject to the subscription agreement and may be subject to any stop

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transfer orders or other restrictions we may deem advisable and we may cause an additional legend or legends to be put on any certificates to make appropriate reference to other restrictions.

**Transferability.** Except as otherwise permitted by us, the options are exercisable only by the designated manager during the designated manager's lifetime and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the participant otherwise than by will or by the laws of descent and distribution.

**Withholding.** A designated manager shall be required to pay to us and we shall have the right to withhold any applicable withholding taxes in respect of the options, their exercise or any payment or transfer under the options or under the 2001 Stock Incentive Plan.

**Securities Laws.** Upon the acquisition of any shares pursuant to the exercise of the options, the participant will make or enter into written representations, warranties and agreements that we may reasonably request in order to comply with applicable securities laws or with the option agreement.

**No Right to Continued Employment.** Neither the 2001 Stock Incentive Plan nor the option agreement may be construed as giving the designated manager the right to be retained in employment by us. Further, we may at any time terminate the designated manager's employment, free from any liability or any claim under the plan or the option agreement without regard to due process or any obligation of good faith and fair dealing.

**Shares Subject to Plan and Subscription Agreement.** The shares are subject to the 2001 Stock Incentive Plan and the subscription agreement. In the event of a conflict between any term or provision contained in the option agreement and a term or provision of the 2001 Stock Incentive Plan or the subscription agreement, the applicable terms and provisions of the 2001 Stock Incentive Plan or the subscription agreement, as applicable, will govern and prevail. In the event of a conflict between any term or provision of the 2001 Stock Incentive Plan and any term or provision of the subscription agreement, the applicable terms and provisions of the subscription agreement will govern and prevail.

Upon the terms and conditions described in the section of this prospectus titled "The Offerings--Description of the Offerings," each of our U.S. employees who currently is a participant in the CB Richard Ellis Services 401(k) plan will be able to instruct the trustee of the 401(k) plan to invest a portion of his or her account balance in shares of our Class A common stock that we are offering by this prospectus. In order for an eligible participant to participate in this offering, the participant must complete, sign and return to the U.S. Trust Company a form of "Instructions to the Trustee" that U.S. Trust will make available to each of the plan participants prior to the merger.

In this form, if a participant would like to purchase shares of our Class A common stock to be held in his or her plan account, the participant will be required to identify the number of shares that the participant would like U.S. Trust to purchase in the offering. However, in the event that the offering of shares to be held in the 401(k) plan is over-subscribed, meaning U.S. Trust receives instructions to purchase more than the shares we have set aside in that offering, the amount of shares that each participant will be able to purchase in that offering will be reduced proportionately based upon the total number of 401(k) plan shares for which U.S. Trust receives instructions from all participating employees. Also in the form, if the participant is requesting U.S. Trust to purchase shares of our Class A common stock, the participant must instruct it to purchase the shares either by selling one or more investments in the participant's account and/or by applying the proceeds that the participant receives in the merger for the shares of CB Richard Ellis Services common stock that the participant holds in his or her 401(k) plan account, if any. If the participant would like to sell investments in his or her account to pay for all or part of the shares of our Class A common stock that will held in his or her account, then the participant will also need to complete and return to Vanguard Fiduciary Trust Company a form identifying which investments the participant would like to sell and in what amounts.

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#### DCP Election Forms

Upon the terms and conditions described in the section of this prospectus titled "The Offerings--Description of the Offerings," each of our U.S. employees and our independent contractors in the states of California, New York, Illinois and Washington at the time of the merger that holds stock fund units in his or her deferred compensation plan account that were vested prior to the time of the merger will be required to make one of the following elections:

- . convert the value of those stock fund units, based upon a value of \$16.00 per stock fund unit, into any of the insurance mutual fund or interest index fund alternatives that are available under the deferred compensation plan as of the effective time of the merger, or
- . continue to hold those stock fund units in his or her account under the deferred compensation plan.

In order to make this election, the employee or independent contractor must complete, sign and return to CB Richard Ellis Services a form that it will make available to each of the eligible participants prior to the merger.

In this form, each of the eligible participants in the offering of shares of our Class A common stock underlying stock fund units will be required to identify the following:

- . how many of his or her stock fund units that were vested prior to the merger he or she chooses to continue to hold in the plan after the offering, if any; and
- . if he or she chooses to convert the value of his or her units to another alternative under the plan, which alternatives he or she chooses to convert the units into.

In addition, upon the terms and conditions described in the section of this prospectus titled "The Offerings--Description of the Offerings," each of the designated managers that decides to transfer into stock fund units a portion of his or her deferred compensation plan account balance that is currently allocated to the insurance mutual fund under the deferred compensation plan will be required to complete, sign and return to CB Richard Ellis Services a form that it will make available to each of the designated managers prior to the merger.

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#### DESCRIPTION OF THE PLANS

The CB Richard Ellis Services, deferred compensation plan, was adopted in 1994 and has undergone numerous amendments. As currently in effect, the deferred compensation plan permits a select group of management employees, as well as highly compensated employees, which generally are those whose compensation exceeds \$100,000 a year, to elect immediately prior to the beginning of each calendar year to defer receipt of some or all of their compensation for the next year until a future distribution date and have it credited to one of three funds in the deferred compensation plan. From the participating employee's standpoint, these funds are bookkeeping accounts representing the right to receive a future distribution from us and the participant has no claim to any assets of CB Richard Ellis Services or its affiliates. The three funds are as follows:

- . The Insurance Fund. A participant may elect to have his or her deferred compensation allocated to the Insurance Fund. Within the Insurance Fund the employee can elect to have gain or loss on deferrals measured by one or more of approximately 30 mutual funds. CB Richard Ellis Services hedges its obligations to the participants under the Insurance Fund by actually buying a contract of insurance within which it has premiums invested in the mutual funds which participants have elected to measure the value of their deferred compensation. Historically, CB Richard Ellis Services has held the insurance contract in a Rabbi Trust. The participants have no interest in or claim to the Rabbi Trust, the insurance contract or the mutual funds within the insurance contract; they are merely general unsecured creditors of CB Richard Ellis Services. The insurance contract and the Rabbi Trust are assets of CB Richard Ellis Services available to its general creditors, including the deferred compensation plan participants, in the event of the bankruptcy or insolvency of CB Richard Ellis Services.
- . The Stock Fund. A participant may elect to have his or her deferrals allocated to the CB Richard Ellis Stock Fund, except that after the effective date of the merger such allocations may only be made with our consent. In the event a deferral is to be allocated to the Stock Fund, the amount of the deferral is divided by the closing price of CB Richard Ellis Services common stock on the New York Stock Exchange on the date of the deferral, or its fair value on that date if the deferral is after the effective date of the merger, and the result equals the number of stock fund units credited to the participant's account. Each stock fund unit has a value equal to one share of CB Richard Ellis Services common stock or, after the merger, one share of our Class A common stock. Participants in the Stock Fund have greater risk than the participants in the other deferred compensation plan funds because their only right in the event of a bankruptcy or insolvency is to receive shares of common stock of CB Richard Ellis Services, or our Class A common stock after the merger, and holders of these shares would only receive those of our assets remaining in bankruptcy or insolvency after the claims of all our creditors, including deferred compensation plan participants with allocations in the Interest Index Funds and the Insurance Fund, have been satisfied.
- . Interest Index Funds. From the deferred compensation plan's inception in 1994 until May of 1999 participants could elect to have their deferrals allocated to an Interest Index Fund, which we refer to as "Interest Index Fund I." All these allocations were then credited with interest at the rate payable by CB Richard Ellis Services under its principal credit agreement. Interest Index Fund I was suspended in April 1999 and no new deferrals were permitted to be allocated to it. Effective June 1, 2001 a new Interest Index Fund, which we refer to as "Interest Index Fund II," will be established. All deferrals allocated to Interest Index Fund II will be credited with interest at 11 1/4% per year for five years, or until distributed if earlier, and after that time at a rate no lower than the rate CB Richard Ellis pays under its principal credit agreement. The deferrals to Interest Index Fund II will not be funded with a Rabbi Trust or otherwise. Interest Index Fund II will only accept up to \$20 million in deferrals, other than pursuant to the 2000 Company Match Program described below. A participant may elect to move allocations from the Insurance Fund--but not the Stock Fund or Interest Index Fund I--into Interest Index Fund II. After five years CB Richard Ellis Services reserves the right to terminate Interest Index Fund II. In that event a participant's account balance in Interest Fund II either will be distributed in cash

to the participant or invested in the Insurance Fund. If a participant's account balance in Interest Index Fund II is to be invested in the Insurance Fund, CB Richard Ellis Services will transfer cash equal to the account balance into the Rabbi Trust for the Insurance Fund. The choice between a cash distribution and a new investment in the Insurance Fund is that of the participant, but the choice must be made prior to January 1, 2002. If a participant does not make a choice prior to January 1, 2002, he or she will be deemed to have elected a cash distribution.

Distribution Payments. The deferred compensation plan permits participants

to elect in service distributions, which may not begin less than three years following the election, and post-employment distributions. These distributions may be (a) in the form of a lump sum payment on a date selected by the participant or (b) in a series of quarterly installment payments, or annual installment payments in the case of stock fund units. Stock fund units are distributed only in the form of shares of common stock of CB Richard Ellis Services, or our Class A common stock after the merger. Separate distribution elections are permitted with respect to the deferrals for each year. There is limited flexibility to change distribution elections once made. A participant may elect to receive a distribution of his or her vested accounts at any time subject to a charge equal to 10% of the amount to be distributed.

Company Match Program. The Company Match Program is a part of the deferred compensation plan and was in effect for just two years--1999 and 2000 and is not expected to be in effect in 2001. Under the Company Match Program, CB Richard Ellis allocated to the accounts of sales professionals who generated more than \$1,000,000 in gross commissions for either of 1999 or 2000 an amount equal to the least of the following:

- . the amount the sales professional deferred pursuant to the deferred compensation plan for the applicable year;
- . 10% of one-half the sales professional's gross commission; and
- . \$100,000

The 1999 Company Match was made in the first quarter of 2000 in the form of an allocation of CB Richard Ellis Services stock fund units. In order to receive the 1999 Company Match a participant had to (1) sign a three year covenant not to compete, and (2) direct that a portion of his or her 1999 deferrals equal to 50% of the 1999 Company Match be allocated to CB Richard Ellis stock fund units. The 1999 Company Match vests 20% a year over a five-year period. In order to vest for any given year the participant must be employed by CB Richard Ellis Services on the last day of that year. The first 20% of the 1999 Company Match vested on December 31, 2000. Distributions of the 1999 Company Match benefits will be made only in shares of stock of CB Richard Ellis Services, or our Class A common stock after the merger, and only upon termination of employment. Upon the completion of the merger, the 1999 Company Match will 100% vest and remain credited to a participant's account as stock fund units.

The 2000 Company Match is identical to the 1999 Company Match except that (1) the amount of the Match will be allocated to Interest Index Fund II, (2) the participant must elect to have a portion of his or her 2000 deferrals equal to 50% of the 2000 Company Match allocated to Interest Index Fund II, although to the extent these deferrals were invested in the stock fund they will reduce the 50% allocation requirement, (3) vesting begins December 31, 2001 rather than December 31, 2000 and (4) distributions will be made in the form of cash rather than the shares of common stock. The completion of the merger will not result in any acceleration of vesting under the 2000 Company Match.

Company Retention Program. The Company Retention Program is also a part of the deferred compensation plan and was in effect for just one year, 2000 and is not expected to be in effect in 2001. Under the Retention Program the top 125 sales professionals were allocated CB Richard Ellis stock fund units as follows:

<TABLE>  
<CAPTION>

Rank	Stock Units
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<S>	<C>
1-15.....	5,700
16-75.....	4,500
76-125.....	3,000

</TABLE>

The 5,700 and 4,500 share unit awards were conditioned upon the participant executing a three-year covenant not to compete. Retention Awards vest only if the participant is continuously employed by CB Richard Ellis Services through December 31, 2004. If a participant's employment terminates before that date, he or she forfeits the entire award and is not subject to the covenant not to compete. Distribution of benefits under the Company Retention Program are made only in shares of common stock of CB Richard Ellis, or our Class A common stock after the merger, and only after termination of employment.

Company Recruitment Program. The Company Recruitment Program is a part of the deferred compensation plan and permits the grant of awards--in the form of allocations under the deferred compensation plan--up to a total of \$3,218,750. The Company Recruitment Plan was terminated effective April 1, 2001. During the first ten months of 2000, awards generally were made in the form of CB Richard

Ellis Services stock fund units. After October 31, awards have been made in the form of allocations to the Insurance Fund. The recruitment awards can only be made to new hires who are experienced sales professionals and can demonstrate that either in the current year or the previous year they have had income from services of more than \$100,000. In order to receive a Recruitment Award an individual must execute a three-year covenant not to compete. Recruitment awards vest only if the individual is continuously employed by CB Richard Ellis Services for four years from the date of the award. If a participant's employment terminates prior to that date, he or she forfeits the entire award and is not subject to the covenant not to compete.

Amendments in Connection with the Merger. A series of amendments to the deferred compensation plan will be made in connection with or as a result of the merger:

- . Interest Index Fund II will be established.
- . As of the effective time of the merger, each stock fund unit will thereafter represent the right to receive one share of our Class A common stock in accordance with the terms and conditions set forth in the deferred compensation plan instead of one share of CB Richard Ellis Services.
- . Prior to the merger, participants who have CB Richard Ellis stock fund units that were vested prior to the merger will be required to make one of the following elections prior to the merger: (1) retain those stock fund units in their account, provided that this option will only be available to participants that are employees of CB Richard Ellis Services at the closing of the merger or are independent contractors of CB Richard Ellis Services or its subsidiaries in the states of California, New York, Illinois and Washington at the closing of the merger, or (2) convert the value of those stock fund units, at \$16.00 per unit, into an allocation to Interest Index Fund II or in the Insurance Fund and select mutual funds within that fund in each case to measure future gains or losses for the amount so converted.
- . For administrative reasons, deferrals with respect to 2002 and subsequent years will not be paid in the form of installment distributions upon termination of employment, except for long service employees, which means 15 years or more of service, or employees near retirement age, which means 55 or older. All other participants will receive a lump sum distribution, but may pick the first day of any quarter after their employment terminates as the distribution date, provided the distribution date is not more than 10 years after their employment termination date. This change will not affect any existing

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installment election unless that election is later changed by the participant in the manner permitted under the deferred compensation plan. In the case of deferrals into the Stock Fund, a participant may elect to defer his or her lump sum distribution until the earlier of the first day of any calendar quarter after employment terminates, with a 10 year maximum deferral, or 180 days after the date, if any, our Class A common stock is traded on a national exchange or is quoted on the Nasdaq National Market. This special deferral rule for the Stock Fund recognizes that shares of our Class A common stock are highly illiquid and a distribution of this stock would result in ordinary income tax on the value of the distribution and the participant would be unable to sell the shares to pay the tax.

- . The Rabbi Trust, which is used to hold the insurance contracts for the Insurance Fund, has been amended effective June 1, 2001 to delete the provision that makes it irrevocable upon a change of control of CB Richard Ellis Services and to permit CB Richard Ellis Services to direct the trustee to take out of the Rabbi Trust any amounts participants elect to transfer from the Insurance Fund to Interest Index Fund II or, in the case of designated managers, into stock fund units.
- . After the merger, prior to the earlier of the occurrence of the tenth anniversary of the merger or 180 days after an underwritten initial public offering of our Class A common stock in which it becomes listed for trading on a national securities exchange or are quoted on the Nasdaq National Market, before a participant may receive a distribution of shares of our Class A common stock pursuant to the terms of the plan the participant will be required to sign and deliver a stockholder's agreement to us. This stockholder's agreement will generally contain all the terms described in the section of this prospectus titled "Description of the Offering Documents--Subscription Agreements--Description of Terms in All Subscription Agreements," except that it will not contain the terms regarding assignment of proceeds from the merger, representations and warranties or conditions to subscription.

For 2002 and subsequent years, an employee will have to have income from

salary, bonus and commissions of \$150,000, as compared to \$100,000 currently, or more in order to participate in the deferred compensation plan. However, in the case of a sales professional, if his or her commissions for the prior year exceeded \$150,000, then he or she will be eligible for immediate first dollar participation in the deferred compensation plan. This change is being made in response to recent court decisions. For sales professionals whose compensation in the prior year did not exceed \$150,000, participation will be permitted only with respect to compensation in excess of \$150,000 for the deferral year.

**Federal Income Tax Consequences of the Amendments.** A participant will not recognize any ordinary income on the conversion of his or her investment in stock fund units with underlying shares of CB Richard Ellis Services common stock into an investment in stock fund units with underlying shares of our Class A common stock, mutual funds under the Insurance Fund or Interest Index Fund II. Upon the distribution to the participant of shares of our Class A common stock, the participant will recognize ordinary income equal to the fair market value of the shares at the time of distribution. Accordingly, a participant may be subject to tax liability although the participant received payment of shares, which may lack liquidity, rather than cash. Upon the payment of cash equal to the value of the participant's Insurance Fund or Interest Index Fund I or II account, the participant will recognize ordinary income equal to the cash received.

#### CB Richard Ellis Services Capital Accumulation Plan

CB Richard Ellis Services maintains the CB Richard Ellis Services Capital Accumulation Plan, which is a tax qualified retirement plan that we generally refer to as the 401(k) plan. Generally, an employee of CB Richard Ellis Services is eligible to participate in the plan if the employee is at least 21 years old.

**Contributions.** The plan provides for participant contributions as well as discretionary employer contributions. A participant is allowed to contribute to the plan from 1% to 15%, in whole percentages, of his or her compensation, subject to limits imposed by the U.S. Internal Revenue Code. Participant contributions may be on a pre-tax basis, which we refer to as "pre-tax contributions" or on an after-tax basis, which we refer to as "after-tax contributions." In addition, a participant may roll over to the plan his or her account balance

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from a retirement plan of a former employer. Each year, CB Richard Ellis Services determines an amount of employer contributions, if any, it will contribute to the plan, which we refer to as "CB Richard Ellis Services contributions," based on the performance and profitability of the consolidated United States operations of CB Richard Ellis Services. CB Richard Ellis Services contributions for a year are allocated to participants who are actively employed on the last day of the plan year in proportion to each participant's pre-tax contributions for that year, up to 5% of the participant's compensation. All amounts contributed to the plan, both participant contributions and CB Richard Ellis Services contributions, are held in a trust fund. The trust fund is currently administered by an independent trustee, Vanguard Fiduciary Trust Company. All amounts in the trust fund can only be used for the benefit of participants. The trustee makes all benefit payments from the trust fund.

**Vesting.** A participant is always 100% vested in his or her pre-tax contributions, after-tax contributions and rollover contributions. A participant will become vested in CB Richard Ellis Services contributions as follows: (x) less than 5 years of vested service, 0% and (y) 5 years or more of vested service, 100%. However, a participant will become 100% vested, regardless of years of vested service, if (1) the participant reaches age 65 while actively employed, (2) the participant was hired after age 65 and becomes eligible to participate in the plan, (3) the participant dies or becomes disabled while employed, or (4) the plan is terminated.

**Investments.** The participant may direct the investment of his or her account into a number of available investment options under the plan, currently including an option to invest in CB Richard Ellis Services common stock, and may change his or her investment elections pursuant to the terms of the plan. From time to time, CB Richard Ellis Services may change the investment options under the plan.

**Voting Rights.** Voting rights in the mutual fund alternatives are not passed through to participants. However, voting rights with respect to the CB Richard Ellis Services common stock in the CB Richard Ellis Services Common Stock Fund are passed through to participants. Currently, the trustee votes shares of CB Richard Ellis Services common stock in the CB Richard Ellis Services Common Stock Fund that are not voted by participants in the same proportion as the shares in the fund for which the trustee did receive participants' directions.

**In Service Withdrawals.** Generally, a participant is not entitled to a distribution from the plan during employment. However, during employment, a participant may take a loan from the plan of up to the lesser of (1) 50% of his



or her vested account balance and (2) \$50,000. In addition, after reaching age 59 1/2, a participant may withdraw all or a portion of his or her vested account balance from the plan. Last, if the participant is less than 59 1/2, he or she may, in limited circumstances, be eligible for a hardship withdrawal. However, if a participant holds shares of our Class A common stock in his or her account after the merger, as described below, he or she will be unable to take a loan from the plan, or receive a hardship withdrawal, with respect to those shares.

**Distributions.** Generally, upon the participant's termination of employment, distributions from the plan are made in a single lump sum cash payment. However, if the participant has an account balance in the CB Richard Ellis Services Common Stock Fund, the participant may receive his or her distribution of all or a portion of his or her balance in that fund either in shares or in cash.

**Consequences of the Merger.** In connection with the merger, each share of CB Richard Ellis Services common stock currently held by the plan in the CB Richard Ellis Services Common Stock Fund and credited to participant accounts will be exchanged for \$16.00 in cash, and the plan will be amended to eliminate the CB Richard Ellis Services Common Stock Fund as an investment option within the plan. The cash received for the shares of CB Richard Ellis Services common stock will be available for reinvestment in one or more of the investment alternatives contained within the plan in accordance with the terms of the plan, including the new CBRE Holding Common Stock Fund under the circumstance described below.

**New Employer Stock Fund.** In connection with the merger, a new CBRE Holding Common Stock Fund will be created as a plan investment alternative. All of our active U.S. employees participating in the plan at the

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time of the merger will be offered the opportunity to direct the trustee of the plan to purchase for the CBRE Holding Common Stock Fund shares of our Class A common stock at an offering price of \$16.00 per share. The aggregate number of shares that we will be offering for purchase by the CBRE Holding Common Stock Fund will be 889,819. These U.S. employees may use only pre-tax contributions and rollover contributions for their investments in the CBRE Holding Common Stock Fund, and no participant may invest more than 50% of his or her entire plan account balance in the CBRE Holding Common Stock Fund as of June 1, 2001.

**401(k) Plan Trustee and Instructions Form.** U.S. Trust Company, National Association has been retained by CB Richard Ellis Services to act as an independent trustee of the CBRE Holding Common Stock Fund investment alternative in the plan. In order to acquire shares of our Class A common stock in this offering using his or her plan account, a participant in the 401(k) plan at the time of the merger must affirmatively elect, prior to the subscription deadline, to direct U.S. Trust, as stock fund trustee, to invest a portion of his or her plan account in CBRE Holding shares after the merger, as described above. In order to make this election, the participant will be required to complete and return to U.S. Trust the form of instructions described in the section of this prospectus titled "Description of the Offering Documents--401(k) Plan Instructions Form." If an employee has not furnished instructions to the trustee using the appropriate form prior to the subscription deadline as described above, the employee will not be able to participate in the offering of shares of our Class A common stock to be held in the 401(k) plan.

**Adequate Consideration Requirement.** U.S. Trust will be obligated to follow the purchase decisions made by participants unless it determines that the instructions are not consistent with its fiduciary obligations under the Employee Retirement Income and Security Act of 1974. In this regard, U.S. Trust will engage an independent financial advisor and will only follow the purchase instructions if it receives an opinion from this advisor that concludes that the purchase price is fair to plan participants and constitutes "adequate consideration" for purposes of ERISA.

**Inability to Sell Shares Held in the Plan.** In evaluating the offer of securities to be purchased within the plan, and whether an investment in the CBRE Holding Common Stock Fund satisfies the prudence requirements required by ERISA for retirement plan investments, participants should take into account that following the merger they will not be able to sell these shares and invest the proceeds in other investments under the plan. We currently expect to implement a limited trading mechanism among 401(k) plan participants that, if ever implemented, would be effective at some point after the merger and would allow participants that hold shares of our Class A common stock in the CB Richard Ellis Services 401(k) plan to sell a limited number of these shares to other 401(k) plan participants. However, even if we were able to establish this type of mechanism, the ability to sell shares held in the 401(k) plan would be significantly limited. In addition, we may never be able to implement this mechanism so you should not assume that we will ever have a mechanism in place that allow the sale of shares to be held in the 401(k) plan.

Participants should also take into account that an investment in the CBRE Holding Common Stock Fund may limit the participant's ability to receive loans or hardship withdrawals from the plan, since shares of our Class A common stock held in the CBRE Holding Common Stock Fund may not be used for loans or hardship withdrawals.

Voting and Plan Distributions. Participants will generally be entitled to direct U.S. Trust with respect to the voting of shares allocated to their accounts in the CBRE Holding Common Stock Fund consistent with the current practice Vanguard has implemented with respect to the CB Richard Ellis Services Common Stock Fund, described above. To the extent a participant who is invested in the CBRE Holding Common Stock Fund is entitled to a distribution under the plan, the participant will have the right either to receive this portion of his or her distribution in shares of our Class A common stock or to instruct the trustee to sell the shares and receive the cash proceeds of the sale. If the trustee cannot otherwise sell the shares prior to an underwritten initial public offering after which our Class A common stock is listed for trading on a national securities exchange or is quoted on the Nasdaq National Market, we will be obligated to purchase these shares at the then fair market value.

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Stockholders Agreement. If the participant elects to receive shares of our Class A common stock upon a distribution prior to the earlier of the occurrence of the tenth anniversary of the merger or 180 days after an underwritten initial public offering of our Class A common stock in which it becomes listed for trading on a national securities exchange or are quoted on the Nasdaq National Market, if the participant has not previously signed a subscription agreement, before he or she may receive the distribution of these shares pursuant to the terms of the plan the participant will be required to sign and deliver a stockholder's agreement to us. This agreement will contain substantially the same provisions as the subscription agreements, other than with respect to the provisions regarding purchasing shares. For a description of the terms of the subscription agreement, see "Description of the Offering Documents--Subscription Agreements."

#### 2001 Stock Incentive Plan

The following description of the 2001 CBRE Holding, Inc. Stock Incentive Plan, which we refer to as our stock incentive plan, is not complete and is qualified by reference to the full text of the stock incentive plan, which has been filed as an exhibit to the registration statement. The stock incentive plan was adopted by our board of directors on ., 2001. Both the shares of CBRE Holding Class A common stock for direct ownership and the options to acquire CBRE Holding Class A common stock being offered by this prospectus are being issued or granted, as the case may be, pursuant to the stock incentive plan.

The stock incentive plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to our employees, directors or independent contractors. A maximum of . shares of our Class A common stock may be subject to awards under the stock incentive plan. A maximum of . shares of our Class A common stock may be granted as options and stock appreciation rights to any participant during a calendar year. The number of shares issued or reserved pursuant to the stock incentive plan, or pursuant to outstanding awards, is subject to adjustment on account of stock splits, stock dividends and other dilutive changes in our Class A common stock. Class A common stock covered by awards that expire, terminate or lapse will again be available for option or grant under the stock incentive plan.

Administration. The stock incentive plan is administered by our board of directors, which may delegate its duties and powers in whole or in part to any committee of the board of directors. The board of directors has the sole discretion to determine the employees, directors and independent contractors to whom awards may be granted under the stock incentive plan and the manner in which these awards will vest. Options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards will be granted by the board of directors to employees, directors and independent contractors in the numbers and at the times during the term of the stock incentive plan as the board of directors determines. The board of directors is authorized to interpret the stock incentive plan, to establish, amend and rescind any rules and regulations relating to the stock incentive plan, and to make any other determinations that it deems necessary or desirable for the administration of the stock incentive plan. The board of directors may correct any defect, supply any omission or reconcile any inconsistency in the stock incentive plan in the manner and to the extent the board of directors deems necessary or desirable.

Options. The board of directors will determine the exercise price for each option. However, an incentive stock option must generally have an exercise price that is at least equal to the fair market value of the shares on the date the option is granted. An optionholder may exercise an option by written notice and payment of the exercise price (1) in cash or its equivalent, (2) by the surrender of a number of shares of our common stock already owned by the optionholder for at least six months, or other period established from time to time by us in order to avoid adverse accounting treatment applying U.S.

generally accepted accounting principles, with a fair market value equal to the exercise price, (3) in a combination of cash and shares of our common stock as qualified by clause (2) above or (4) if a public market for the shares exists, through the delivery of irrevocable instruments to a broker to sell shares of our common stock obtained upon exercise of the option and to deliver promptly to us an amount out of the proceeds of the sale equal to the exercise price for the shares being

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purchased. Optionholders may satisfy their income tax withholding obligation through the withholding of a portion of the shares to be received upon exercise of the option.

**Other Stock-Based Awards.** Our board of directors may grant awards of restricted stock units, shares of Class A common stock and restricted stocks and awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares. The other stock-based awards will be subject to the terms and conditions established by the board of directors.

**Transferability.** Unless otherwise determined by our board of directors, awards granted under the stock incentive plan are not transferable other than by will or by the laws of descent and distribution.

**Change of Control.** In the event of a change of control, (1) any outstanding awards then held by participants which are unvested or otherwise unexercisable will automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to the change of control and (2) our board of directors may (A) provide for a cash payment to the holder of an award in consideration for the cancellation of the award and/or (B) provide for substitute or adjusted awards. The definition of "change of control" is generally either of the following:

- . the sale or disposition, in one or a series of related transactions, of all, or substantially all, of the assets of CBRE Holding to any "person" or "group", as defined in Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, other than the BLUM Funds, Freeman Spogli or their affiliates or any group which includes any of them; or
- . any person or group, other than the BLUM Funds, Freeman Spogli or their affiliates, is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of CBRE Holding, including by way of merger, consolidation or otherwise and the representatives of the BLUM Funds, Freeman Spogli or their affiliates, individually or in the aggregate, cease to have the ability to elect a majority of the board of directors of CBRE Holding; for these purposes, a member of a group will not be considered to beneficially own the securities owned by other members of the group.

**Amendment and Termination.** Our board of directors may amend, alter or discontinue the stock incentive plan in any respect at any time, but no amendment can diminish any of the rights of a participant under any awards previously granted without his or her consent.

**Federal Income Tax Consequences of the Awards under the Stock Incentive Plan.** When a nonqualified stock option is granted, there is no income tax consequence for the optionholder or us. When a nonqualified stock option is exercised, in general, the optionholder recognizes compensation equal to the excess of the fair market value of the shares on the date of exercise over the exercise price. We are entitled to a deduction equal to the compensation recognized by the optionholder.

When an incentive stock option is granted, there are no income tax consequences for the optionholder or us. When an incentive stock option is exercised, the optionholder does not recognize income and we do not receive a deduction. The optionholder, however, must treat the excess of the fair market value of the shares on the date of exercise over the exercise price as an item of adjustment for purposes of the alternative minimum tax. If the optionholder disposes of shares after the optionholder has held the shares for at least two years after the incentive stock option was granted and one year after the incentive stock option was exercised, then the amount the optionholder receives upon the disposition over the exercise price is treated as long-term capital gain to the optionholder. We are not entitled to a deduction. If the optionholder makes a "disqualifying disposition" of the shares by disposing of the shares before the shares have been held for the above-described holding period, then the optionholder generally recognizes compensation income equal to the excess of (1) the fair market value of the shares on the date the incentive stock option was exercised, or, if less, the amount received on the disposition, over (2) the exercise price. We are entitled to a deduction equal to the income recognized by the optionholder.

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When a stock appreciation right is granted, there are no income tax consequences for the participant or us. When a stock appreciation right is exercised, in general, the participant recognizes compensation equal to the cash and/or the fair market value of the shares received upon exercise. We are entitled to a deduction equal to the compensation recognized by the participant.

The fair market value of shares of Class A common stock, or the cash, that a participant receives upon the grant of other stock-based awards over the amount paid for the other stock-based awards, excluding options, is generally recognized as compensation by the participant. However, if the other stock-based awards consist of property subject to a substantial risk of forfeiture, the amounts generally will not be recognized as ordinary income by the participant until the substantial risk of forfeiture lapses or until the participant makes an election under Section 83(b) of the Internal Revenue Code. We are entitled to a deduction equal to the income recognized by the participant.

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#### LIMITED TRADING MECHANISMS AFTER THE OFFERINGS

After the completion of the offerings we currently expect to implement a mechanism described in greater detail below that will allow limited trading of the directly owned shares of Class A common stock and the shares of Class A common stock held in the CB Richard Ellis Services 401(k) plan. The options to acquire our Class A common stock are not transferable. However, even if we are able to establish this mechanism, the ability to trade using these mechanisms would be extremely limited. In addition, due to legal and regulatory restrictions, we may not be able to implement this mechanism as we currently expect and you should not assume that we will be able to do so.

In no event will our facilitation of trading through the expected mechanisms described below be considered to be a recommendation by either us or CB Richard Ellis Services regarding the advisability of buying or selling shares of Class A common stock. In no event will either we or CB Richard Ellis Services purchase or sell any shares of Class A common stock using the expected mechanisms described below. In the event that these expected mechanisms are implemented, we will retain the right to discontinue the mechanisms at any time at our sole discretion.

CB Richard Ellis Services Intranet Site

In connection with the expected trading mechanisms, we intend to establish a site on the CB Richard Ellis Services Intranet that would provide specified types of information to facilitate limited trading among our employees and eligible independent contractors. The site will only be accessible to our current employees and independent contractors, and neither we nor CB Richard Ellis Services will receive any compensation for establishing or maintaining, or for the use of, the site. The potential uses of the Intranet site will vary depend upon whether the trade involves directly owned shares of Class A common stock or shares of Class A common stock in the 401(k) plan. Neither we nor CB Richard Ellis Services will receive, transfer or hold funds or securities in connection with the operation of the site. The CB Richard Ellis Services Intranet, and any information posted on its Intranet, is expressly not incorporated by reference into this prospectus, so you should not consider either the Intranet or the information on the Intranet to be part of this prospectus.

Limited Trading of Directly Owned Shares

To the extent a holder of directly owned shares of our Class A common stock is permitted to sell his or her shares pursuant to the terms of the applicable subscription agreement, he or she will be able to post on the Intranet site an offer to buy or an offer to sell all or a portion of his or her directly owned shares. The posting will be required to indicate the number of shares being offered for purchase or sale and the name, phone number and address of the party making the posting, and any subsequent negotiations, payment or execution of a trade using information obtained on the Intranet site must take place off of the Intranet site. Although participants may include pricing information in their postings on the site, they will not be obligated to purchase or sell at those prices, or at all, after making a posting. Other than making the Intranet site available and acting as the transfer agent with respect to completed trades of directly owned shares, neither we nor CB Richard Ellis Services will play a role in these trades.

Limited Trading of Shares Held in the 401(k) Plan

We expect to request U.S. Trust Company, National Association, which has been retained by CB Richard Ellis Services to act as an independent trustee of the CBRE Holding Common Stock Fund investment alternative in the 401(k) plan, to commission a valuation firm to conduct an appraisal with regard to the value of a share of Class A common stock at the end of each of our fiscal quarters. This outside appraisal value will be posted on the Intranet site, and we expect

that the posting will occur shortly after our quarterly or annual financial statements, as applicable, are available. U.S. Trust will have complete discretion to replace the valuation firm at any time or to seek additional appraisals.

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During the two week period immediately following the posting of the outside appraisal value, participants in the 401(k) plan will be able to request U.S. Trust to either (1) sell shares of our Class A common stock held in the 401(k) plan to other 401(k) plan participants or (2) purchase shares of our Class A common stock held in the 401(k) plan to other 401(k) plan participants. U.S. Trust will then fulfill these requests to sell or purchase shares of our Class A common stock held in the 401(k) plan to the extent it can find offsetting purchase or sale requests of other 401(k) plan participants.

To the extent that U.S. Trust does not find offsetting requests within the 401(k) plan, U.S. Trust may post on the Intranet site an offer to buy or sell, as the case may be, the unmatched shares of our Class A common stock held in the 401(k) plan. In order to satisfy the fiduciary duties of U.S. Trust, who is legally required to make an independent determination that the 401(k) plan's purchase and sale prices are for adequate consideration, any sales of shares of our Class A common stock held in the 401(k) plan will have to be at a price at least equal to the outside appraisal value and any purchases of shares of our Class A common stock held in the 401(k) plan will have to be at a price no greater than the outside appraisal value. However, U.S. Trust will not be bound by the outside appraisal value in making its requisite independent fairness determination. In particular, it will have discretion not to make purchases with prices at or below, or sales with prices at or above, the outside appraisal value if it determines that the price is inappropriate. U.S. Trust will allocate the shares of our Class A common stock held in the 401(k) plan that it purchases, or the revenues it receives from sales, among the participants' 401(k) plan accounts in accordance with their investment directions. In the event U.S. Trust is unable to purchase or sell sufficient shares to fulfill all requests, the allocation will be made in a nondiscriminatory manner consistent with the U.S. Trust's fiduciary duties under the 401(k) plan.

All trading of shares of our Class A common stock held in the 401(k) plan using the information available on the Intranet site must be executed off of the Intranet site. In addition, all negotiations between U.S. Trust and any buyers and sellers must occur off of the Intranet site. Other than making the Intranet site available and acting as the transfer agent with respect to completed trades of directly owned shares, neither we nor CB Richard Ellis Services will play a role in these trades.

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## THE MERGER TRANSACTIONS

### Generally

The offerings being made by this prospectus are part of a series of substantially simultaneous transactions, including the proposed merger of our wholly-owned subsidiary, BLUM CB Corp., with and into CB Richard Ellis Services, Inc. pursuant to the amended and restated merger agreement, dated as of May 31, 2001, among us, CB Richard Ellis Services and BLUM CB Corp. Pursuant to the merger agreement, and subject to conditions set forth in the merger agreement, as a result of the merger, each of the outstanding shares of CB Richard Ellis Services common stock at the time of the merger, other than shares held by members of the buying group who will receive shares of our Class B common stock instead, will be converted into the right to receive \$16.00 in cash. As a result of this proposed merger, CB Richard Ellis Services would become our direct, wholly-owned subsidiary and the common stock of CB Richard Ellis Services would be delisted from the New York Stock Exchange. The completion of these offerings of our Class A common stock are conditioned upon the closing of the merger.

Pursuant to an amended and restated contribution and voting agreement, immediately prior to the merger each of the members of the buying group will contribute to us all of the shares of CB Richard Ellis Services common stock that he or it directly owns. Each of these shares contributed to us will be cancelled as a result of the merger. We will issue one share of our Class B common stock in exchange for each share of CB Richard Ellis Services common stock contributed to us. This will result in the issuance to the buying group of an aggregate of 8,052,087 shares of our Class B common stock in exchange for these contributions. Also pursuant to the contribution and voting agreement, the BLUM Funds have agreed to purchase for cash immediately prior to the merger a minimum of 2,553,879 shares of our Class B common stock at \$16.00 per share. In addition, the BLUM funds have agreed to purchase for \$16.00 per share in cash an additional number of shares of our Class B common stock for \$16.00 per share equal to (1) 3,236,639 shares minus (2) the number of shares of our Class A common stock and stock fund units subscribed for in the offerings made by

this prospectus plus (3) the aggregate amount of full-recourse notes delivered by designated managers in the offerings divided by \$16.00. The number of shares purchased by the BLUM Funds will be reduced by 241,885 shares, which is the number of shares of our Class B common stock the BLUM Funds have purchased for \$16.00 in connection with the closing of the sale of 11 1/4% senior subordinated notes by BLUM CB Corp. as described below. The proceeds from the sale of those shares to the BLUM Funds were contributed to BLUM CB Corp., which deposited the proceeds in an escrow account for release when the merger is completed.

In connection with the merger and related transactions, we will issue and sell at least \$65.0 million in aggregate principal amount of 16% Senior Notes due 2011 to DLJ Investment Partners II, L.P. and its affiliates, and issue and sell 521,847 shares of our Class A common stock to DLJ Investment Partners II, L.P. and its affiliates for a purchase price of \$0.01 per share. A portion of the 16% senior notes may be purchased by persons other than DLJ Investment Partners II, L.P. and its affiliates. Also, in connection with the merger, CB Richard Ellis Services will assume \$229 million in aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2011 of BLUM CB Corp., which were issued and sold for approximately \$225.6 million on June 7, 2001. The net proceeds from the sale of those notes by BLUM CB Corp. are currently being held in an escrow account and will be released when the merger is completed. In addition, CB Richard Ellis Services will enter into a new senior secured credit agreement with CSFB and other lenders under which CB Richard Ellis Services will borrow up to \$225.0 million in term loans. This credit agreement will also include a \$100.0 million revolving credit facility, which is intended to finance our working capital requirements after December 31, 2000, and a portion of which will be drawn upon at the time of the merger. For additional information regarding the indebtedness we will incur in connection with the merger, you should read the section of this prospectus titled "Description of Indebtedness."

The proceeds from the sale of our senior notes, the offerings of our Class A common stock and the purchase of our Class B common stock by the BLUM Fund, together with borrowings under the credit agreement and the proceeds from the 11 1/4% senior subordinated notes, will be used to pay the holders of CB Richard Ellis Services common stock immediately prior to the merger, other than the members of the

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buying group, consideration of \$16.00 per share in the merger, to refinance substantially all of CB Richard Ellis Services' existing indebtedness, to pay fees and expenses associated with the merger and for working capital and other general corporate purposes. For additional information regarding the use of proceeds received in the offerings, you should read the section of this prospectus titled "Use of Proceeds."

Also in connection with the merger, we, each of the members of the buying group and DLJ Investment Partners II, L.P. and its affiliates will enter into a securityholders' agreement, which will contain agreements among us, the holders of the Class B common stock and DLJ Investment Partners II, L.P. and its affiliates, including voting, transfer, restrictions, participation rights, registration rights, and a right of first offer in favor of the BLUM Funds.

The following summarizes the merger agreement, the securityholders' agreement and the contribution and voting agreement, each of which is included as an exhibit to the registration statement filed with the SEC of which this prospectus forms a part. You should carefully read each of the agreements in their entirety and not rely solely upon the description of the agreements provided below.

#### Merger Agreement

The merger agreement provides that BLUM CB, a Delaware corporation wholly-owned by us, will merge into CB Richard Ellis Services. Following the completion of the merger, BLUM CB will cease to exist as a separate entity and CB Richard Ellis Services will continue as the surviving corporation and as our wholly-owned subsidiary.

**Effective Time.** The merger will become effective upon the filing of a certificate of merger with the Secretary of State of Delaware or at such later time as specified in the certificate of merger. We refer to this time as the effective time. We expect this filing to occur as soon as practicable after the adoption of the merger agreement by the stockholders of CB Richard Ellis Services at a special meeting and the satisfaction or waiver of the other conditions to the merger as set forth in the merger agreement.

**Merger Consideration.** At the effective time of the merger, each share of CB Richard Ellis Services common stock outstanding immediately prior to the effective time will be cancelled and automatically converted into the right to receive \$16.00 in cash, without interest or other payment, with the following exceptions:

. treasury shares, shares of CB Richard Ellis Services common stock owned

by us or BLUM CB, which will include the shares contributed to us by the buying group immediately prior to the merger, and shares of CB Richard Ellis Services common stock owned by any of its subsidiaries will be cancelled without any payment; and

- . shares held by stockholders who have perfected their dissenters' rights will be subject to appraisal in accordance with Delaware law.

At the effective time of the merger, each share of the common stock of BLUM CB issued and outstanding immediately before the effective time will be converted into the right to receive one share of common stock of CB Richard Ellis Services.

Pursuant to the contribution and voting agreement which is described below, each share of CB Richard Ellis Services common stock held by a member of the buying group will be contributed by them to us immediately prior to the merger in consideration for the issuance by us of an identical number of shares of our Class B common stock. Each of the shares of the buying group contributed to us will be cancelled in connection with the merger without payment.

Cancellation of Options in the Merger. At the effective time of the merger, each holder of an option to purchase shares of CB Richard Ellis Services common stock outstanding under any of its stock option or compensation plans or arrangements, whether or not vested, will have the right to have the option canceled and in exchange CB Richard Ellis Services will pay to each holder of a canceled option, as soon as practicable

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following the effective time, an amount per share that is subject to the option, equal to the greater of (A) the amount by which \$16.00 exceeds the exercise price of the option, if any, and (B) \$1.00, reduced in each case by applicable tax withholding.

Each holder of an option that does not elect to receive the consideration described in the previous sentence will continue to hold his or her options to acquire CB Richard Ellis Services common stock after the merger. However, after the merger, CB Richard Ellis Services will be our wholly-owned subsidiary and its common stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934. Accordingly, if any holder exercised his or her options after the merger, the holder would receive common stock of our subsidiary, which common stock would be difficult, if not impossible, to sell.

CB Richard Ellis Services Deferred Compensation Plan. At the effective time of the merger, the CB Richard Ellis Services deferred compensation plan will be amended so that each stock fund unit will represent the right to receive one share of our Class A common stock on a future distribution date as described in the plan instead of one share of CB Richard Ellis Services common stock. Each of our U.S. employees and each of our independent contractors in the states of California, New York, Illinois or Washington who has stock fund units credited to his or her account that have vested prior to the merger will be required, prior to the merger, to make one of the following elections with respect to those stock fund units:

- . convert the value of those stock fund units, based upon a value of \$16.00 per stock fund unit, into any of the insurance mutual fund or interest index fund alternatives that are available under the deferred compensation plan as of the effective time of the merger, or
- . continue to hold those stock fund units in his or her account under the deferred compensation plan.

Every other participant in the deferred compensation plan who has stock fund units credited to his or her account that have vested prior to the merger must convert the value of those stock fund units, based upon a value of \$16.00 per stock fund unit, into any of the insurance mutual fund or interest index fund alternatives that are available under the deferred compensation plan.

All stock fund units that have not vested prior to the time of the merger, including any stock fund units that will vest as a result of the merger, will automatically remain in the deferred compensation plan after the merger and represent the right to receive shares of our Class A common stock on future distribution dates as described in the plan.

CB Richard Ellis Services Capital Accumulation Plan. At the effective time of the merger, each share of CB Richard Ellis Services common stock credited to an employee account in the CB Richard Ellis Services capital accumulation plan will be exchanged for \$16.00 in cash. At the effective time of the merger, provided that the registration statement of which this prospectus forms a part has been declared effective by the SEC, each of our U.S. employees with an account balance in the CB Richard Ellis Services capital accumulation plan may then elect to invest, pursuant to the terms of the capital accumulation plan, in shares of our Class A common stock based on a purchase price of \$16.00 per share. However, the aggregate number of shares of our Class A common stock that

will be made available for purchase will be 889,819 shares. In the event that we receive requests to purchase an aggregate number of shares of our Class A common stock in excess of the amount described above, the amount subscribed to by each participant in the offerings will be reduced pro rata based on the number of shares of our Class A common stock that each participant initially requested to purchase. In any event, no participant will be entitled to have greater than 50% of his or her total account balance in the CB Richard Ellis Services capital accumulation plan invested in CBRE Holding shares as of the effective time of the merger, with all other investments in his or her capital accumulation plan account being valued as of June 1, 2001.

Officers, Directors and Governing Documents. Upon and after the effective time of the merger, the directors of BLUM CB will become the directors of CB Richard Ellis Services and the current officers of CB Richard Ellis Services will remain the officers of CB Richard Ellis Services in each case until their successors are duly elected or appointed and qualified. The certificate of incorporation and bylaws of CB Richard Ellis Services in effect immediately prior to the effective time will remain the certificate of

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incorporation and bylaws of CB Richard Ellis Services, each until amended, except that the certificate of incorporation will be amended in connection with the merger to create a new class of preferred stock that will be held by CBRE Holding, Inc. after the merger.

Conditions to the Merger. The obligations of CB Richard Ellis Services and us to complete the merger are subject to the satisfaction or, if legal, waiver of each of the following conditions:

- . stockholders who hold a majority of the outstanding common stock of CB Richard Ellis Services must adopt the merger agreement;
- . stockholders who hold at least 66 2/3% of the shares of outstanding common stock of CB Richard Ellis Services not owned by the members of the buying group or their affiliates must adopt the merger agreement;
- . no governmental entity can have enacted any law or taken any other action that restrains, enjoins or otherwise prohibits the merger or makes it illegal; and
- . the registration statement, of which this prospectus forms a part, must have been declared effective by the Securities and Exchange Commission and continue to be effective.

The obligation of CB Richard Ellis Services to complete the merger is subject to the satisfaction or waiver of each of the following additional conditions:

- . we and BLUM CB must have performed in all material respects all of our and their obligations under the merger agreement required to be performed at or before the effective time of the merger;
- . the representations and warranties made by BLUM CB and us in the merger agreement must have been true and correct in all material respects when made and at and as of the effective time of the merger;
- . CB Richard Ellis Services must have received a certificate signed by the president or chief executive officer of each of BLUM CB and us as to compliance with the conditions specified in the two preceding paragraphs;
- . we and BLUM CB must have obtained or made all consents, approvals, actions, orders, authorizations, registrations, declarations, announcements and filings with any governmental entity that are required in connection with the merger and the other transactions contemplated by the merger agreement and that, if not obtained, would make the merger illegal or would be reasonably likely, individually or in the aggregate, to prevent or materially impair the ability of BLUM CB and us to complete the merger transactions or to have a material adverse effect on CB Richard Ellis Services in the merger; and
- . the special committee must have received a letter addressed to it from a valuation firm as to the solvency of CB Richard Ellis Services and its subsidiaries after giving effect to the merger, the financing arrangements contemplated by BLUM CB with respect to the merger and the other transactions contemplated by the merger agreement.

Our obligation to complete the merger is subject to the satisfaction or waiver of each of the following additional conditions:

- . CB Richard Ellis Services must have performed in all material respects its obligations contained in the merger agreement required to be performed at or before the effective time of the merger;



- . the representations and warranties made by CB Richard Ellis Services in the merger agreement must have been true and correct in all material respects when made and at and as of the effective time of the merger;
- . we must have received a certificate signed by the chief executive officer or chief financial officer of CB Richard Ellis Services as to its compliance with the conditions specified in the two preceding paragraphs;

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- . CB Richard Ellis Services must have obtained or made all consents, approvals, actions, orders, authorizations, registrations, declarations, announcements and filings with any governmental entity that are required in connection with the merger and the other transactions contemplated by the merger agreement and that, if not obtained, would make the merger illegal or would be reasonably likely to have, individually or in the aggregate, a material adverse effect on CB Richard Ellis Services, unless the failure of this condition to be satisfied is due to willful breach by either of the acquisition companies of any agreement, including the agreements related to our financing arrangements for the merger and the other transactions contemplated by the merger agreement;
- . the proceeds from the issuance and sale of the senior subordinated notes must have been released to BLUM CB Corp. from the escrow account into which they were deposited in connection with the closing of the offering of the senior subordinated notes, and the funding contemplated by the commitment letters for our financing of the merger and the other transactions contemplated by the merger agreement must have been obtained, or suitable alternative financing must have been obtained; and
- . consent must have been obtained from the holders of the portion of CB Richard Ellis Services' 8 7/8% senior subordinated notes outstanding required to amend those notes' indenture to permit the merger and the other transactions contemplated by the merger agreement.

The merger agreement defines a material adverse effect on CB Richard Ellis Services as any material adverse effect on (1) the business, assets, liabilities, financial condition or results of operations of CB Richard Ellis Services and its subsidiaries, taken as a whole, or (2) the ability of CB Richard Ellis Services to perform its obligations under the merger agreement or the other agreements and transactions contemplated by the merger agreement, in each case other than changes or developments resulting from global general economic or political conditions, conditions generally affecting the industry in which CB Richard Ellis Services and its subsidiaries operate, changes in U.S. or global financial markets or conditions, any generally applicable change in law or GAAP or interpretation of law or GAAP or the announcement of the merger agreement or the transactions contemplated by it or CB Richard Ellis Services' performance of its obligations under the merger agreement and compliance with the covenants in the merger agreement.

#### Securityholders' Agreement

Pursuant to the contribution and voting agreement described below, we and each member of the buying group have agreed to enter into a securityholders' agreement upon the closing of the merger. CB Richard Ellis Services and DLJ Investment Partners II, L.P. and its affiliates that hold shares of our Class A common stock will also be parties to the securityholders' agreement.

#### Limitations on Transfer

Each stockholder party to the securityholders agreement will agree not to sell any shares of our common stock or warrants to acquire our common stock, collectively, the "restricted securities," unless (1) the transfer is pursuant to an effective registration statement under the Securities Act and has been registered under all applicable state securities or "blue sky" laws or (2) the party has furnished us with an acceptable written opinion of counsel stating that no registration is required because of the availability of an exemption from registration under the Securities Act and all applicable state securities or "blue sky" laws.

In addition, pursuant to the securityholders' agreement, DLJ Investment Partners II, L.P. and its affiliates and the members of the buying group other than the BLUM Funds will agree that, until the earlier of ten years from the date the securityholders' agreement is signed or the date of an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, which period we refer to as the "restricted period," it will not sell any restricted securities except:

- . to its affiliates;
- . in the case of an individual who is a party to this agreement, to his or her spouse or direct lineal descendants, including adopted children, or antecedents;

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- . in the case of an individual who is a party to this agreement, to a charitable remainder trust or trusts, in each case the current beneficiaries of which, or to a corporation or partnership, the stockholders or limited or general partners of which, include only the transferor, the transferor's spouse or the transferor's direct lineal descendants, including adopted children or antecedents;
- . in the case of an individual who is a party to this agreement, to the executor, administrator, testamentary trustee, legatee or beneficiary of any deceased transferor holding restricted securities;
- . in the case of Freeman Spogli, beginning on April 12, 2003, on a pro rata basis to its partners;
- . in the case of a transferee of Freeman Spogli pursuant to the previous bullet point that is a corporation, partnership, limited liability company, trust or other entity, on a pro rata basis without payment of consideration, to its shareholders, partners, members, beneficiaries or other entity owners, as the case may be;
- . in the case of Freeman Spogli, The Koll Holding Company and Frederic Malek, beginning three years from the closing date of the merger, after complying with the right of first offer provision described below;
- . in the case of DLJ Investment Partners II, L.P. and its affiliates, in connection with transfers of our 16% Senior Notes due 2011 by DLJ Investment Partners II, L.P. or its affiliates to the same transferee; and
- . transfers made in connection with the tag-along rights and drag-along rights described below.

In order for any of the sales described above to be permitted, each recipient of restricted securities must first execute an assumption agreement whereby it will become a party to the securityholders' agreement and assume and become entitled to specified rights and obligations in the securityholders' agreement as described in the following paragraph.

With respect to any person who acquires any restricted securities from any securityholder in compliance with the terms of the securityholders' agreement, the transferee will become subject to the following provisions of the securityholders' agreement, depending upon the identity of the transferor:

- . in the case of any transfer from the BLUM Funds, (A) if the transferee acquires a majority of our common stock beneficially owned by the BLUM Funds, the BLUM Funds may assign to the transferee all of their rights and obligations under the agreement or (B) if the transferee acquires less than a majority of our common stock beneficially owned by the BLUM Funds, the transferee generally will assume and be entitled to all of the rights and obligations of the BLUM Funds described in the section titled "Registration Rights" below;
- . in the case of an assignment by the BLUM Funds of its rights pursuant to a right of first offer, as described below, the assignee or assignees generally will assume and be entitled to all of the rights and obligations of the BLUM Funds described in the section titled "Registration Rights" below;
- . in the case of any transfer from Freeman Spogli, (A) the transferee will assume all of the rights and obligations of Freeman Spogli, other than the right to designate any member of CBRE Holding's board of directors, the "Freeman Spogli Consent Rights" described below or the right to have one or more observers at meetings of the board of directors of CBRE Holding and (B) in addition, if the transferee acquires a majority of our common stock beneficially owned by Freeman Spogli at the time of the transfer and following the acquisition the transferee beneficially owns at least 10% of our outstanding common stock, Freeman Spogli may assign to the person all of its rights and obligations under the agreement; and
- . in the case of any transfer from any other party to the securityholders agreement, the new transferee generally will assume and be entitled to all of the rights and obligations of the transferor under this agreement.

Right of First Offer. Beginning three years from the closing date of the merger, each of Freeman Spogli, The Koll Holding Company and Frederic Malek will be able to transfer all or any portion of its or his restricted

securities to a qualified purchaser. However, prior to any transfer to a qualified purchaser, the transferring securityholder must first offer to sell all or, with the consent of the transferring securityholder, a portion of these restricted securities to the BLUM Funds at the price and upon the other terms

indicated to the BLUM Funds by the transferring securityholder. If the BLUM Funds elect not to buy all of the restricted securities on these terms, the transferring securityholder will be able to transfer the shares to a qualified purchaser for a limited period of time at a purchase price equal to or greater than the price offered to the BLUM Funds and on other terms that are no more favorable in any material respect than the terms initially offered to the BLUM Funds.

Under the securityholders' agreement, the term "qualified purchaser" refers to any person to whom a securityholder wishes to transfer its or his restricted securities, as long as this person is approved by the BLUM Funds, which approval will not be unreasonably withheld. If a proposed qualified purchaser is a nationally-recognized private equity sponsor or institutional equity investor, the BLUM Fund may not withhold their consent unless the BLUM Funds' decision results from the BLUM Funds' direct experience with this person in connection with another actual or proposed transaction.

Co-Sale Right. Prior to the date of an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, if the BLUM Funds propose to transfer a portion of their common stock to any third party, other than in a public offering, each of DLJ and the members of the buying group generally will have the right under the securityholders' agreement to require the proposed transferee or acquiring person to purchase from it or him the same proportion of its or his shares of common stock as is being purchased from the BLUM Funds at the same price per share and generally upon the same terms and conditions as apply to the BLUM Funds.

Required Sale. If the BLUM Funds agree to transfer to a third party, other than in a public offering, a majority of the shares of our common stock beneficially owned by the BLUM Funds at the time of the transfer, then under the securityholders' agreement each of DLJ Investment Partners II, L.P. and its affiliates and the members of the buying group may transfer to the third party the same proportion of its or his restricted securities as is being transferred by the BLUM Funds at the same price and generally upon the same terms and conditions as apply to the BLUM Funds.

In addition, if the BLUM Funds approve any merger, consolidation, amalgamation or other business combination involving us or any of our subsidiaries or the sale of all or substantially all of our assets, then each of the members of the buying group will agree to vote all shares of our common stock held by him or it or his or its affiliates to approve the transaction and not to exercise any appraisal or dissenters' rights available to it or him under any rule, regulation, statute, agreement or otherwise.

Participation Rights. Except for the specified exceptions listed below, we will agree under the securityholders' agreement not to issue any of our equity securities to any person unless, prior to the issuance, we notify each of the members of the buying group and grant to it or one of its affiliates the right to subscribe for and purchase a pro rata share of the equity securities being issued at the same price and upon the same terms and conditions as apply to all other subscribers. The specified exceptions to the participation rights include issuances of equity securities under the following circumstances:

- . upon the exchange, exercise or conversion of other equity securities;
- . in connection with any stock split, stock dividend or recapitalization of us, as long as it is fully proportionate for each class of affected equity securities and entails equal treatment for all shares or units of the affected class;
- . pursuant to the acquisition by us or our subsidiaries of another person or a material portion of its assets, by merger, purchase of assets or otherwise;
- . to employees, officers, directors or independent contractors of us or our subsidiaries;

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- . in connection with a public offering; or
- . to customers, vendors, lenders, and other non-equity financing sources, lessors of equipment and other providers of goods or services to us or our subsidiaries.

Market "Stand-Off." Pursuant to the securityholders' agreement, in connection with an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, if all of the securityholders that are parties to the securityholders' agreement that hold at least 2% of the outstanding shares of our common stock agree to the same restrictions, each of the securityholders that is a party to the securityholders' agreement are not permitted to sell, transfer or engage in a similar transaction with respect to any of our securities for a period specified by the representative of the underwriters, which period may not

exceed 180 days after the registration statement regarding the offering is declared effective.

#### Registration Rights

Demand Registration Rights. Subject to the terms and conditions described in the securityholder's agreement, if we receive a written demand from the holders of at least 25% of the then outstanding share of our common stock by the BLUM Funds and their transferees, the holders of at least 25% of the then outstanding shares of our common stock by Freeman Spogli and its transferees or the holders of at least 25% of the then outstanding shares of our common stock by DLJ Investment Partners II, L.P. and its affiliates and their transferees, then we will agree to use our best efforts to effect, as soon as practicable, the registration under the Securities Act of all our common stock requested to be registered in accordance with the terms of the securityholders agreement together with any of our other securities entitled to be included under the registration.

However, we will not be required to effect a demand registration under the securityholders' agreement:

- . prior to 180 days after the effective date of a registration statement pertaining to an underwritten initial public offering in which shares become listed on a national securities exchange or the Nasdaq National Market;
- . requested by the BLUM Funds and their transferees after we have effected six demand registrations requested by the BLUM Funds and their transferees and each of these registrations has been declared or ordered effective;
- . requested by Freeman Spogli and its transferees after we have effected three registrations requested by Freeman Spogli and its transferees and each of these registrations has been declared or ordered effective;
- . requested by DLJ Investment Partners II, L.P. and its affiliates and their transferees after we have effected one registration requested by DLJ Investment Partners II, L.P. and its affiliates and their transferees and this registration has been declared or ordered effective;
- . if the anticipated aggregate gross proceeds to be received by the parties requesting the registration are less than \$2,000,000;
- . if we notify in good faith the parties requesting the registration that we intend to make another public offering within ninety days of the demand request; or
- . if we furnish to the parties requesting the registration a certificate signed by the chairman of our board of directors stating that in the good faith judgment of our board of directors, it would be seriously detrimental to us for the registration to be effected at the time, in which event we will have the right to defer the filing for ninety days, although we will not be able to defer filings in this fashion more than an aggregate of ninety days in any twelve month period.

In any underwritten offering under a demand registration, if the managing underwriter advises us that marketing factors require a limitation of the number of shares to be underwritten because it likely to have an

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adverse effect on the price, timing or the distribution of the shares to be offered, then the number of shares that may be included in the underwriting will be allocated first among the parties who demanded the registration on a pro rata basis and second to the extent all registrable shares requested to be included in the underwriting by the parties who demanded the registration have been included, among the remaining securityholders requesting inclusion of registrable shares in the underwritten offering on a pro rata basis.

Piggyback Registrations Rights. In the securityholders' agreement, each securityholder party to the agreement and its transferees will be entitled to request that we include all or a portion of his or its shares in any registration statement for purposes of a public offering of our securities, but excluding the following types of offerings:

- . registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145; and
- . any registration statement pertaining to an underwritten initial public offering in which shares become listed on a national securities exchange or the Nasdaq National Market.

In an underwritten offering in which one or more securityholder parties to

the agreement exercise their piggyback registration rights, if the managing underwriter advises us that marketing factors require a limitation of the number of shares to be underwritten because it likely to have an adverse effect on the price, timing or the distribution of the shares to be offered, then the number of shares that may be included in the underwriting will be allocated first to us and second to the securityholders on a pro rata basis. However, no reduction will be allowed to reduce the securities being offered by us for our own account to be included in the registration and underwriting or reduce the amount of securities of the selling securityholders included in the registration below 25% of the total amount of securities included in the registration, unless the offering does not include shares of any other selling securityholders, in which event any or all of the registrable shares may be excluded in accordance with the immediately preceding sentence.

**Expenses of Registration.** All registration expenses incurred in connection with a registered offering pursuant to either demand or piggyback registration rights generally will be borne by us, except for underwriting discounts, selling commissions and transfer taxes, which will be borne by the holders of the securities being registered on a pro rata basis.

**Indemnification.** In connection with a registered offering pursuant to either demand or piggyback registration rights, we will agree to indemnify and hold harmless each of the securityholders that is party to the securityholders' agreement and participates in the offering against any losses, claims, damages, liabilities or expenses to which it or he may become subject under the Securities Act of 1933, the Securities Exchange Act of 1934 or other federal or state law for any untrue statements, material omissions or other violations we make in connection with any registered offering.

**Expiration.** Each party's demand and piggyback registration rights pursuant to the securityholders' agreement will expire if all of the following are satisfied:

- . we have completed an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market and subject to the provisions of the Securities Exchange Act of 1934;
- . the party, together with its affiliates, partners and former partners holds less than 2% of our outstanding common stock; and
- . all our common stock held by the party, and its affiliates, partners and former partners may be sold under Rule 144 of the Securities Act of 1933 during any ninety day period.

#### Governance

**Composition of Board of Directors and Committees.** Pursuant to the terms of the securityholders' agreement, prior to an underwritten initial public offering in which our shares become listed on a national

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securities exchange or the Nasdaq National Market, each member of the buying group will agree to vote all of his or its beneficially owned shares of our voting capital stock to elect the following representatives to our board of directors:

- . four directors designated by the BLUM Funds unless at any time no director is serving pursuant to the last bullet point below, in which case three directors may be designated by the BLUM Funds;
- . one director designated by Freeman Spogli;
- . Raymond Wirta, for so long as he is employed by us or, if he is no longer employed by us, our chief executive officer at that time;
- . Brett White, for so long as he is employed by us or, if he is no longer employed by us, our Chairman of the Americas at that time, but the BLUM Funds may elect to reduce the size of the board of directors by one director if he is no longer our Chairman of the Americas; and
- . one director who is a real estate brokerage employee of ours, who will be elected immediately after the closing of the merger and will remain a director for so long as a majority of the board of directors agree.

In addition, pursuant to the terms of the securityholders' agreement, the BLUM Funds may also designate one additional director to the board at any time. Each of the designation rights described above is subject to the following limitations:

- . the director designation rights of the BLUM Funds will be reduced to three designees, or two designees if there is not a real estate brokerage employee serving as a member of the board, if the BLUM Funds

beneficially own common stock representing less than 22.5% of our outstanding common stock, to two designees, or one designee if there is not a real estate brokerage employee serving as a member of the board, if the BLUM Funds beneficially own common stock representing less than 15% of our outstanding common stock and to no designee if the BLUM Funds beneficially own common stock representing less than 7.5% of our outstanding common stock; and

- . the director designation right of Freeman Spogli will reduce to zero if Freeman Spogli and its affiliates, collectively, beneficially own common stock representing less than 7.5% of our outstanding common stock.

Also, prior to an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, each committee of our board of directors will include at least one director or observer designated by the BLUM Funds and one director or observer designated by Freeman Spogli.

Following an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market:

- . the BLUM Funds will be entitled to nominate a percentage of the total number of directors on our board of directors that is equivalent to the percentage of our outstanding common stock beneficially owned by the BLUM Funds; and
- . Freeman Spogli will be entitled to nominate one director to our board of directors as long as they own in the aggregate at least 7.5% of our outstanding common stock.

In connection with each of our annual or special meetings of stockholders at which our directors are to be elected, we will (1) nominate and recommend to stockholders the individuals nominated in the bullet points above for election or re-election as part of the management slate of directors and (2) provide the same type of support for the election of these individuals as directors as we provide to other persons standing for election as our directors as part of the management slate. In addition, each member of the buying group has agreed that he or it will vote all shares of common stock owned by him or it in favor of the election or re-election of these individuals.

Also pursuant to the securityholders' agreement, the board of directors of CB Richard Ellis Services will at all times following the merger consist of the same persons as the board of directors of CBRE Holding.

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Board Observers. Prior to an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, Freeman Spogli will be entitled to have two non-voting observers, in addition to the director designated above, at all meetings of our board of directors for so long as Freeman Spogli owns at least 7.5% of our outstanding common stock. Similarly, prior to an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, as long as is necessary for DLJ Investment Partners II, L.P. to remain qualified as a "venture capital operating company" under applicable federal regulations, DLJ Investment Partners II, L.P. or its affiliates will be entitled to one non-voting observer at all meetings of our board of directors for so long as they own at least 1.0% of our outstanding common stock in the aggregate.

Advisors. At the reasonable request of our board of directors or our management, Frederic Malek and/or Donald Koll will provide advice with respect to our industry, business and operations and our board of directors or our management, as applicable, will consider this advice in good faith. In connection with providing this requested advice, we will reimburse Frederic Malek and Donald Koll for any reasonable out-of-pocket expenses that they incur.

Voting of Capital Stock. Prior to an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, each member of the buying group other than the BLUM Funds agrees to vote at any stockholders meeting or in any written consent all of the shares of our voting capital stock owned or held of record by it, in same the manner as the BLUM Funds votes the shares of our voting capital stock beneficially owned by it, except with respect to the following actions by us or any of our subsidiaries:

- . any transaction between the BLUM Funds and us or any of our subsidiaries, other than a transaction (1) with another portfolio company of the BLUM Funds that has been negotiated on arms-length terms in the ordinary course of business between the managements of us or any of our subsidiaries and the portfolio company, (2) with respect to which the securityholders may exercise their participation rights under the securityholders' agreement or (3) specifically contemplated by the

merger agreement; or

- . any amendment to our certificate of incorporation or bylaws that adversely affects the securityholder relative to the BLUM Funds, other than generally (a) an increase in our authorized capital stock or (b) amendments made in connection with any reorganization of us effected to facilitate (1) an initial public offering or (2) the acquisition of us by merger or consolidation.

For so long as the paragraph immediately above applies, each member of the buying group other than the BLUM Funds will grant to the BLUM Funds an irrevocable proxy, coupled with an interest, to vote all of the shares of our voting capital stock owned by the grantor of the proxy.

General Consent Rights. Prior to an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, under the securityholders' agreement, neither we nor any of our subsidiaries will be allowed to take any of the following actions without the prior affirmative vote or written consent of (1) a majority of our directors and (2) a majority of our directors that are not designated by the BLUM Funds:

- . any of the transactions described in the two bullet points in the section above titled "Voting of Capital Stock" above; or
- . the repurchase or redemption of, the declaration or payment of a dividend with respect to, or the making of a distribution upon, any shares of our capital stock beneficially owned by the BLUM Funds unless (a) the repurchase, redemption, dividend or distribution is made pro rata among all holders of that class of capital stock, or in the case of a repurchase or redemption, each of the securityholder parties other than the BLUM Funds are given a proportionate right to participate in the repurchase or redemption, to the extent they own shares of that class of capital stock or (b) if the capital stock is not our common stock, the repurchase, redemption or dividend is required by the terms of that capital stock.

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Consent Rights of the Director Designated by Freeman Spogli. Prior to an underwritten initial public offering in which our shares become listed on a national securities exchange or the Nasdaq National Market, for so long as Freeman Spogli will be entitled to designate a member of our board of directors, neither we nor any of our subsidiaries will be able to take any of the following actions without the prior affirmative vote or written consent of (1) a majority of our directors and (2) the director designated by Freeman Spogli:

- . the acquisition of any business or assets for a purchase price in excess of \$75.0 million, except for (1) the acquisition of any business or asset by an investment fund that is controlled by us or any of our subsidiaries in connection with the ordinary course conduct of our investment advisory and management business or that of any of our subsidiaries or (2) acquisitions in connection with the origination of mortgages by us or any of our subsidiaries;
- . the sale or other disposition of assets of our subsidiaries for aggregate consideration having a fair market value in excess of \$75.0 million, other than (1) the sale or other disposition of any business or asset by an investment fund that is controlled by us or any of our subsidiaries in connection with the ordinary course conduct of our investment advisory and management business of us or any of our subsidiaries or (2) sales or dispositions in connection with the origination of mortgages by us or any of our subsidiaries;
- . incur indebtedness, unless the indebtedness would (1) be permitted pursuant to the terms of the documents governing the indebtedness entered into by us in connection with the closing of the merger as in effect on the closing date of the merger, including any refinancing or replacement of this indebtedness in an equal or lesser aggregate principal amount or (2) immediately following the incurrence, the ratio of (A) the consolidated indebtedness of us and our subsidiaries determined in accordance with United States generally accepted accounting principles applied in a manner consistent with our consolidated financial statements to (B) the twelve-month normalized EBITDA, does not exceed 4.5:1; or
- . issue our capital stock, or options, warrants or other securities to acquire capital stock of us, to our employees, directors or independent contractors or any of our subsidiaries if the issuances, in the aggregate, exceed 5% of the total amount of our outstanding capital stock immediately after the closing of the merger agreement on a fully diluted basis, other than (1) issuances to our employees, directors or independent contractors and those of our subsidiaries of up to 25% of our capital stock on a fully-diluted basis within six months of the closing of the merger and (2) issuances in amounts equal to our capital stock

repurchased by us from, or the options, warrants or other securities to acquire capital stock cancelled by us or our subsidiaries or terminated or expired without prior exercise with respect to, persons who, at the time of the repurchase, cancellation, termination or expiration, were current or former employees, directors or independent contractors of us or our subsidiaries.

#### Other Provisions

Information and Inspection. Pursuant to the securityholders' agreement, we will provide specified types of annual, quarterly and monthly financial statements to the BLUM Funds, Freeman Spogli, DLJ Investment Partners II, L.P. and its affiliates, Frederic Malek, The Koll Holding Company and any other securityholder who is a party to the securityholders' agreement and owns greater than 10% of our total outstanding common stock. In addition, we will grant to these same securityholders the right to inspect our books and records. These information and inspection rights will be subject to a confidentiality provision contained in the securityholders' agreement.

Other Indemnification. We will indemnify and hold harmless (a) each of the securityholder parties to the securityholders' agreement and each of their respective affiliates and any person who controls them, (b) each of the directors, officers, employees and agents of the persons indicated in clause (a) and (c) each of the heirs, executors, successors and assigns of the persons indicated in clause (a) from all damages, claims, losses, expenses, costs, obligations and liabilities, including reasonable attorneys' fees and expenses but excluding any

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special or consequential damages against the indemnified party, suffered or incurred by the indemnified persons listed above to the extent arising from (1) the business, operations, liabilities or obligations of us or our subsidiaries or (2) the indemnified person's ownership of our common stock.

Additional Securities Subject to the Agreement. Except for securities acquired by Raymond Wirta or Brett White in connection with the anticipated securities offerings being made by this prospectus, each securityholder has agreed that any other of our equity securities which he or it later acquire by means of a stock split, stock dividend, distribution, exercise or conversion of securities or otherwise will be subject to the provisions of the securityholders' agreement to the same extent as if held on the closing date of the merger.

#### Termination

The securityholders' agreement will terminate with respect to the provisions referred to below as follows:

- . with respect to each of the provisions summarized in the sections titled "Governance" and "Other Provisions--Information and Inspection" above other than the fourth and fifth paragraphs in the section titled "Governance--Composition of Board of Directors and Committees," upon completion of an underwritten initial public offering in which shares become listed on a national securities exchange or the Nasdaq National Market;
- . with respect to the provisions summarized in the section titled "Limitations on Transfer" above, upon the expiration of the restricted period;
- . with respect to the provisions summarized in the section titled "Registration Rights" above other than the section titled "Registration Rights--Indemnification" in the manner set forth in the section titled "Registration Rights--Expiration;"
- . with respect to the provisions summarized in the sections titled "Registration Rights--Indemnification" and "Other Provisions--Other Indemnification" upon the expiration of the applicable statutes of limitations; and
- . with respect to all provisions contained within the securityholders' agreement other than those described in the immediately preceding bullet point, upon (1) the sale of all or substantially all of the equity interests in us to a third party whether by merger, consolidation or securities or otherwise or (2) the approval in writing by the BLUM Funds, Freeman Spogli and a majority of the shares of our common stock owned by the other securityholder parties to the agreement.

#### Contribution and Voting Agreement

Contributions. Pursuant to the contribution and voting agreement, immediately prior to the merger, each of the members of the buying group will contribute all of his or its shares of CB Richard Ellis Services' common stock to us. Each of these shares contributed to us will be cancelled as a result of



the merger, and we will not receive any consideration for these shares of CB Richard Ellis Services common stock. We will issue one share of our Class B common stock in exchange for each share of CB Richard Ellis Services common stock contributed to us. This will result in the issuance to the buying group of an aggregate of 8,052,087 shares of our Class B common stock in exchange for these contributions.

Also pursuant to the contribution and voting agreement, the BLUM Funds have agreed to purchase for cash immediately prior to the merger a minimum of 2,553,879 shares of common stock at \$16.00 per share. In addition the BLUM Funds have agreed to purchase for cash an additional number of shares of our Class B common stock for \$16.00 per share equal to (1) 3,236,639 shares minus (2) the number of shares of our Class A common stock and stock fund units subscribed for in the offerings made by this prospectus plus (3) the aggregate amount of full-recourse notes delivered by designated managers in the offerings divided by \$16.00 per share. The number of shares purchased by the BLUM Funds will be reduced by 241,885 shares, which is the number of shares of our Class B common stock the BLUM Funds have purchased for \$16.00 in connection with

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the closing of the sale of 11 1/4% senior subordinated notes by BLUM CB Corp. After the offerings are completed, depending on the amount to which the offerings are subscribed, the shares of our and Class B common stock owned by the buying group will be equal to between approximately 80% and 96% of our outstanding Class A and Class B common stock, taken together. Only members of the buying group will have an opportunity to acquire shares of our Class B common stock.

Warrants. The contribution and voting agreement also provides that upon consummation of the merger, the warrants to acquire 364,884 shares of CB Richard Ellis Services common stock owned by Freeman Spogli will be cancelled and we will issue new warrants to them to purchase up to an aggregate number of shares of our Class B common stock equal to the number that represents the same percentage of the total outstanding shares of our common stock immediately after consummation of the merger as the warrants to acquire 364,884 shares of CB Richard Ellis Services common stock entitled Freeman Spogli to acquire immediately prior to the consummation of the merger. The new warrants to acquire our Class B common stock will expire on August 27, 2007. The terms of these new warrants are set forth in a form of warrant agreement that is filed as an exhibit to the registration statement of which this prospectus forms a part.

The contribution and voting agreement further provides that, upon the closing of the merger, the warrants to acquire 84,988 shares of CB Richard Ellis Services common stock beneficially owned by Ray Wirta and/or Donald Koll will be converted into the right to receive \$1.00 per share underlying these warrants and will no longer represent the right to receive any securities of, or other consideration from, CB Richard Ellis Services or us.

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USE OF PROCEEDS

We estimate that our net cash proceeds from the offerings will be approximately \$33.7 million based on the offering price of \$16.00 per share and after deducting estimated offering expenses.

The proceeds of the offering of shares for direct ownership, the issuance of senior notes by CBRE Holding, and the cash contribution from the BLUM Funds, together with the initial borrowings under the new senior secured credit facilities of CB Richard Ellis Services and the proceeds from the 11 1/4% senior subordinated notes of BLUM CB Corp., will be used primarily to pay CB Richard Ellis Services' stockholders, other than the members of the buying group, \$16.00 per share in the merger, repay substantially all of CB Richard Ellis Services' existing indebtedness and pay fees and expenses associated with the merger transactions.

We have summarized below the estimated sources and uses of funds and contributions for the merger transactions and the offerings. Except as noted, the estimated sources and uses below assume consummation of the merger transactions and the offerings as of March 31, 2001.

<TABLE>  
<CAPTION>

	Amount (in millions)
	-----
<S>	<C>
Sources of Funds and Contributions:	
Cash on hand before the merger transactions and the offerings...	\$ 20.3
11 1/4% senior subordinated notes due 2011 (/1/)	225.6
Revolving credit facility (/2/)	35.0
Term loan A facility (/3/)	50.0

Term loan B facility (/3/)	175.0
16% senior notes due 2011	65.0
Equity contribution (/4/)(/5/)	228.7
	-----
Total sources	\$799.6
	=====

<CAPTION>

	Amount (in millions)
	-----
<S>	<C>
Uses of Funds and Contributions:	
Payment of cash merger consideration and rollover of equity (/5/)(/6/)	\$342.4
Repay existing revolving credit facility and short-term borrowings	226.4
Repurchase outstanding 8 7/8% senior subordinated notes due 2006 (/3/)	175.0
Transaction costs	51.6
Stock loans (/7/)	2.7
Cash on hand after closing	1.5
	-----
Total uses	\$799.6
	=====

</TABLE>

- - - - -

- (1) \$229 million in aggregate principal amount of 11 1/4% senior subordinated notes due 2011 were issued and sold by BLUM CB Corp. on June 7, 2001 for \$225.6 million in the aggregate. The proceeds from the offering were deposited in an escrow account and will be released to CB Richard Ellis Services in connection with the completion of the merger. CB Richard Ellis Services will assume the 11 1/4% senior subordinated notes if the merger is completed.
  - (2) The revolving credit facility has a total capacity of \$100.0 million.
  - (3) To the extent all of CB Richard Ellis Services' existing 8 7/8% senior subordinated notes are not tendered, the amount it must pay to repurchase those notes will be reduced and the gross proceeds from the term loan facilities will be reduced by a corresponding amount.
  - (4) Includes the following: (a) \$35.8 million in proceeds (including the irrevocable assignment of the right to receive cash proceeds) from the issuance of our Class A common stock and \$29.5 million in stock fund units in the CB Richard Ellis Services' Deferred Compensation Plan contributed to us by employees; (b) \$40.9 million in proceeds from the issuance of our Class B common stock to the BLUM Funds;
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- and (c) \$122.5 million of CB Richard Ellis Services equity contributed by the buying group to us. To the extent that the offerings of equity to CB Richard Ellis Services employees are not fully subscribed or such shares are purchased with full-recourse notes, the BLUM Funds will purchase an equal number of additional shares of our Class B common stock.
- (5) Includes 2,345,900 of CB Richard Ellis Services' shares that are being contributed by the buying group to us that have been valued at the BLUM Funds' historical equity basis of \$12.87 per share rather than at the merger transaction value of \$16.00 per share.
  - (6) Includes the following: (a) \$190.4 million in cash merger consideration payable to CB Richard Ellis Services' stockholders other than the buying group; (b) \$29.5 million of stock fund units in the deferred compensation plan that will either be switched into other investment alternatives under the deferred compensation plan or rolled-over into our stock fund units in conjunction with the merger; and (c) \$122.5 million of CB Richard Ellis Services' common stock and warrants to be contributed by the buying group to us.
  - (7) Consists of an aggregate of \$2.7 million of loans to be made to Ray Wirta and Donald Koll to replace their existing margin loans.

#### DIVIDEND POLICY

Neither CB Richard Ellis Services nor we have declared or paid dividends on its or our common stock. We presently anticipate that we will retain all of our future earnings to finance the development and expansion of our business

and provide working capital. Therefore, we do not anticipate paying any cash dividends on our Class A common stock or Class B common stock. The terms of our senior notes, CB Richard Ellis Services' new credit agreement and the 11 1/4% senior subordinated notes of BLUM CB Corp. which will be assumed by CB Richard Ellis Services and guaranteed by us will restrict our ability to pay dividends. See "Description of Indebtedness--16% Senior Notes Due 2011," "--CB Richard Ellis Services Senior Secured Credit Facilities" and "--BLUM CB Corp.'s 11 1/4% Senior Subordinated Notes Due 2011."

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2001:

- . on an actual basis for CB Richard Ellis Services;
- . on a pro forma basis for CBRE Holding to reflect the completion of the merger transactions and the purchase by the BLUM Funds of a number of shares of Class B common stock equal to the number of shares of Class A common stock being offered by this prospectus; and
- . on a pro forma as adjusted basis to give effect to the offerings being made by this prospectus and the application of the estimated net proceeds from the offerings.

<TABLE>  
<CAPTION>

	As of March 31, 2001		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share data)		
<S>	<C>	<C>	<C>
Cash and cash equivalents.....	\$ 20,339	\$ 1,485	\$ 1,485
Current maturities of long-term debt.....	9,579	45,411	45,411
Long-term debt, excluding current portion.....	409,653	516,289	516,289
Stockholders' equity:			
Preferred stock, \$0.01 par value; 8,000,000 shares authorized, no shares issued or outstanding, actual, no shares authorized, issued or outstanding, pro forma and pro forma as adjusted.....	--	--	--
Common stock of CB Richard Ellis Services, \$0.01 par value; 100,000,000 shares authorized, 20,605,023 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and pro forma as adjusted.....	217	--	--
Class A common stock of CBRE Holding, \$0.01 par value; shares authorized; no shares issued and outstanding, actual; 521,847 shares issued and outstanding, pro forma; 2,599,648 shares issued and outstanding, pro forma as adjusted.....	--	5	27
Class B common stock of CBRE Holding, \$0.01 par value; shares authorized; no shares issued and outstanding, actual, 13,842,605 shares issued and outstanding, pro forma; 10,605,966 shares issued and outstanding, pro forma as adjusted.....	--	138	107
Additional paid-in capital.....	365,420	236,880	236,889
Notes receivable from sale of stock.....	(11,661)	--	--
Accumulated deficit.....	(91,943)	--	--
Accumulated other comprehensive loss.....	(21,897)	--	--
Treasury stock, at cost.....	(15,844)	--	--
Total stockholders' equity .....	224,292	237,023	237,023
Total capitalization.....	\$643,524	\$798,723	\$798,723

</TABLE>

The "actual" column in the table above excludes the following shares:

- . 2,729,893 shares of CB Richard Ellis Services common stock issuable upon the exercise of option granted under various stock option plans of CB Richard Ellis Services and its subsidiaries;
- . 52,173 shares of CB Richard Ellis Services common stock reserved for future issuance under various stock option plans of CB Richard Ellis

Services and its subsidiaries;

- . 1,841,233 shares of CB Richard Ellis Services common stock committed for future issuance under the CB Richard Ellis Services deferred compensation plan; and
- . 598,147 shares of CB Richard Ellis Services common stock issuable upon the exercise of outstanding warrants to acquire CB Richard Ellis Services common stock at an exercise price of \$30.00 per share.

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The "pro forma" column in the table above excludes the following shares:

- . 910,199 shares of CBRE Holding Class A common stock issuable upon the exercise of options to be allocated to employees by our board of directors prior to the merger at an exercise price of \$50.00 per share;
- . . shares of CBRE Holding Class A common stock reserved for future issuance under CBRE Holding's 2001 Stock Incentive Plan; and
- . 264,027 shares of CBRE Holding Class B common stock issuable upon the exercise of warrants to acquire CBRE Holding Class B common stock at an exercise price of \$30.00 per share.

The "pro forma as adjusted" column in the table above assumes full subscription to the offerings and excludes the following shares:

- . 1,820,397 shares of CBRE Holding Class A common stock issuable upon the exercise of options to be granted in this offering at an exercise price of \$16.00 per share;
- . 910,199 shares of CBRE Holding Class A common stock issuable upon the exercise of options to be allocated to employees by our board of directors prior to the merger at an exercise price of \$50.00 per share;
- . . shares of CBRE Holding Class A common stock reserved for future issuance under CBRE Holding's 2001 Stock Incentive Plan;
- . 2,003,733 shares of CBRE Holding Class A common stock underlying stock fund units in the CB Richard Ellis Services' deferred compensation plan; and
- . 264,027 shares of CBRE Holding Class B common stock issuable upon the exercise of warrants to acquire CBRE Holding Class B common stock at an exercise price of \$30.00 per share.

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#### UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The following unaudited pro forma combined balance sheet and the unaudited pro forma combined statements of operations are based on the historical consolidated financial statements of us and CB Richard Ellis Services, included elsewhere in this prospectus, as adjusted to give effect to the transactions as if they had occurred as of March 31, 2001 in the unaudited pro forma combined balance sheet and as of January 1, 2000 in the unaudited pro forma combined statements of operations for the quarter ended March 31, 2001 and the year ended December 31, 2000.

The pro forma adjustments are based upon currently available information and upon assumptions that our management believes are reasonable. Prior to the transactions, the BLUM Funds directly owned 2,345,900 shares of outstanding common stock of CB Richard Ellis Services, which represented approximately 11 percent of the outstanding common stock prior to the merger. Affiliates of the BLUM Funds owned 1,077,986 shares of outstanding common stock of CB Richard Ellis Services, which represented approximately 5 percent of the outstanding common stock prior to the merger. Additionally, other members of the "buying group" owned 4,628,201 shares of outstanding common stock of CB Richard Ellis Services, which represented approximately 23 percent of the outstanding common stock prior to the merger. Therefore the total combined ownership of the buying group, affiliates of the BLUM Funds, and the BLUM Funds was 8,052,087 shares of outstanding common stock of CB Richard Ellis Services, or approximately 39 percent of the outstanding common stock prior to the merger. Therefore, neither the BLUM Funds (or their affiliates) nor any member of the buying group or any combination thereof controlled CB Richard Ellis Services prior to the merger.

Prior to the merger, the BLUM Funds controlled CBRE Holding, as they owned 100 percent of all issued and outstanding stock of CBRE Holding. The BLUM Funds will control CBRE Holding upon completion of the merger. Subsequent to the merger, the BLUM Funds will have the right to:

- . Appoint a majority of the board of directors of CBRE Holding.
- . Directly control approximately 54% of the voting interests of CBRE

Holding.

- . Indirectly control approximately 98% of the voting interests of CBRE Holding through the voting and contribution agreement entered into with the other members of the buying group. The other members of the buying group must vote in a manner that is consistent with how the BLUM Funds will vote on all matters that are subject to a vote by either the board of directors or the stockholders of CBRE.
- . The other members of the buying group have certain rights defined in the voting and contribution agreement. Management believes that these rights are consistent with the protective rights defined in EITF 96-16 and do not overcome the presumption of the BLUM Funds' control over CBRE Holding.

After the merger, CB Richard Ellis Services will become a wholly owned subsidiary of CBRE Holding. The 2,345,900 shares of outstanding common stock of CB Richard Ellis Services owned by the BLUM Funds prior to the merger and contributed to CBRE Holding have been carried over at the BLUM Funds' book value. The basis of accounting for the shares of CB Richard Ellis Services acquired by CBRE Holding that were not held by the BLUM Funds prior to the transactions have been accounted for as a purchase transaction by CBRE Holding at fair value of \$16.00 per share. As such, the transactions have been accounted for as a step acquisition in accordance with Accounting Principles Bulletin 16--"Accounting for Business Combinations." The acquisition of unvested stock fund units in the CB Richard Ellis Services Deferred Compensation Plan have been accounted for in accordance with FASB Interpretation Number 44 as discussed in Note (o) to the accompanying unaudited pro forma combined balance sheet. Management believes the fair value of the acquired common stock and stock fund units is consistent with the proposed merger consideration of \$16.00 per share. The adjustments included in the unaudited pro forma financial statements represent the effects of our preliminary determination and allocation of the purchase price to the fair value of the assets and liabilities acquired, based upon currently available information. We cannot assure you that the actual effects will not differ significantly from the pro forma adjustments reflected in these unaudited pro forma financial statements.

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The unaudited pro forma financial statements are not necessarily indicative of either future results of operations or results that might have been achieved if the transactions had been consummated as of the dates indicated. The unaudited pro forma financial statements should be read in conjunction with the historical consolidated financial statements and related notes of us and CB Richard Ellis Services, and "Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

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CBRE Holding, Inc. and Subsidiaries

Unaudited Pro Forma Combined Balance Sheet

As of March 31, 2001

(in thousands, except share data)

<TABLE>  
<CAPTION>

		As of March 31, 2001			
		CB Richard Ellis Services	CBRE Holding, Inc. (a)	Pro Forma Adjustments (Unaudited)	Pro Forma Combined (Unaudited)
ASSETS					
-----					
<S>	<C>	<C>	<C>	<C>	<C>
Current assets:					
Total cash and cash equivalents.....	\$ 20,339	\$ --	\$ 76,706 (b)	\$ 1,485	
			(2,700) (c)		
			(190,421) (d)		
			225,000 (e)		
			225,629 (f)		
			35,000 (g)		
			65,000 (h)		
			(17,150) (i)		
			(401,418) (j)		
			(14,000) (k)		
Receivables, less allowance for doubtful accounts of			(20,500) (l)		

\$11,959.....	141,792			141,792
Prepaid expenses.....	9,819			9,819
Deferred taxes, net...	13,105			13,105
Other current assets..	8,716		1,972 (o)	10,688
	-----	----	-----	-----
Total current assets.....	193,771		(16,882)	176,889
	-----	----	-----	-----
Property and equipment, net.....	75,048		(4,473) (m)	70,575
Goodwill, net.....	415,299		122,507 (n)	
			21,571 (o)	
			195,050 (d)	
			1,604 (j)	
			14,000 (k)	
			20,500 (l)	
			26,460 (m)	
			(224,292) (p)	
			(18,342) (q)	574,357
Other intangible assets, net.....	44,169		17,150 (i)	
			(1,777) (m)	59,542
Cash surrender value of insurance policies, deferred compensation plan.....	61,267			61,267 (r) (t/3/)
Investment in and advances to unconsolidated subsidiaries.....	38,187		(1,005) (m)	37,182
Deferred taxes, net.....	35,316		10,097 (q)	45,413
Prepaid pension costs...	24,126		6,050 (m)	30,176
Other assets.....	44,113		2,700 (c)	
			(4,629) (d)	
			5,917 (o)	
			(17,955) (m)	30,146
	-----	----	-----	-----
Total assets.....	\$931,296	\$ --	\$ 154,251	\$1,085,547
	=====	=====	=====	=====

</TABLE>

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CBRE Holding, Inc. and Subsidiaries

Unaudited Pro Forma Combined Balance Sheet

As of March 31, 2001

(in thousands, except share data)

<TABLE>  
<CAPTION>

As of March 31, 2001

	CB Richard Ellis Services	CBRE Holding, Inc. (a)	Pro Forma Adjustments (Unaudited)	Pro Forma Combined (Unaudited)
	<C>	<C>	<C>	<C>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
-----				
Current liabilities:				
Accounts payable and accrued expenses.....	\$ 77,803	\$ --	\$	\$ 77,803
Compensation and employee benefits.....	63,790			63,790
Accrued bonus and profit sharing.....	20,807			20,807
Income taxes payable...	14,696		(8,245) (q)	6,451
Short-term borrowings.....	8,418		(8,418) (j)	--
			35,000 (g)	35,000
Current maturities of long-term debt (p)....	1,161		9,250 (e)	10,411
	-----	----	-----	-----
Total current liabilities.....	186,675		27,587	214,262
Long-Term debt:				
8 7/8% senior subordinated notes,				

net of unamortized discount of \$1,604 as of March 31, 2001.....	173,396		(173,396) (j)	--
Revolving credit facility (r).....	218,000		(218,000) (j)	--
11 1/4% senior subordinated notes....			225,629 (f)	225,629
11 1/4% senior secured term loans.....			215,750 (e)	215,750
16% senior notes.....			65,000 (h)	
			(8,350) (s)	56,650
Other long-term debt...	18,257			18,257
	-----	----	-----	-----
Total long-term debt (p).....	409,653		106,636	516,286
Deferred compensation liability.....	79,980			79,980 (t/3/)
Other liabilities.....	27,729		7,300 (m)	35,029
	-----	----	-----	-----
Total liabilities....	704,037		141,523	845,557
Minority interest.....	2,967			2,967
Stockholders' equity:				
Preferred stock, \$0.01 par value; 8,000,000 shares authorized; no shares issued or outstanding.....	--			--
Common stock, \$0.01 par value; 100,000,000 shares authorized; 20,636,051 shares issued and outstanding at March 31, 2001.....	217		(217) (p)	--
Class A common stock; \$0.01 par value; 100,000,000 shares authorized; 2,599,648 pro-forma shares issued and outstanding at March 31, 2001.....	--		22 (b) 5 (s)	27
Class B common stock; \$0.01 par value; 100,000,000 shares authorized; 10,605,966 pro-forma shares issued and outstanding at March 31, 2001.....	--		26 (b) 81 (n)	107
Additional paid-in capital.....	365,420		76,658 (b) 122,426 (n) 29,460 (o) (365,420) (p) 8,345 (s)	--   236,889
Notes receivable from sale of stock.....	(11,661)		11,661 (p)	--
Accumulated deficit....	(91,943)		91,943 (p)	--
Accumulated other comprehensive loss....	(21,897)		21,897 (p)	--
Treasury stock at cost, 1,072,155 shares at March 31, 2001.....	(15,844)		15,844 (p)	--
	-----	----	-----	-----
Total stockholders' equity.....	224,292		12,733	237,023 (t)
	-----	----	-----	-----
Total liabilities and stockholders' equity.....	\$931,296	\$ --	\$ 154,251	\$1,085,547
	=====	=====	=====	=====

</TABLE>

- (a) CBRE Holding has total cash and equity of \$160.00 as of the pro forma combined balance sheet date of March 31, 2001. Since the amounts in the pro forma combined financial statements are presented in thousands, no amounts have been shown for CBRE Holding.
- (b) Consists of cash proceeds from the issuance of an aggregate 4,794,180 shares of CBRE Holding common stock and stock fund units to the BLUM Funds, designated managers and non-management employees at \$16.00 per share. See note (t) for further detail.
- (c) Represents the issuance of loans to Ray Wirta and Donald Koll in accordance with the CBRE Holding voting and contribution agreement. These loans will replace existing margin loans with a third party that are secured by current shares of CB Richard Ellis Services common stock. The loans will be full-recourse, accrue interest at a market rate, compounded annually and payable quarterly, and have a stated maturity of five years. The loans will be replaced by a margin loan with a third party when, if ever, CBRE Holding common stock becomes freely tradable on a national securities exchange or an over-the-counter market.
- (d) Reflects the purchase of the outstanding common stock and options to acquire common stock of CB Richard Ellis Services in conjunction with the merger agreement, excluding the contribution of 8,052,087 shares in CB Richard Ellis Services common stock owned by the buying group and 1,841,233 shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan, which are assumed to be contributed to CBRE Holding as non cash transactions reflected in Notes (n) and (o) below. Total shares of CB Richard Ellis Services common stock currently outstanding and shares underlying the stock fund units in the CB Richard Ellis Services deferred compensation plan are 22,139,263 shares, including the shares described in the previous sentence. The entries to record the cash portion of the purchase of CB Richard Ellis Services is comprised of the following:

<TABLE>  
<CAPTION>

	Decrease to Cash	Increase to Goodwill	Decrease in Other Assets
	-----	-----	-----
	(in thousands)		
<S>	<C>	<C>	<C>
Purchase of 12,245,943 shares of our common stock at \$16.00 per share.....	\$(195,935)	\$195,935	\$ --
Purchase of 2,837,969 options to acquire our common stock.....	(5,074)	5,074	--
Repayment of loans secured by our common stock included in other assets (1).....	4,629	--	(4,629)
Repayment of loans secured by our common stock included as a reduction to our historical equity (1).....	5,959	(5,959)	--
	-----	-----	-----
	\$ (190,421)	\$195,050	\$ (4,629)
	=====	=====	=====

</TABLE>

- (1) Members of management and highly compensated employees purchased shares of common stock of CB Richard Ellis Services under various compensation plans at fair market value on the date of grant. These purchases were made under the terms of the 1996 Equity Incentive Plan, the 1999 Equity Incentive Plan and certain purchases under the 1990 Stock Option Plan. Payment for a portion of the purchase price of these shares was made by the employee using either a non-recourse loan secured by the underlying common stock issued or a recourse loan secured by the underlying common stock issued and the personal assets of the participating employee. Non recourse loans have been recorded as a reduction to equity, while recourse loans are included other assets in the accompanying unaudited pro forma combined balance sheet. In conjunction with the transactions, employees owning stock through these plans with such secured loans will receive \$16.00 per share in merger consideration, less the per share equivalent of any unpaid principal, plus accrued interest thereon, unpaid under such loans as of the date of the merger.

- (e) Represents the gross proceeds from our issuance of \$225.0 million in senior secured term loans. Current maturities of long-term debt includes \$9.3 million in principal payments due on the senior secured term loans. The \$225 million in senior secured term loans will be comprised of two separate



facilities. The \$50 million Tranche A facility will bear interest at the 3 Month LIBOR plus 3.25% (7.24% as of May 31, 2001). The \$50 million Tranche A facility will be fully amortized by maturity through quarterly principal payments over 6 years (with an assumed maturity date in June 2007). \$7.5 million in total annual principal payments will be due quarterly during the first two years of the loan, and \$8.75 million in total annual principal payments will be due quarterly during years 3 through 6 of the loan. The \$175 million Tranche B facility will bear interest at 3 Month LIBOR plus 3.75% (7.74% as of May 31, 2001). The \$175 million Tranche B facility requires quarterly payments of principal of approximately \$437,500, with the remaining outstanding principal balance of \$163.2 million due upon maturity at the end of year 7 (with an assumed maturity date in June 2008).

- (f) Represents the proceeds from our issuance of \$229.0 million in aggregate principal amount of 11 1/4% senior subordinated notes. The \$229 million in aggregate principal amount of senior subordinated notes bear interest at a fixed rate of 11.25% and will be due in June 2011. The senior subordinated notes were issued at a \$3.4 million discount, which is being amortized over the life of the notes of 10 years to yield level amortization.
- (g) Represents the gross proceeds from the draw down on the new \$100.0 million revolving credit facility. The \$100 million revolving credit facility will bear interest at 3 month LIBOR plus 3.25% (7.24% as of May 31, 2001) and mature at the end of year 7. Under the terms of the credit agreement, no amounts can be outstanding under the revolving credit facility as of December 31 of each year. Any outstanding principal will be due and payable in June 2008.
- (h) Represents the gross proceeds from our issuance of \$65.0 million in 16% senior notes. The \$65 million in senior notes will be due in June 2011 and bear interest at a fixed rate of 16%. In addition, approximately 521,847 shares of our Class A common stock, valued at \$8.5 million, will be issued to DLJ Investments in conjunction with the loan agreement. The value of such shares will be amortized over the life of the senior notes of 10 years as interest expense to yield level amortization.
- (i) Represents the payment of \$17.2 million in fees and commissions in connection with the issuance of the \$65.0 million in 16% senior notes by CBRE Holding, the \$225.0 million senior secured term loans by CB Richard Ellis Services, the \$229.0 million in aggregate principal amount of 11 1/4% senior subordinated notes by CB Richard Ellis Services and the \$100.0 million revolving credit facility by CB Richard Ellis Services. Annual aggregate maturity of total long term debt, excluding the revolving credit facility, at March 31, 2001 on an unaudited pro forma basis is as follows (assuming the transactions close in July 2001): 2001-\$5.8 million; 2002-\$11.8 million; 2003-\$10.4 million; 2004-\$10.6 million; 2005-\$10.4 million; Thereafter-\$477.6 million.
- (j) Represents the repayment of our historical debt outstanding as of March 31, 2001, comprised of \$8.4 million in debt included in short-term borrowings, \$218.0 million outstanding under our existing revolving credit facility, and \$175.0 million outstanding in aggregate principal amount of our existing 8 7/8% senior subordinated notes, net of unamortized debt discount. The payment of the \$1.6 million in unamortized debt discount was recorded as an increase in goodwill. For the purposes of this pro forma adjustment, we have assumed that all of our existing 8 7/8% senior subordinated notes will be tendered in connection with the merger and the related transactions.
- (k) Represents the payment of \$14.0 million of repayment premiums on our existing \$175.0 million 8 7/8% senior subordinated notes which was recorded as an increase in goodwill. For the purposes of this pro forma adjustment, we have assumed that all of our existing 8 7/8% senior subordinated notes will be tendered in connection with the merger and the related transactions.
- (l) Represents estimated transaction fees and related costs to be incurred in connection with the acquisition of CB Richard Ellis Services by CBRE Holding, excluding \$31.2 million in financing costs included in Notes (i) and (k) above.

- (m) Represents adjustments to reflect the identifiable assets and liabilities of CB Richard Ellis Services acquired at their estimated current fair value, which resulted in the following adjustments:

<TABLE>  
<CAPTION>

Amount  
(in thousands)

<S>

<C>

Property and equipment, net.....	\$ (4,473)
Goodwill, net.....	26,460
Other intangible assets, net.....	(1,777)
Investment in and advances to unconsolidated subsidiaries.....	(1,005)
Prepaid pension costs...	6,050
Other assets.....	(17,955)
Other liabilities.....	(7,300)
	-----
	\$ --
	=====

</TABLE>

The amount of interest carried over for the BLUM Funds was calculated as the original cost basis of 2,345,900 shares of CB Richard Ellis Services purchased by the BLUM Funds, or approximately \$11.54 per share, adjusted for their share of diluted earnings per share of approximately \$1.33, from the date the BLUM Funds acquired such shares through March 31, 2001.

(n) Consists of the issuance of 3,423,886 shares and 4,628,201 shares of CBRE Holding Class B common stock to the Blum Funds and the other members of the buying group, respectively, in exchange for the contribution of shares they currently own in CB Richard Ellis Services prior to the merger. See Note (t) for further detail.

(o) Consists of the issuance of 1,841,233 shares underlying CBRE Holding Class A stock fund units in the deferred compensation plan in conjunction with the offerings. The shares of CB Richard Ellis Services common stock underlying stock fund units in the deferred compensation plan include approximately 996,339 stock fund units that are fully vested prior to the merger and 844,895 stock fund units that are unvested prior to the merger. In conjunction with the transactions, a change in control will occur in accordance with the terms of the deferred compensation plan for approximately 351,795 unvested stock fund units associated with the 1999 company matching contribution, and these units will become fully vested when the merger is completed. Upon acceleration of vesting resulting from the change in control, CB Richard Ellis Services will take a charge against income immediately prior to the consummation of the transaction related to these 351,795 stock fund units. After the merger, there will remain approximately 493,100 unvested stock fund units in the CB Richard Ellis deferred compensation plan. The unvested stock fund units issued by CBRE Holding in exchange for these remaining unvested stock fund units of CB Richard Ellis Services have been accounted for as a deferred compensation asset included in other current assets and other assets in the accompanying unaudited pro forma combined balance sheet. The deferred compensation asset will be amortized as compensation expense over their remaining vesting period for such stock fund units. Vested stock fund units, including those that vest due to the change in control, have been included in goodwill in the accompanying unaudited pro forma combined balance sheet. The above accounting treatment is in accordance with Financial Interpretation Number 44 "Accounting for Certain Transactions Involving Stock Compensation." CBRE Holding will value all stock fund units at \$16.00 per share. See Note (t) for further details.

(p) Represents the elimination of the historical equity of CB Richard Ellis Services which resulted in the following adjustments:

<TABLE>

<CAPTION>

	Amount (in thousands)
	-----
<S>	<C>
Goodwill, net.....	\$(224,292)
Common stock.....	217
Additional paid-in capital.....	365,420
Notes receivable from sale of stock.....	(11,661)
Accumulated deficit.....	(91,943)
Accumulated other comprehensive loss.....	(21,897)
Treasury stock at cost.....	(15,844)
	-----
	\$ --
	=====

</TABLE>

(q) Represents adjustments to reflect the tax effect of the pro forma adjustments included in Notes (j), (k), (l) and (m), which resulted in the

following adjustments:

<TABLE>  
<CAPTION>

	Amount (in thousands)
	-----
<S>	<C>
Goodwill, net.....	\$ (18,342)
Deferred taxes, net.....	10,097
Income taxes payable.....	8,245
	-----
	\$ --
	=====

</TABLE>

(r) Effective June 1, 2001, a new interest index fund investment option will be established in our deferred compensation plan, which will be an unfunded long term obligation of our company. Participants will have the option to transfer funds invested on their behalf from the insurance index fund, which is included in the \$61.3 million cash surrender value of insurance proceeds, deferred compensation plan, in the accompanying pro forma combined balance sheet, to this new interest index fund option. We will utilize any cash received from participants to pay down any outstanding balance on our revolving credit facility. To the extent employees select this new investment option, there will be a decrease in cash surrender value of insurance proceeds, deferred compensation plan, with a corresponding decrease to any outstanding borrowings under our revolving credit facility. In addition, designated managers may transfer into stock fund units up to an aggregate of \$2.6 million of deferred compensation plan account balances included in cash surrender value of insurance policies, deferred compensation plan. For each \$1.00 of account balances transferred to stock fund units in this manner, the pro forma deferred compensation plan liability of \$80.0 million as of March 31, 2001 and the cash surrender value of insurance policies, deferred compensation plan \$61.3 million as of March 31, 2001 will decrease by \$1.00.

(s) Represents the issuance of 521,847 shares of CBRE Holding Class B common stock at \$0.01 per share, with a fair value of \$16.00 per share, in conjunction with the issuance of \$65.0 million in aggregate principal amount of our 16% senior notes. The issuance of this stock, valued at \$8.5 million, is recorded as a non-cash discount to the senior notes which will be amortized as interest expense over the term of the notes of 10 years to yield level amortization.

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(t) The following table assumes the offerings will be fully subscribed by designated managers and non-management employees. Actual subscriptions to the offerings may be materially different than our assumptions incorporated below. The pro forma combined equity of CBRE Holding is calculated as follows:

<TABLE>  
<CAPTION>

Description of Shareholder	Class of Common Stock	Basis Per Share	Number of Shares/ Warrants	Pro-Forma Combined Equity
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Stock to be Issued in Conjunction with the Voting and Contribution Agreement: Rollover of stock in CB Richard Ellis Services owned directly by the Blum Funds (1).....	B	\$12.87	2,345,900	\$ 30,191,733
Purchase and contribution by the BLUM Funds of stock in CB Richard Ellis Services currently owned by affiliates of the Blum Funds.....	B	16.00	1,077,986	17,247,776
Rollover of stock in CB Richard Ellis Services owned by other members of the buying group.....	B	16.00	4,628,201	74,051,216
			-----	-----
Subtotal.....			8,052,087	121,490,725
Issuance of 264,027 warrants to Freeman Spogli in exchange for current warrants to acquire common stock of CB Richard Ellis Services.....	B	3.85	NA	1,016,504
			-----	-----
Subtotal--buying group.....			8,052,087	122,507,229
Stock to be Issued in Connection with the Offerings:				

Stock to be issued in conjunction with the rollover of shares underlying the stock fund units in the CB Richard Ellis Services deferred compensation plan (2).....	A	16.00	1,841,233	29,459,728
			-----	-----
Subtotal--non cash equity contributions.....			9,893,320	151,966,957
Stock to be issued to the BLUM Funds in exchange for cash (3).....	B	16.00	2,553,879	40,862,064
Stock to be issued to participants in the CB Richard Ellis Services deferred compensation plan in exchange for amounts transferred from the insurance index fund.....	A	16.00	162,500	2,600,000
Stock to be issued to designated managers and non-management employees for direct ownership in exchange for cash, assignment of net merger proceeds and recourse notes.....	A	16.00	561,133	8,978,128
Stock to be issued for cash proceeds from the merger and held in the CB Richard Ellis 401(k) plan or for direct ownership.....	A	16.00	1,516,668	24,266,688
			-----	-----
Subtotal--cash proceeds from the offerings.....			4,794,180	76,706,880
			-----	-----
Subtotal--equity transactions with stockholders.....			14,687,500	228,673,837
Stock to be issued to DLJ Investment Partners II, L.P. and its affiliates in connection with the \$65 million in aggregate principal amount of 16% senior notes.....	A	16.00	521,847	8,349,552
			-----	-----
Total stockholders equity.....			15,209,347	\$237,023,389
			=====	=====

</TABLE>

- 
- (1) Basis per share for the BLUM Funds is comprised of their average per share purchase price of CB Richard Ellis Services common stock of \$11.54, plus an average of \$1.33 per share in earnings from the date the shares were acquired through March 31, 2001.
  - (2) To the extent that there is a shortfall from the offerings of Class A Common Stock of CBRE Holding to the designated managers and non-management employees related to (1) shares underlying stock fund units in the deferred compensation plan, (2) shares held in the CB Richard Ellis 401(k) plan, or (3) shares to be issued to designated managers and employees for direct ownership in exchange for

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cash, assignment of net merger proceeds and recourse notes, the BLUM Funds are obligated to purchase additional shares in CBRE Holding representing this shortfall. No amounts have been reflected in the accompanying pro forma combined balance sheet for recourse notes that may be issued to designated managers in conjunction with the offerings.

- (3) To the extent employees do not fully subscribe to the offering of the 996,338 currently vested shares of underlying stock fund units in the CB Richard Ellis Services deferred compensation plan, the pro forma deferred compensation plan liability of \$80.5 million and the cash surrender value of insurance policies, deferred compensation plan of \$61.3 million as of March 31, 2001 will increase by \$16.00 per unit, up to a maximum of \$15.9 million, for each stock fund unit not converted into the right to receive one share of CBRE Holding Class A common stock. Any resulting shortfall will be funded by the Blum Funds in accordance with note (1) above.
- (u) Net debt, defined as total debt outstanding less cash and cash equivalents, will increase to \$560.2 million in the pro forma combined balance sheet from \$398.9 million as actually reported by CB Richard Ellis Services as of March 31, 2001, an increase of \$161.3 million.
- (v) The pro forma financial statements include anticipated cash proceeds from the offerings, as well as non-cash equity contributions from members of the buying group, as follows:
  - . \$35.8 million in cash proceeds from the issuance of our Class A common stock to employees.

- . The contribution of \$29.5 million in stock fund units held by employees in the CB Richard Ellis Services Deferred Compensation Plan contributed to us in exchange for our Class A common stock. Included in the \$29.5 million figure is approximately \$15.9 million in vested stock fund units for which employees have the right to receive \$16.00 per unit in cash in lieu of contributing such stock fund units to us.
- . \$40.9 million in proceeds from the issuance of our Class B common stock to the BLUM Funds.
- . The contribution of \$122.5 million of equity in CB Richard Ellis Services, owned by members of the Buying Group immediately prior to the Merger, to us in exchange for shares of our Class B common stock. Included in the \$122.5 million figure is approximately (a) \$30.7 million of equity of CB Richard Ellis Services currently owned directly by the Blum Funds, (b) \$17.3 million of equity of CB Richard Ellis Services owned by affiliates of the Blum Funds and (c) \$75.1 million of equity of CB Richard Ellis Services owned by other members of the buying group. The Blum Funds have committed to purchase for cash and contribute to us the \$17.3 million in equity of CB Richard Ellis Services owned by their affiliates immediately prior to the transactions in accordance with the voting and contribution agreement. These shares are not subject to the offerings being registered in this document.
- . In accordance with the amended and restated merger agreement, the BLUM Funds have committed to contribute up to \$110 million in cash equity to CBRE Holding to fund any short fall resulting from a less than full subscription to the offerings outlined above. This commitment excludes the rollover contributions from the other members of the Buying Group of \$75.1 million and from the Blund Funds of \$30.7 million included in the \$122.5 million figure above, as stockholders are committed to contribute such shares to us in accordance with the voting and contribution agreement. We will issue additional shares of Class B common stock to the BLUM Funds for any additional cash contributed to us to make up for any shortfall from the offerings.

In addition, CBRE Holding has firm commitments from the following lenders;

- . \$65 million in 16% senior notes from DLJ Investments Partners II, L.P. and its affiliates;
- . \$229 million in 11.25% senior subordinated notes, issued and sold on June 7, 2001 for approximately \$225.6 million;
- . \$225 million in a new senior secured credit agreement with Credit Suisse First Boston; and
- . A \$100 million revolving credit facility included in addition to the senior secured credit agreement with Credit Suisse First Boston.

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As outlined above, we have firm commitments to receive up to \$228.7 million in equity from the members of the Buying Group, which has been reflected in the accompanying unaudited pro forma combined balance sheet. As such, the receipt of offering proceeds and the application of such proceeds have been included in the unaudited pro forma financial statements.

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CBRE Holding, Inc. and Subsidiaries

Unaudited Pro Forma Combined Statement of Operations

For the Year Ended December 31, 2000

(in thousands)

<TABLE>  
<CAPTION>

	Year Ended December 31, 2000			
	CB Richard Ellis Services	CBRE Holding, Inc.	Pro Forma Adjustments  (Unaudited)	Pro Forma Combined  (Unaudited)
<S>	<C>	<C>	<C>	<C>
Revenue:				
Leases.....	\$ 539,419	\$ --	\$	\$ 539,419
Sales.....	389,745			389,745

Property and facilities management fees.....	110,654			110,654
Consulting and referral fees.....	78,714			78,714
Appraisal fees.....	75,055			75,055
Loan origination and servicing fees.....	58,190			58,190
Investment management fees.....	42,475			42,475
Other.....	29,352			29,352
	-----	-----	-----	-----
Total revenue.....	1,323,604			1,323,604
Costs and Expenses:				
Commissions, fees and other incentives.....	634,639			634,639
Operating, administrative, and other.....	538,481		1,354 (a)	539,835
Depreciation and amortization.....	43,199		(23,992) (b) 28,282 (a) (162) (c)	47,327
	-----	-----	-----	-----
Operating income.....	107,285		(5,482)	101,803
Interest income.....	2,554			2,554
Interest expense.....	41,700		26,541 (d)	68,241
	-----	-----	-----	-----
Income before provision for income tax.....	68,139		(32,023)	36,116
Provision for income taxes.....	34,751		(10,291) (e)	24,460
	-----	-----	-----	-----
Net income.....	\$ 33,388	\$ --	\$(21,732)	\$ 11,656
	=====	=====	=====	=====
Net income applicable to common stockholders....	\$ 33,388			\$ 11,656
	=====			=====
Basic earnings per share.....	\$ 1.60			\$ 0.79
	=====			=====
Weighted average shares outstanding for basic earnings per share.....	20,931,111			14,720,963 (f)
	=====			=====
Diluted earnings per share.....	\$ 1.58			\$ 0.79
	=====			=====
Weighted average shares outstanding for diluted earnings per share.....	21,097,240			14,759,486 (f)
	=====			=====

</TABLE>

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NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2000

- (a) Reflects amortization of the estimated fair value of goodwill over 30 years and of identifiable intangible and other assets over 3 to 10 years.
- (b) Represents the reversal of our historical amortization related to our goodwill and other intangible assets.
- (c) Represents the net adjustment to our depreciation expense resulting from fair value adjustments to property and equipment, which are non-cash charges resulting from purchase accounting entries.
- (d) The increase in pro forma interest expense as a result of the transactions is summarized as follows:

<TABLE>

<CAPTION>

	Amount (in thousands)
	-----
<S>	<C>
Interest on Tranche A senior secured term loan at 9.81%...	\$ 4,905
Interest on Tranche B senior secured term loan at 10.31%..	18,043
Interest on 11 1/4% senior subordinated notes.....	25,763
Interest on the revolving credit facility at 9.81%.....	1,560
Interest on 16% senior notes.....	10,400

Interest on existing other borrowings (including capital leases).....	4,448
	-----
Cash interest expense.....	65,119
Amortization of debt issuance costs:	
(\$1.3 million over a 6 year amortization period).....	208
(\$6.9 million over a 7 year amortization period).....	982
(\$20.9 million over a 10 year amortization period).....	1,932
	-----
	68,241
Less: historical cash interest expense.....	(39,404)
Less: historical amortization of debt issuance costs.....	(2,296)
	-----
Net increase.....	\$ 26,541
	=====

</TABLE>

The Tranche A senior secured term loan is assumed to bear interest at an annual rate of 3 month LIBOR plus margin of 3.25%. The Tranche B senior secured term loan is assumed to bear interest at annual rate of 3 month LIBOR plus margin of 3.75%. The revolving credit facility is assumed to bear interest at an annual rate of 3 month LIBOR plus 3.25% on amounts borrowed. LIBOR is based on our average 3 month LIBOR rate for fiscal year 2000 of 6.56% for purposes of computing pro forma combined interest expense. As of May 31, 2001, the 3 month LIBOR was 3.99%. At a rate of 3.99%, the cash component of pro forma combined interest expense would have been approximately \$59.0 million for the year ended December 31, 2000, which would have represented a decrease of \$6.1 million from pro forma interest expense included in the accompanying unaudited pro forma combined statement of operations. Each 1.0% change in the 3 month LIBOR would have increased or decreased pro forma combined interest expense by \$2.4 million for the year ended December 31, 2000. Included in amortization of debt issuance costs is the fair value of \$8.5 million in Class A common stock of CBRE Holding issued to DLJ in accordance with the terms of the 16% senior notes, which is being amortized over 10 years to yield level amortization.

- (e) Represents the tax effect of pro forma adjustments included in Notes (a) through (d) above at a combined federal and state statutory tax rate of 38.5%, excluding approximately \$5.3 million in incremental goodwill amortization which is permanently non-deductible for tax purposes.
- (f) Reflects the pro forma number of weighted average shares giving effect to the CBRE Holding common stock to be issued in connection with our purchase of CB Richard Ellis Services and the offerings for purposes of computing basic earnings per share, and the dilutive impact of the unvested stock fund units underlying the deferred compensation plan for purposes of computing diluted earnings per share. The warrants to be issued to Freeman Spogli in connection with the contribution and voting agreement and the

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options to be issued to designated managers and non-management employees in connection with the offerings are anti-dilutive and have been excluded from the calculation of dilutive earnings per share. The weighted average number of shares outstanding are calculated as follows:

<TABLE>	
<S>	<C>
Weighted average shares outstanding for basic earnings per share:	
Expected shares to be issued.....	14,720,963
Weighted average shares outstanding for dilutive earnings per share:	
Expected shares to be issued.....	14,720,963
Dilutive effect of unvested shares underlying stock fund units in the deferred compensation plan.....	38,523
	-----
Weighted average shares outstanding for diluted earnings per share.....	14,759,486
	=====

</TABLE>

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Unaudited Pro Forma Combined Statement of Operations

For the Three Months Ended March 31, 2001

(in thousands)

<TABLE>  
<CAPTION>

Quarter Ended March 31, 2001

	CB Richard Ellis Services	CBRE Holding, Inc.	Pro Forma Adjustments (Unaudited)	Pro Forma Combined (Unaudited)
<S>	<C>	<C>	<C>	<C>
<b>Revenue:</b>				
Leases.....	\$ 103,166	\$--	\$	\$ 103,166
Sales.....	73,843			73,843
Property and facilities management fees.....	27,872			27,872
Consulting and referral fees.....	16,367			16,367
Appraisal fees.....	18,836			18,836
Loan origination and servicing fees.....	14,812			14,812
Investment management fees.....	8,549			8,549
Other.....	9,053			9,053
<b>Total revenues.....</b>	<b>272,498</b>	<b>---</b>	<b>-----</b>	<b>272,498</b>
<b>Costs and Expenses:</b>				
Commissions, fees and other incentives.....	124,398			124,398
Operating, administrative and other.....	134,079		374 (a)	134,453
Depreciation and amortization.....	11,696		(5,929) (b) 7,078 (a) (515) (c)	12,330
<b>Operating income.....</b>	<b>2,325</b>	<b>---</b>	<b>(1,008)</b>	<b>1,317</b>
Interest income.....	800			800
Interest expense.....	9,055		7,029 (d)	16,084
<b>Loss before benefit for income tax.....</b>	<b>(5,930)</b>	<b>---</b>	<b>(8,037)</b>	<b>(13,967)</b>
Benefit for income taxes..	(3,084)		(2,585) (e)	(5,669)
<b>Net loss.....</b>	<b>\$ (2,846)</b>	<b>\$--</b>	<b>\$ (5,452)</b>	<b>\$ (8,298)</b>
<b>Net loss applicable to common stockholders.....</b>	<b>\$ (2,846)</b>	<b>---</b>	<b>-----</b>	<b>\$ (8,298)</b>
<b>Basic loss per share.....</b>	<b>\$ (0.13)</b>	<b>---</b>	<b>-----</b>	<b>\$ (0.56)</b>
<b>Weighted average shares outstanding for basic loss per share.....</b>	<b>21,309,550</b>	<b>---</b>	<b>-----</b>	<b>14,720,963</b>
<b>Diluted loss per share....</b>	<b>\$ (0.13)</b>	<b>---</b>	<b>-----</b>	<b>\$ (0.56)</b>
<b>Weighted average shares outstanding for diluted loss per share.....</b>	<b>21,309,550</b>	<b>---</b>	<b>-----</b>	<b>14,720,963</b>

</TABLE>

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2001

- (a) Reflects amortization of the estimated fair value of goodwill over 30 years and of identifiable intangible and other assets over 3 to 10 years.
- (b) Represents the reversal of our historical amortization related to its goodwill and other intangible assets.
- (c) Represents the net adjustment to our depreciation expense resulting from fair value adjustments to property and equipment, which are non-cash



charges resulting from purchase accounting entries.

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

<TABLE>  
<CAPTION>

	Amount (in thousands)
<S>	<C>
Interest on Tranche A senior secured term loan at 8.59%...	\$ 1,073
Interest on Tranche B senior secured term loan at 9.09%...	3,975
Interest on senior subordinated notes offered hereby.....	6,441
Interest on the revolving credit facility at 8.59%.....	200
Interest on 16% senior notes.....	2,600
Interest on other existing borrowings (including capital leases).....	1,013
	-----
Cash interest expense.....	15,302
Amortization of debt issuance costs:	
(\$1.3 million over a 6 year amortization period).....	52
(\$6.9 million over a 7 year amortization period).....	246
(\$20.9 million over a 10 year amortization period).....	484
	-----
	16,084
Less: historical cash interest expense.....	(8,536)
Less: historical amortization of debt issuance costs.....	(519)
	-----
Net increase.....	\$ 7,029
	=====

</TABLE>

The Tranche A senior secured term loan is assumed to bear interest at an annual rate of 3 month LIBOR plus margin of 3.25%. The Tranche B senior secured term loan is assumed to bear interest at an annual rate of 3 month LIBOR plus margin of 3.75%. The revolving credit facility is assumed to bear interest at an annual rate of 3 month LIBOR plus 3.25% on amounts borrowed. LIBOR is based on our average 3 month LIBOR rate for the three months ended March 31, 2001 of 5.34% for purposes of computing pro forma interest expense. As of May 31, 2001, the 3 month LIBOR was 3.99%. At a rate of 3.99%, the cash component of pro forma combined interest expense would have been approximately \$14.5 million for the three months ended March 31, 2001, which would be a decrease of \$0.8 million. Each 1.0% change in the 3 month LIBOR would have had the impact of increasing or decreasing pro forma combined interest expense by \$0.8 million for the three months ended March 31, 2001. Included in amortization of debt insurance costs is the fair value of \$8.5 million in Class A common stock of CBRE Holding issued to DLJ in accordance with the terms of the 16% senior notes, which is being amortized over 10 years to yield level amortization.

(e) Represents the tax effect of pro forma adjustments included in Notes (a) through (d) above at a combined federal and state statutory tax rate of 38.5%, excluding approximately \$1.3 million in incremental goodwill amortization which is permanently non-deductible for tax purposes.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data have been derived from CB Richard Ellis Services' consolidated financial statements and should be read in conjunction with CB Richard Ellis Services' financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. CB Richard Ellis Services' historical results are not necessarily indicative of our future results.

<TABLE>  
<CAPTION>

	Year Ended December 31,					Quarter Ended March 31,	
	1996	1997	1998	1999	2000	2000	2001
	(in thousands, except share and per share data)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data: (/1/)							
Revenue.....	\$ 583,068	\$ 730,224	\$1,034,503	\$1,213,039	\$1,323,604	\$ 260,919	\$ 272,498
Operating income.....	48,429	59,088	78,476	76,899	107,285	9,239	2,325
Interest expense, net..	22,620	13,182	27,993	37,438	39,146	9,196	8,255
Net income.....	70,549	24,397	24,557	23,282	33,388	20	(2,846)

Basic earnings (loss) per share (/2/)(/4/)..	5.05	1.34	(0.38)	1.11	1.60	--	(0.13)
Weighted average shares outstanding for basic earnings per share....	13,783,882	15,237,914	20,136,117	20,998,097	20,931,111	20,819,268	21,309,550
Diluted earnings (loss) per share.....	4.99	1.28	(0.38)	1.10	1.58	--	(0.13)
Weighted average shares outstanding for diluted earnings per share.....	14,126,636	15,996,929	20,136,117	21,072,436	21,097,240	20,851,184	21,309,550
Other Data:							
EBITDA, excluding merger-related and other nonrecurring charges (/3/)	\$ 62,003	\$ 90,072	\$ 127,246	\$ 117,369	\$ 150,484	\$ 19,808	\$ 14,021
Net cash provided by operating activities..	65,694	80,835	76,614	74,011	84,112	(67,522)	(104,263)
Net cash used in investing activities..	(10,906)	(18,018)	(223,520)	(26,767)	(35,722)	6,314	(536)
Net cash (used in) provided by financing activities.....	(28,505)	(64,964)	119,438	(37,721)	(53,523)	58,794	104,940

	December 31,					March 31,	
	1996	1997	1998	1999	2000	2000	2001
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:							
Cash and cash equivalents.....	\$ 49,328	\$ 47,181	\$ 19,551	\$ 27,844	\$ 20,854	\$ 24,791	\$ 20,339
Total assets.....	278,944	500,100	856,892	929,483	963,105	897,756	931,296
Total long-term debt...	148,529	146,273	373,691	357,872	303,571	416,531	409,653
Total liabilities.....	280,364	334,657	660,175	715,874	724,018	687,765	704,037
Total stockholders' equity .....	(1,515)	157,771	190,842	209,737	235,339	206,711	224,292
Number of shares outstanding.....	13,232,063	18,768,200	20,636,134	20,435,692	20,605,023	20,408,692	20,605,023
Book value per share...	(0.18)	9.55	9.48	9.95	11.15	9.91	10.53
Ratios:							
Earnings/fixed charges (/5/)	1.75	2.33	2.17	1.79	2.15	0.97	0.63
Debt/equity.....	(109.80)	0.97	2.04	1.74	1.33	2.04	1.87
Debt/EBITDA (/3/)	2.68	1.69	3.06	3.11	2.09	21.34	29.90
EBITDA/net interest expense (/3/)	2.74	6.83	4.55	3.14	3.84	2.15	1.70
Operating expense as a percentage of revenue.....	39.2%	37.8%	43.4%	44.2%	40.7%	48.7%	49.2 %
EBITDA, excluding merger-related and other nonrecurring charges as a percentage of revenue (/3/)	10.6%	12.3%	12.3%	9.7%	11.4%	7.6%	5.1 %
Net income as a percentage of revenue.....	12.1%	3.3%	2.4%	1.9%	2.5%	-- %	(1.0)%
International revenue as a percentage of consolidated revenue..	--	--	14.5%	22.5%	22.4%	23.9%	22.6 %

(1) The results include the activities of Koll Real Estate Services from the date of acquisition, August 28, 1997, REI Limited from the date of acquisition, April 17, 1998, and CB Hillier Parker Limited from the date of acquisition, July 7, 1998. For the year ended December 31, 1998, basic and diluted loss per share include a deemed dividend of \$32.3 million on the repurchase of CB Richard Ellis Services' preferred stock. From the year ended December 31, 1996 net income includes a tax benefit of \$55.9 million due to a reduction in CB Richard Ellis Services' deferred tax asset valuation allowance. A portion of CB Richard Ellis Services' net operating losses would be realizable due to its ability to generate additional taxable income in the future.

(2) EPS represents earnings (loss) per share. See Per Share Information in Note 9 of Notes to Consolidated Financial Statements.

(3) EBITDA, excluding merger-related and other nonrecurring charges represents earnings before interest expense, income taxes, depreciation and amortization of intangible assets and excludes merger-related and other

nonrecurring charges. CB Richard Ellis Services' management believes that the presentation of EBITDA, excluding merger-related and other nonrecurring charges will enhance a reader's understanding of our operating performance and ability to service debt as it provides a measure of cash generated, subject to the payment of interest and income taxes, that can be used by CB Richard Ellis Services to service its debt and for other required or discretionary purposes. Net cash that will be available to us for discretionary purposes represents remaining cash, after debt service and other cash requirements, such as capital expenditures, are deducted from EBITDA, excluding merger-related and other nonrecurring charges. EBITDA, excluding merger-related and other nonrecurring charges should not be considered as an alternative to (a) operating income determined in accordance with GAAP or (b) operating cash flow determined in accordance with GAAP. This calculation of EBITDA may not be comparable to similarly titled measures reported by other companies.

EBITDA, excluding merger related and other nonrecurring charges, is calculated as follows:

<TABLE>  
<CAPTION>

	Year Ended December 31,					Quarter Ended March 31,	
	1996	1997	1998	1999	2000	2000	2001
	-----						
	(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Income.....	48,429	59,088	78,478	76,899	107,285	9,239	2,325
Add:							
Depreciation and amortization.....	13,574	18,060	32,185	40,470	43,199	10,569	11,696
Merger-related and other nonrecurring charges.....	--	12,924	16,585	--	--	--	--
	-----						
EBITDA, excluding merger- related and other nonrecurring charges.....	62,003	90,072	127,248	117,369	150,484	19,808	14,021
	=====						

</TABLE>

- (4) CB Richard Ellis Services has not declared any cash dividends on its common stock for the periods shown.
- (5) Includes a deficiency of \$0.4 million for the quarter ended March 31, 2000, a deficiency of \$5.2 million for the quarter ended March 31, 2001 and a deficiency of \$13.2 for the pro forma quarter ended March 31, 2001.

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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 in "Risk Factors" and elsewhere in this prospectus. You should read the following discussion with the sections of this prospectus titled "Unaudited Pro Forma Combined Financial Data," "Selected Consolidated Financial Data" and CB Richard Ellis Services' financial statements and related notes included elsewhere in this prospectus.

Basis of Presentation

We currently do not conduct any business or have any operations and were formed solely to serve as a holding company for CB Richard Ellis Services and its subsidiaries. We will acquire CB Richard Ellis Services pursuant to an amended and restated agreement and plan of merger, dated as of May 31, 2001, pursuant to which our wholly-owned subsidiary, BLUM CB Corp. will merge into CB Richard Ellis Services, which will survive the merger as our wholly-owned subsidiary.

After the merger, our business and operations will be the same as that conducted by CB Richard Ellis Services and its subsidiaries before the merger. Accordingly, this section, Management's Discussion and Analysis of Financial Condition and Results of Operations, includes a description of the historical results of CB Richard Ellis Services, including discussions in the sections entitled "Overview," "Recent Developments," "Results of Operations," "Segment Operations," "Quarterly Financial Information," "Recent Acquisitions" and "Recent Accounting Pronouncements." However, as a result of the merger and the related financings, our liquidity and capital resources will change significantly in specified areas from our consolidated financial position prior to the merger. Accordingly, this Management's Discussion and Analysis of Financial Condition and Results of Operations includes information regarding our indebtedness after giving effect to the merger and the related financings

in the section titled "Quantitative and Qualitative Disclosures About Our Market Risk." In addition, the section titled "Liquidity and Capital Resources" discusses our liquidity and capital resources both historically and after giving effect to the merger.

#### Overview

CB Richard Ellis Services is the largest global commercial real estate services firm in magnitude of revenue, offering a full range of services to commercial real estate occupiers, owners, lenders and investors. Through its 250 offices, it provides, under the CB Richard Ellis brand name and the CB Hillier Parker brand name in the United Kingdom, services on a local, national and international basis across approximately 100 markets in 44 countries. During 2000, it advised on approximately 25,000 lease transactions involving aggregate rents, under the terms of leases facilitated, of approximately \$26.0 billion and approximately 7,500 sales transactions with transaction values totaling approximately \$26.0 billion. Also during 2000, CB Richard Ellis Services managed approximately 516 million square feet of property, provided investment management services for \$10.0 billion of assets, originated nearly \$7.2 billion in loans, serviced \$16.7 billion in loans engaged in over 31,000 valuation/appraisal and advisory assignments and serviced approximately 1,400 subscribers with proprietary research. In addition, at March 31, 2001, it employed approximately 9,700 employees.

CB Richard Ellis Services reports its operations through three geographic divisions and three operating segments:

- . The Americas, which consists of the United States, Canada, Mexico and operations located in Central and South America. Operations in Mexico, Central and South America are referred to as the Latin America operations.
- . EMEA, which is an acronym for Europe, the Middle East and Africa. This operating group became part of CB Richard Ellis Services through a series of acquisitions, most significantly Hillier Parker and REI.

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- . Asia Pacific, which consists of operations in Asia, Australia and New Zealand. These operations were acquired by CB Richard Ellis Services in part through the REI acquisition and in total through a subsequent acquisition.

Revenue from transaction management, which constitutes a substantial majority of CB Richard Ellis Services' revenue, is subject to economic cycles. However, CB Richard Ellis Services' significant size, geographic coverage, number of transactions and large continuing client base tend to minimize the impact of economic cycles on annual revenue and create what we believe is equivalent to a recurring stream of revenue. CB Richard Ellis Services estimates that approximately 57% of the costs and expenses associated with transaction management are directly correlated to revenue while approximately 25% of the costs and expenses of management services and financial services are directly correlated to revenue.

In addition, CB Richard Ellis Services' operations are directly affected by actual and perceived trends in various national and economic conditions, including interest rates, the availability of credit to finance commercial real estate transactions and the impact of tax laws. CB Richard Ellis Services' international operations are subject to political instability, currency fluctuations and changing regulatory environments. To date, CB Richard Ellis Services does not believe that general inflation has had a material impact upon its operations. Revenues, commissions and other variable costs related to revenues are primarily affected by real estate market supply and demand rather than general inflation.

#### Recent Developments

In the latter part of the first quarter of 2001, CB Richard Ellis Services' business was adversely affected by a slowdown in the U.S. economy in general and certain local and regional U.S. economies in particular which have led to deteriorating commercial real estate market conditions. While CB Richard Ellis Services' revenue in the first quarter of 2001 increased approximately 4% as compared to the first quarter of 2000, its revenues were below its expectations and its costs and expenses, excluding depreciation and amortization, increased by approximately 7.2% from the first quarter of 2000. Please refer to the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering circular for a detailed discussion of CB Richard Ellis Services' first quarter performance.

CB Richard Ellis Services' first quarter results reflected a strong January followed by a slowdown in its U.S. sales activities beginning in February and a slowdown in U.S. lease activities beginning in March, as well as lower than expected revenues in Europe and Asia Pacific. This weakness in sales and lease

activities has continued into the second quarter. CB Richard Ellis Services' operating results for April 2001 were considerably below its operating results for both the month of April 2000 and the month of March 2001.

Following CB Richard Ellis Services' last major cost reduction program in 1999, it has continued to evaluate its operating expenses relative to its performance. In response to the continued weakness described above, it has formulated a new cost reduction program to reduce operating expenses. CB Richard Ellis Services anticipates that this program will begin to be implemented immediately with work force reductions expected to be completed during the third quarter. This program is expected to reduce budgeted expenses for the remainder of the year 2001 by between approximately \$35 and \$40 million, excluding one-time severance costs. Expense reductions will occur in three areas with the following estimated cost reductions for the remainder of 2001:

- . a reduction in work force combined with a hiring freeze, which are expected to yield a savings of approximately \$8 to \$10 million;
- . a reduction in the bonuses for senior managers worldwide, which is expected to yield a savings of approximately \$20 million; and
- . a reduction in other operating and back office expenses, which is expected to yield a savings of approximately \$7 to \$10 million.

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#### Results of Operations

The following table sets forth items derived from CB Richard Ellis Services' consolidated statements of operations for the years ended December 31, 1998, 1999 and 2000, and for the quarters ended March 31, 2000 and March 31, 2001, presented in dollars and as a percentage of revenue:

<TABLE>  
<CAPTION>

	Year Ended December 31,					Quarter Ended March 31,				
	1998	1999		2000		2000	2001			
	(in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue:										
Leases.....	\$ 371,300	35.9%	\$ 448,091	36.9%	\$ 539,419	40.8%	\$ 99,753	38.2%	\$103,166	
37.9%										
Sales.....	357,718	34.6	394,718	32.5	389,745	29.4	74,281	28.5	73,843	27.1
Property and facilities management fees.....	86,379	8.4	110,111	9.1	110,654	8.4	25,285	9.7	27,872	
10.2										
Consulting and referral fees.....	72,586	7.0	73,569	6.1	78,714	5.9	16,314	6.2	16,367	
6.0										
Appraisal fees.....	48,082	4.6	71,050	5.9	75,055	5.7	16,284	6.2	18,836	
6.9										
Loan origination and servicing fees.....	39,402	3.8	45,940	3.8	58,190	4.4	9,263	3.6	14,812	
5.5										
Investment management fees.....	33,145	3.2	28,929	2.4	42,475	3.2	7,337	2.8	8,549	
3.1										
Other.....	25,891	2.5	40,631	3.3	29,352	2.2	12,402	4.8	9,053	
3.3										
Total revenue.....	1,034,503	100.0	1,213,039	100.0	1,323,604	100.0	260,919	100.0	272,498	100.0
Costs and expenses:										
Commissions, fees and other incentives.....	458,463	44.3	559,289	46.1	634,639	47.9	113,963	43.7	124,398	45.7
Operating, administrative and other.....	448,794	43.4	536,381	44.2	538,481	40.7	127,148	48.7	134,079	49.2
Depreciation and amortization.....	32,185	3.1	40,470	3.4	43,199	3.3	10,569	4.1	11,696	
4.3										
Merger-related and other nonrecurring charges.....	16,585	1.6	--	--	--	--	--	--	--	--
-										
Operating income.....	78,476	7.6	76,899	6.3	107,285	8.1	9,239	3.5	2,325	
0.8										
Interest income.....	3,054	0.3	1,930	0.2	2,554	0.2	489	0.2	800	

0.3										
Interest expense.....	31,047	3.0	39,368	3.2	41,700	3.2	9,685	3.7	9,055	
(3.3)										
---										
Income before provision										
(benefit) for income										
tax.....	50,483	4.9	39,461	3.3	68,139	5.1	43	--	(5,930)	
(2.2)										
Provision (benefit) for										
income tax.....	25,926	2.5	16,179	1.4	34,751	2.6	23	--	(3,084)	
(1.1)										
---										
Net income (loss).....	\$ 24,557	2.4%	\$ 23,282	1.9%	\$ 33,388	2.5%	\$ 20	--	% \$ (2,846)	
(1.1%)										
=====										
EBITDA, excluding										
merger-related and										
other nonrecurring										
charges.....	\$ 127,246 (/1/)	12.3%	\$ 117,369	9.7%	\$ 150,484	11.4%	\$ 19,808	7.6%	\$ 14,021	
5.1%										
=====										

</TABLE>

(1) EBITDA, excluding merger-related and other nonrecurring charges, for the year ended December 31, 1998 is calculated as the sum of operating income of \$78.5 million, plus merger-related and other nonrecurring charges of \$16.6 million and depreciation and amortization of \$32.2 million.

Quarter Ended March 31, 2001 Compared to Quarter Ended March 31, 2000

CB Richard Ellis Services reported consolidated net loss of \$2.8 million for the quarter ended March 31, 2001 on revenue of \$272.5 million compared to consolidated net income of \$0.02 million on revenues of \$260.9 million for the quarter ended March 31, 2000. These results include a nonrecurring pre-tax gain of \$5.6 million on the sale of mortgage fund management contracts during the quarter ended March 31, 2001 compared to a \$4.7 million nonrecurring pre-tax gain on the sale of certain non-strategic assets during the quarter ended March 31, 2000.

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Revenue on a consolidated basis increased by \$11.6 million or 4.4% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000. This was driven by a 59.9% increase in loan origination and servicing fees due primarily to higher loan origination fees during the month of March. In addition, lease revenue increased by \$3.4 million, mainly as a result of the North American operations. Property and facilities management fees, as well as appraisal fees grew by approximately \$2.6 million each. These revenue increases were slightly offset by a decrease of \$3.3 million in other revenue. The decrease in other revenue is the result of the contribution of an engineering services group into a separately owned joint venture during April 2000, as well as the sale of several non-strategic assets previously included in the management services segment. In addition, sales revenue decreased by \$0.4 million due to lower revenue in the international operations, offset by higher sales revenue in North America of \$1.9 million.

Commissions, fees and other incentives totaled \$124.4 million on a consolidated basis, a 9.2% increase from the quarter ended March 31, 2000. The increase is primarily due to higher overall commissions within the North American operations, primarily as a result of increased revenue. Insurance and benefit costs for producers in the United States, which are a component of commission expense, also increased during the quarter ended March 31, 2001. The increase in insurance and benefit costs over prior year periods should continue throughout the remainder of the year. Producer compensation within the international operations are typically fixed in nature compared to the North American operations and did not decrease as a result of lower revenue. These factors resulted in commissions as a percentage of revenue increasing from 43.7% to 45.7% in the quarter ended March 31, 2001.

Operating, administrative and other on a consolidated basis was \$134.1 million, an increase of \$6.9 million or 5.5% as compared to the quarter ended March 31, 2000. This is primarily due to higher personnel requirements and insurance and benefit costs within North America, as well as lower earnings from unconsolidated subsidiaries during the current quarter. The quarter ended March 31, 2001 also includes compensation expense related to the deferred compensation plan retention program of \$1.0 million, which became effective January 2001 and accordingly, had no impact on the results of the quarter ended March 31, 2000.

Consolidated interest expense was \$9.1 million, a decrease of \$0.6 million or 6.5% from the quarter ended March 31, 2000. This decrease was primarily a result of lower average borrowing levels during the current quarter due to the pay down of the revolving credit facility during December 2000. In addition, the revolving credit facility was renewed at a lower average borrowing rate during the quarter ended March 31, 2001 as compared to the quarter ended March 31, 2000.

The income tax benefit on a consolidated basis was \$3.1 million for the quarter ended March 31, 2001, as compared to a provision for income tax of \$0.02 million for the quarter ended March 31, 2000. The current quarter benefit was the result of the pre-tax loss. The effective tax rate was 52.0% for the three months ended March 31, 2001 as compared to 53.5% for the quarter ended March 31, 2000. CB Richard Ellis Services calculates its effective tax rate based on an estimate of our annual earnings for the entire year.

EBITDA, excluding merger-related and other nonrecurring charges, was \$14.0 million for the quarter ended March 31, 2001, as compared to \$19.8 million for the quarter ended March 31, 2000. EBITDA, excluding merger-related and other nonrecurring charges, represents earnings before net interest expense, income taxes, depreciation and amortization of intangible assets and also excludes merger-related and other nonrecurring charges. Management believes that the presentation of EBITDA, excluding merger-related and other nonrecurring charges, will enhance a reader's understanding of our operating performance and ability to service debt as it provides a measure of cash generated, subject to the payment of interest and income taxes, that we can use to service our debt and for other required or discretionary purposes. Additionally, many of CB Richard Ellis Services' debt covenants are based upon EBITDA. EBITDA, excluding merger-related and other nonrecurring charges should not be considered as an alternative to (a) operating income determined in accordance with GAAP or (b) operating cash flow determined in accordance with GAAP. This calculation of EBITDA, excluding merger-related and other nonrecurring charges may not be comparable to similarly titled measures reported by other companies.

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Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

CB Richard Ellis Services reported a consolidated net income of \$33.4 million for the year ended December 31, 2000, on revenues of \$1,323.6 million compared to a consolidated net income of \$23.3 million on revenues of \$1,213.0 million for the year ended December 31, 1999. The 2000 results include a \$4.7 million nonrecurring pre-tax gain from its sale of select non-strategic assets. The 1999 results include nonrecurring pre-tax gains from the sale of five non-strategic offices and a risk management operation totaling \$8.7 million, as well as one time charges of approximately \$10.2 million, the majority of which were severance costs related to CB Richard Ellis Services' reduction in workforce.

Revenues on a consolidated basis increased by \$110.6 million or 9.1% during the year ended December 31, 2000, compared to the year ended December 31, 1999. The real estate market in the U.S. remained healthy in 2000, with relatively low interest and vacancy rates. As a result, lease revenues increased by \$91.3 million or 20.4% during the current year. Investment management fees increased by \$13.5 million or 46.8% and loan origination and servicing fees were higher by \$12.3 million or 26.7%. In addition, other revenues decreased by \$11.3 million primarily due to the contribution of an engineering services group into a separately owned joint venture, as well as the loss of revenue due to the sale of assets previously included in the management services segment.

Commissions, fees and other incentives on a consolidated basis totaled \$634.6 million, an increase of \$75.4 million or 13.5% for the year ended December 31, 2000, compared to the year ended December 31, 1999. Lease commissions increased significantly due to higher lease revenue. In addition, the overall revenue growth resulted in higher variable commission expense as compared to the prior year. Variable commissions increase as a percentage of revenue as select earnings levels are met. During 2000, a greater number of high level producers earned a larger proportion of total revenues. This contributed to an increase in commissions as a percentage of revenue from 46.1% to 47.9% for 2001.

Operating, administrative and other on a consolidated basis was \$538.5 million, an increase of \$2.1 million or 0.4% for the year ended December 31, 2000, compared to prior year. This increase is due to higher bonus incentives and profit share driven by the improved current year results, offset by lower salary requirements in North America. As a percentage of revenue, operating, administrative and other was 40.7% for the year ended December 31, 2000, compared to 44.2% for the year ended December 31, 1999. The decreased percentage is due to CB Richard Ellis Services' focus on higher margin lines of business, as well as an improvement in its operational efficiency through cost containment measures.

Consolidated interest expense was \$41.7 million, an increase of \$2.3 million or 5.9% for the year ended December 31, 2000, as compared to the year ended December 31, 1999. The increase resulted from higher interest rates for the

revolving credit facility, offset in part by lower average borrowing levels during 2000. Overall, CB Richard Ellis Services reduced its outstanding long-term debt by \$50.5 million or 13.8% as compared to December 31, 1999, helping to minimize the impact of the increased interest rates during 2000.

Provision for income tax on a consolidated basis was \$34.8 million for the year ended December 31, 2000, as compared to the provision for income tax of \$16.2 million for the year ended December 31, 1999. The increase is mainly due to higher pre-tax income and a lower release of valuation allowance during the current year. The effective tax rate was 51.0% for the current year as compared to 41.0% for the prior year. The increase in the effective tax rate is primarily due to a decrease in the release of valuation allowances from \$6.3 million to \$3.0 million in the current year. Valuation allowances over the past two years have been released as it has become more likely than not that CB Richard Ellis Services would realize additional deferred tax assets.

EBITDA, excluding merger-related and other nonrecurring charges, was \$150.5 million for the year ended December 31, 2000, as compared to \$117.4 million for the year ended December 31, 1999, with EBITDA, excluding merger-related and other nonrecurring charges, as a percentage of revenue, increasing from 9.7% in 1999 to 11.4% in 2000. There were no merger-related or other nonrecurring charges in 2000 and 1999.

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Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

CB Richard Ellis Services reported a consolidated net income of \$23.3 million for the year ended December 31, 1999, on revenues of \$1,213.0 million compared to a consolidated net income of \$24.6 million on revenues of \$1,034.5 million for the year ended December 31, 1998. However, including the \$32.3 million deemed dividend resulting from the accounting treatment of the preferred stock repurchase, the 1998 net loss applicable to common stockholders was \$7.7 million. The 1999 result includes nonrecurring gains of \$8.7 million from the sale of five non-strategic offices and a risk management operation and one-time charges of approximately \$10.2 million, the majority of which were severance costs related to CB Richard Ellis Services' reduction in workforce.

Revenues on a consolidated basis were \$1,213.0 million, an increase of \$178.5 million or 17.3% for the year ended December 31, 1999, compared to the year ended December 31, 1998. The overall increase related to the continued improvement in commercial real estate markets across the U.S. as reflected in increased lease transactions, as well as the full contribution from REI, Hillier Parker and various other 1998 acquisitions. Additionally, CB Richard Ellis Services continued to benefit from its global market presence by leveraging its ability to deliver comprehensive real estate services into new businesses.

Commissions, fees and other incentives on a consolidated basis were \$559.3 million, an increase of \$100.8 million or 22.0% for the year ended December 31, 1999, compared to the year ended December 31, 1998. The increase in these costs is attributable to an increase in revenue and includes the impact of a new commission-based program, which enables sales professionals to earn additional commission over a particular revenue threshold. The increase is also due to the full year contribution from REI and Hillier Parker and various other 1998 acquisitions.

Operating, administrative and other on a consolidated basis was \$536.4 million, an increase of \$87.6 million or 19.5% for the year ended December 31, 1999, compared to the year ended December 31, 1998. As a percentage of revenue, operating, administrative and other increased slightly to 44.2% for the year ended December 31, 1999, compared to 43.4% for the year ended December 31, 1998. The increase is due primarily to the acquisitions of REI and Hillier Parker.

Consolidated interest expense was \$39.4 million, an increase of \$8.3 million or 26.8% for the year ended December 31, 1999, as compared to the year ended December 31, 1998. The increase resulted from the renewal of select senior term loans at a higher borrowing rate as well as higher borrowing levels during 1999.

Provision for income tax on a consolidated basis was \$16.2 million for the year ended December 31, 1999, as compared to the provision for income tax of \$25.9 million for the year ended December 31, 1998. The decrease is primarily due to the decrease in income before provision for income tax. In addition, CB Richard Ellis Services released \$6.3 million valuation allowances as it became evident that it was more likely than not that it would realize additional deferred tax assets, resulting in a decrease in the effective tax rate. In early 1998, CB Richard Ellis Services repurchased its outstanding preferred stock which triggered a limitation on the annual amount of net operating losses it can use to offset future U.S. taxable income. This limitation does not affect the way taxes are reported for financial reporting purposes, but it does affect the timing of the actual amount of taxes paid on an annual basis.

EBITDA, excluding merger-related and other nonrecurring charges, was \$117.4



million for the year ended December 31, 1999, as compared to \$127.2 million for the year ended December 31, 1998. EBITDA, excluding merger-related and other nonrecurring charges, excludes merger related charges of \$16.6 million in 1998 relating to CB Richard Ellis Services' acquisition of REI, Ltd. and Hillier Parker May and Rowden.

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Segment Operations

CB Richard Ellis Services provides integrated real estate services through three global business segments: transaction management, financial services and management services. The factors for determining the reportable segments were based on (1) the type of service and client and (2) the way the chief operating decision-makers organize segments internally for making operating decisions and assessing performance. The transaction management segment consists of sales, leasing and consulting services in connection with commercial real estate, transaction management and advisory services for large corporate clients and investment property services, including brokerage services for commercial real estate property marketed for sale to institutional and private investors. The financial services segment consists of commercial loan origination and servicing through CB Richard Ellis Services' wholly-owned subsidiary, L.J. Melody, investment management services through its wholly-owned subsidiary, CBRE Investors, and valuation and appraisal services. Management services provides facilities, property and construction management services. Results for the quarter ended March 31, 2001 for the financial services segment includes a \$5.6 million nonrecurring pre-tax gain from the sale of mortgage fund management contracts. For the quarter ended March 31, 2000, the management services segment results included a \$4.7 million nonrecurring pre-tax gain from the sale of certain non-strategic assets. The 2000 results for the financial services segment include a \$5.3 million pre-tax gain from the sale of loan servicing rights. The 1999 results include a nonrecurring pre-tax gain from the sale of five non-strategic offices and a risk management operation totaling \$8.7 million. In July 1999, CB Richard Ellis Services changed its segment reporting from four segments to three segments. Prior periods have been restated to conform to the new segmentation. The following table summarizes CB Richard Ellis Services' revenue, operating income, EBITDA, excluding merger-related and other nonrecurring charges and EBITDA margin by operating segment for the years ended December 31, 1998, 1999 and 2000, and for the quarters ended March 31, 2000 and March 31, 2001:

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<TABLE>  
<CAPTION>

	Year Ended December 31,						Three Months Ended March 31,			
	1998		1999		2000		2000		2001	
	(dollars in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Transaction Management										
Revenue:										
Leases.....	\$352,811	46.2%	\$426,108	48.4%	\$510,287	53.7%	\$94,304	52.8%	\$ 97,215	54.0 %
Sales.....	330,206	43.3	383,726	43.5	378,486	39.8	71,922	40.3	70,303	39.1
Other consulting and referral fees (1).....	79,934	10.5	71,095	8.1	61,479	6.5	12,233	6.9	12,463	6.9
Total revenue.....	762,951	100.0	880,929	100.0	950,252	100.0	178,459	100.0	179,981	100.0
Costs and expenses:										
Commissions, fees and other incentives.....	405,393	53.1	477,057	54.2	542,248	57.1	94,912	53.2	101,622	56.5
Operating, administrative and other.....	262,604	34.4	314,814	35.7	303,357	31.9	73,965	41.4	76,342	42.4
Depreciation and amortization.....	13,722	1.8	20,676	2.3	21,342	2.2	4,951	2.8	6,147	3.4
Operating income (2)...	\$ 81,232	10.7%	\$ 68,382	7.8%	\$ 83,305	8.8%	\$ 4,631	2.6%	\$ (4,130)	(2.3) %
EBITDA.....	\$ 94,954	12.5%	\$ 89,058	10.1%	\$104,647	11.0%	\$ 9,582	5.4%	\$ 2,017	1.1 %
Financial Services										
Revenue:										
Appraisal fees.....	\$ 48,090	33.1%	\$ 69,007	38.9%	\$ 72,861	34.0%	\$15,941	38.5%	\$ 18,368	32.8 %
Loan origination and servicing fees.....	39,402	27.1	45,938	25.9	58,188	27.2	9,230	22.3	14,812	26.5
Investment management fees.....	32,591	22.4	27,323	15.4	40,433	18.9	6,717	16.2	7,969	14.3
Other (1).....	25,167	17.4	35,059	19.8	42,622	19.9	9,509	23.0	14,770	26.4
Total revenue.....	145,250	100.0	177,327	100.0	214,104	100.0	41,397	100.0	55,919	100.0

Costs and expenses:										
Commissions, fees and other incentives.....	41,491	28.6	59,294	33.5	65,058	30.4	12,207	29.5	15,743	28.2
Operating, administrative and other.....	85,885	59.1	100,201	56.5	119,333	55.7	25,405	61.4	30,081	53.8
Depreciation and amortization.....	11,025	7.6	10,719	6.0	12,001	5.6	2,980	7.2	3,246	5.8
Operating income (2)...	\$ 6,849	4.7%	\$ 7,113	4.0%	\$ 17,712	8.3%	\$ 805	1.9%	\$ 6,849	12.2 %
EBITDA.....	\$ 17,874	12.3%	\$ 17,832	10.1%	\$ 29,713	13.9%	\$ 3,785	9.1%	\$ 10,095	18.1 %
Management Services										
Revenue:										
Property management fees.....	\$ 67,300	53.3%	\$ 79,994	51.7%	\$ 83,251	52.3%	\$19,234	46.8%	\$ 20,337	55.6 %
Facilities management fees.....	17,219	13.6	25,597	16.5	23,069	14.5	5,291	12.9	6,881	18.8
Other (1).....	41,783	33.1	49,192	31.8	52,928	33.2	16,538	40.3	9,380	25.6
Total revenue.....	126,302	100.0	154,783	100.0	159,248	100.0	41,063	100.0	36,598	100.0
Costs and expenses:										
Commissions, fees and other incentives.....	11,579	9.2	22,938	14.8	27,333	17.2	6,844	16.7	7,033	19.2
Operating, administrative and other.....	100,305	79.4	121,366	78.4	115,791	72.7	27,778	67.6	27,656	75.6
Depreciation and amortization.....	7,438	5.9	9,075	5.9	9,856	6.2	2,638	6.4	2,303	6.3
Operating income (2)...	\$ 6,980	5.5%	\$ 1,404	0.9%	\$ 6,268	3.9%	\$ 3,803	9.3%	\$ (394)	(1.1) %
EBITDA.....	\$ 14,418	11.4%	\$ 10,479	6.8%	\$ 16,124	10.1%	\$ 6,441	15.7%	\$ 1,909	5.2 %
Merger-related and other nonrecurring charges...	\$ 16,585		\$ --		\$ --					
Total operating income..	\$ 78,476		\$ 76,899		\$107,285		\$ 9,239		\$ 2,325	
Total EBITDA, excluding merger-related and other nonrecurring charges.....	\$127,246 (/3/)		\$117,369		\$150,484		\$19,808		\$ 14,021	

</TABLE>

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- (1) Revenue is allocated by material line of business specific to each segment. "Other" includes types of revenue that have not been broken out separately due to their immaterial balances and/or nonrecurring nature within each segment. Certain revenue types disclosed on the consolidated statements of operations may not be derived directly from amounts shown in this table.
- (2) Segment operating income excludes merger-related and other nonrecurring charges.
- (3) EBITDA, excluding merger-related and other nonrecurring charges, for the year ended December 31, 1998 is calculated as the sum of operating income of \$78.5 million, merger-related and other nonrecurring charges of \$16.6 million and depreciation and amortization of \$32.2 million.

Quarter Ended March 31, 2001 Compared to Quarter Ended March 31, 2000

#### Transaction Management

Revenue increased by \$1.5 million or 0.9% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000. This increase was primarily due to higher lease revenue in North America as a result of a greater number of total transactions executed during the quarter ended March 31, 2001, as well as a larger dollar average per transaction. This was offset by a 2.3% drop in sales revenue primarily due to lower revenue in France. In addition, Singapore had reduced sales revenue due to a lower number of deals completed as a result of economic and political problems in neighboring countries. These decreases were slightly offset by a greater number of investment property sales within North America. Commissions, fees and other incentives increased by \$6.7 million or 7.1% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000, primarily due to the increased lease and sales revenue within the North American operations. The overall revenue growth also resulted in higher variable commission expense within the North American operation compared to the prior year. Producers earn an increased percentage of commissions as certain revenue targets are met. Insurance and benefits for producers, which

are a component of commission expense, increased primarily in the United States compared to the quarter ended March 31, 2000. In addition, producer compensation within the international operations is typically fixed in nature and do not decrease as a result of lower revenue. These factors contributed to an increase in commissions as a percentage of revenue from 53.2% to 56.5% for the quarter ended March 31, 2001. Operating, administrative, and other increased by \$2.4 million or 3.2% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000. This increase is mainly related to higher personnel requirements, increased insurance and benefit costs, and current quarter compensation expense related to the deferred compensation plan retention program within North America.

#### Financial Services

Revenue increased by \$14.5 million or 35.1% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000. Loan origination and servicing fees increased by \$5.6 million. Excluding any acquisitions, loan origination fees increased by \$5.0 million or 54.2% over the quarter ended March 31, 2000, while loan servicing fees increased slightly compared to the quarter ended March 31, 2000. Appraisal fees increased by \$2.4 million. Investment management fees increased 18.6% as assets under management grew by \$868.3 million as compared to the quarter ended March 31, 2000. Other revenue increased by \$5.3 million due to the gain on the sale of mortgage fund management contracts during the current quarter. Commissions, fees and other incentives increased by \$3.5 million or 29.0% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000 due to higher loan and appraisal commissions as a result of the increased revenues. Operating, administrative and other increased by \$4.7 million or 18.4% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000. This increase is primarily due to the start-up of the investment management operations in Asia Pacific during 2000, which as a result, had limited activity compared to the current period. The mortgage banking line of business had higher personnel, bonus and long-term incentive costs attributable to the more favorable quarter ended March 31, 2001 results. In addition, earnings from unconsolidated subsidiaries decreased for the quarter ended March 31, 2001 as compared to the quarter ended March 31, 2000.

#### Management Services

Revenue decreased by \$4.5 million or 10.9% for the quarter ended March 31, 2001, compared to the quarter ended March 31, 2000. Other revenue decreased by \$7.2 million due to the gain on the sale of certain non-strategic assets in the quarter ended March 31, 2000. The decline in other revenue is also the result of the contribution of an engineering services group into a separately owned joint venture during April 2000, as well as the sale of other non-strategic assets during the prior year. This operation generated \$1.8 million of revenue during the first quarter of 2000. This was offset by increased property and facility management fees primarily due to higher square footage managed in the United States and India.

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Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

#### Transaction Management

Revenue increased by \$69.3 million or 7.9% for the year ended December 31, 2000, compared to the year ended December 31, 1999. This increase was primarily due to higher lease revenue in North America as a result of a greater number of total transactions executed during 2000, as well as a larger dollar average per transaction. Europe reported increased lease revenues primarily due to strong performances in France and the United Kingdom, as well as expanded operations in Netherlands and Spain. Increased lease revenues in Asia Pacific are due to a better overall economy in China, as well as improved financial performance in Australia. Sales revenues decreased slightly from the prior year, primarily due to higher interest rates and a weak currency in Australia. Commissions, fees and other incentives increased by \$65.2 million or 13.7% for the year ended December 31, 2000, compared to the year ended December 31, 1999, primarily due to an increase in lease revenues. In addition, the overall revenue growth resulted in a higher variable commission expense compared to prior year. Commissions are directly correlated to revenue in the transaction management segment. During 1999, the commission program was amended to increase the percentage of revenue a producer can earn as commission as the producer meets certain revenue targets. Under the new program, when a producer achieves a revenue target, the percentage of commission increases on a retroactive basis. As a producer achieves each revenue target, the percentage of commission increases on a retroactive basis. This motivates producers to reach higher revenue targets. During 2000, a greater number of producers generated a larger proportion of revenue at the higher revenue targets. This contributed to an increase in commissions as a percentage of revenue from 54.2% to 57.1% for 2000. Operating, administrative and other decreased by \$11.5 million or 3.6% for the year ended December 31, 2000, compared to the year ended December 31, 1999. This decrease is mainly related to lower personnel requirements in North America due to cost containment measures, as well as higher equity income from unconsolidated subsidiaries during 2000. This is slightly offset by increased

bonus incentives and profit share due to the more favorable results.

#### Financial Services

Revenue increased by \$36.8 million or 20.7% for the year ended December 31, 2000, compared to the year ended December 31, 1999. Investment management fees grew by 48.0% due to a higher volume of managed assets, as well as increased incentive fees from several properties in North America and Asia. Loan origination and servicing fees increased by \$12.3 million, of which \$3.7 million is attributable to the acquisitions of Boston Mortgage Capital Corporation in late 2000 and Eberhardt Company in late 1999. In addition, excluding any acquisitions, loan production fees increased by \$5.9 million or 18.4% over prior year, while loan servicing fees increased by \$2.6 million or 21.7%. Other revenue increased due to the acquisition of several small consulting companies in late 1999 and early 2000. Commissions, fees and other incentives increased by \$5.8 million or 9.7% for the year ended December 31, 2000, compared to the year ended December 31, 1999, due primarily to higher loan commissions. Operating, administrative and other increased by \$19.1 million or 19.1% for the year ended December 31, 2000, compared to the year ended December 31, 1999, mainly due to increased personnel requirements as a result of expanded investment management operations in North America and Asia Pacific and higher bonus incentives and profit share attributable to the more favorable current year results. In addition, earnings from unconsolidated subsidiaries decreased for 2000 as compared to the same period in the prior year. The 2000 results for the financial services segment include a \$5.3 million pre-tax gain from the sale of loan servicing rights.

#### Management Services

Revenue increased by \$4.5 million or 2.9% for the year ended December 31, 2000, compared to the year ended December 31, 1999, due to higher lease and sales revenues. In addition, property management fees increased primarily due to higher square footage managed in India and Australia. This was slightly offset by lower facilities management fees due to the loss of a major client at the beginning of 2000. Commissions, fees and other incentives increased by \$4.4 million or 19.2% for the year ended December 31, 2000, compared to

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the year ended December 31, 1999, attributable mainly to the higher sales and lease commissions. Operating, administrative and other decreased \$5.6 million or 4.6% for the year ended December 31, 2000, compared to the year ended December 31, 1999. The decline is mainly due to lower personnel requirements due to cost containment measures and higher equity income in unconsolidated subsidiaries in North America. As a percentage of revenue, operating expenses decreased from 78.4% to 72.7% for 2000. The 2000 results include a \$4.7 million pre-tax gain from the sale of certain non-strategic assets.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

#### Transaction Management

Revenue increased by \$118.0 million or 15.5% for the year ended December 31, 1999, compared to the year ended December 31, 1998, mainly due to the continued improvement of the real estate market, mainly in brokerage leasing services and the full year contribution of REI, Hillier Parker and the various other 1998 acquisitions. Commissions, fees and other incentives increased by \$71.7 million or 17.7% for the year ended December 31, 1999, compared to the year ended December 31, 1998, primarily due to the increase in revenue. This also includes the impact of a new commission-based program which enables sales professionals to earn additional commission over a particular revenue threshold, as well as the full year contribution from REI, Hillier Parker and the various other 1998 acquisitions. Operating, administrative and other increased by \$52.2 million or 19.9% for the year ended December 31, 1999, compared to the year ended December 31, 1998, primarily due to the full year inclusion of REI, Hillier Parker, and the various other 1998 acquisitions. Depreciation and amortization increased by \$7.0 million or 50.7% for the year ended December 31, 1999, as compared to the year ended December 31, 1998, primarily as a result of additional investments in computer hardware and software to support the increase in new business.

#### Financial Services

Revenue increased by \$32.1 million or 22.1% for the year ended December 31, 1999, compared to the year ended December 31, 1998. The increase in revenue is primarily due the full year contribution of REI, Hillier Parker and the various other 1998 acquisitions, resulting in increased appraisal and valuation fees. Commissions, fees and other incentives increased by \$17.8 million or 42.9% for the year ended December 31, 1999, compared to the year ended December 31, 1998. The increase is primarily a result of the revenue increase. Operating, administrative and other increased by \$14.3 million or 16.7% for the year ended December 31, 1999, compared to the year ended December 31, 1998, mainly as a result of the integration of REI, Hillier Parker and the various other 1998 acquisitions.



EBITDA									
Transaction									
management.....	\$ 6,951	\$ 19,139	\$ 26,595	\$ 36,373	\$ 9,582	\$ 23,381	\$ 23,213	\$ 48,471	\$ 2,017
Financial services.....	5,725	4,771	1,766	5,570	3,785	7,623	9,513	8,792	10,095
Management services....	2,394	2,638	1,686	3,761	6,441	2,272	2,992	4,419	1,909
	-----	-----	-----	-----	-----	-----	-----	-----	-----
--									
Total EBITDA.....	\$ 15,070	\$ 26,548	\$ 30,047	\$ 45,704	\$ 19,808	\$ 33,276	\$ 35,718	\$ 61,682	\$ 14,021
	=====	=====	=====	=====	=====	=====	=====	=====	=====
EBITDA margin									
percentage.....	6.5%	9.6%	9.8%	11.6%	7.6%	10.5%	10.9%	14.7%	
5.1%									

</TABLE>

#### Liquidity and Capital Resources

CB Richard Ellis Services' principal capital requirements are to fund working capital needs, to meet required debt payments, to make co-investments in real estate funds where it acts as general partner, to make other investments in real estate related activities, to upgrade technology and computers and the facilities of its offices and to make small acquisitions.

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#### CB Richard Ellis Services' Historical Liquidity and Capital Resources

**Operating Cashflows.** Net cash used in operating activities for the first quarter of 2001 was \$104.3 million, an increase of \$36.7 million over the first quarter of 2000 mainly due to increased payments for 2000 bonuses and profit sharing, made in the current quarter. This increase is due to CB Richard Ellis Services' better financial results for 2000 as compared to 1999. Income tax payments also increased by \$9.2 million during the quarter ended March 31, 2001. CB Richard Ellis Services' operating cashflow increased by \$10.1 million in 2000 over the year ended 1999, primarily due to higher net income adjusted for non-cash items. In addition, receivables increased at a lower rate during 2000, due to a greater emphasis on receivable collections.

**Investing Cashflows.** CB Richard Ellis Services utilized \$0.5 million for investing activities during the first quarter of 2001, compared to cash provided of \$6.3 million in the first quarter of 2000. During the year ended 2000, it utilized \$35.7 million for investing activities, an increase of \$9.0 million over the prior year. This increase was primarily due to its \$21.0 million investment in several technology companies as part of its overall e-business strategy. CB Richard Ellis Services' e-investment strategy is designed to improve internal business operations with resulting cost savings through paperwork reduction, to improve service delivery to clients and to create value in growth businesses that will flow back to us. In addition, as of March 31, 2001, it had committed an additional \$40.6 million to fund future co-investments. CB Richard Ellis Services' participation in real estate transactions through co-investment activity could increase fluctuations in its earnings and cash flow.

During the quarter ended March 31, 2001, CB Richard Ellis Services received \$6.1 million in proceeds primarily from the sale of mortgage fund management contracts. Proceeds for the quarter ended March 31, 2000 totaled \$11.3 million due to the sale of certain non-strategic assets in the management services segment, as well as the receipt of proceeds in 2000 from the 1999 sale of a risk management operation. During the year ended 2000, it received \$17.5 million in proceeds primarily from the sale of select assets within the management services segment, the sale of loan servicing rights and the receipt of proceeds in 2000 from the 1999 sale of a risk management operation. This was slightly lower than the 1999 proceeds of \$19.4 million received. This included \$7.4 million received from the sale of inventoried property, plus \$12.1 million primarily received from the sale of the headquarters building in downtown Los Angeles, California, and a small office building in Phoenix, Arizona.

In addition, capital expenditures increased by \$2.1 million from the quarter ended March 31, 2000 to the quarter ended March 31, 2001. However, capital expenditures decreased from \$35.1 million for the year ended December 31, 1999, to \$26.9 million in the year ended December 31, 2000. Capital expenditures for 1998 totaled \$29.7 million. Expenditures in 2000 mainly related to the purchase of computer hardware and software. Higher purchases in 1999 as compared to 2000 and 1998 related to CB Richard Ellis Services' efforts to prepare for year 2000 computer hardware and software systems issues. CB Richard Ellis Services expects to have capital expenditures ranging from \$20 to \$25 million in 2001.

**Financing Cashflows.** Net cash provided by financing activities was \$104.9 million for the quarter ended March 31, 2001, compared to \$58.8 million for the quarter ended March 31, 2000, and was mainly attributable to an increased balance in CB Richard Ellis Services' revolving credit facility, used primarily to fund the payment of bonuses and profit sharing. Net cash used in financing activities was \$53.5 million for the year ended December 31, 2000, compared to \$37.7 million for the year ended December 31, 1999, and was mainly attributable

to the repayment of debt. From time to time, CB Richard Ellis Services has purchased stock on the open market to fulfill its obligations under stock option, deferred compensation and other similar stock-based compensation plans. For the year ended December 31, 2000, CB Richard Ellis Services repurchased 185,800 shares of common stock for \$2.0 million in order to minimize the dilutive effect of its obligation to issue stock under the deferred compensation plan. During 1999, CB Richard Ellis Services repurchased a total of 397,450 shares of common stock for \$5.0 million to minimize the dilution from the grant of options and stock purchase rights. The 1999 stock repurchase program was completed on January 5, 2000. As a result of the merger and the related adjustments to the deferred compensation plan, CB Richard Ellis Services does not currently have

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any plans to make future purchases of shares of its common stock to fulfill obligations under its employee compensation plans.

Outlook. During the first quarter of 2001, the U.S. economy in general and certain local and regional U.S. economies in particular continued to experience economic softness. Many businesses, including CB Richard Ellis Services' customers, have implemented staff reductions and delayed or curtailed their plans and commitments with respect to their commercial real estate needs. Additionally, lease rates in various regions, particularly those with a concentration in the telecommunication and technology industries, began to decline.

CB Richard Ellis Services' first quarter results reflected a strong January followed by a slowdown in its U.S. sales activities beginning in February and a slowdown in U.S. lease activities beginning in March, as well as lower than expected revenues in Europe and Asia Pacific. This weakness in sales and lease activities has continued into the second quarter. Preliminary internal results indicate that operating results for April 2001 were considerably below our operating results for both the month of April 2000 and the month of March 2001.

Following its last major cost reduction program in 1999, CB Richard Ellis Services has continued to evaluate its operating expenses relative to its performance. In response to the continued weakness described above, CB Richard Ellis Services has formulated a new cost reduction program to reduce operating expenses. CB Richard Ellis Services anticipates that this program will begin to be implemented immediately with work force reductions expected to be completed during the third quarter. This program is expected to reduce budgeted expenses for the remainder of the year 2001 by between approximately \$35 to \$40 million, excluding one-time severance costs. Expense reductions will occur in three areas with the following estimated cost reductions for the remainder of 2001:

- . a reduction in work force combined with a hiring freeze, which are expected to yield a savings of approximately \$8 to \$10 million;
- . a reduction in the bonuses for senior managers worldwide, which is expected to yield a savings of approximately \$20 million; and
- . a reduction in other operating and back office expenses, which is expected to yield a savings of approximately \$7 to \$10 million.

In addition, in the second quarter, CB Richard Ellis Services will write-off its \$2.9 million investment in Eziaz, which has recently declared bankruptcy.

#### Liquidity and Capital Resources After the Merger

Financing to be Obtained in Connection with the Merger. In connection with the merger transactions, we will issue and sell at least \$65.0 million aggregate principal amount of 16% senior notes due 2011 to DLJ Investment Partners II, L.P. and certain of its affiliates. Also in connection with the merger, CB Richard Ellis Services will assume \$229 million aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2011 of BLUM CB Corp., which were issued and sold for approximately \$225.6 million on June 7, 2001. The net proceeds from the sale of those notes by BLUM CB Corp. are currently being held in an escrow account and will be released when the merger is completed. In addition, CB Richard Ellis Services will enter into a senior secured credit agreement with Credit Suisse First Boston and other lenders and borrow up to \$225.0 million in term loans. The credit agreement will also include a \$100.0 million revolving credit facility, which is intended to finance our working capital and a portion of which will be drawn upon at the time of the merger. If the merger had occurred on March 31, 2001, on a pro forma basis we would have incurred an aggregate of \$554.0 million of indebtedness, excluding any additional borrowings under the revolving credit facility that would have been required to finance our working capital needs.

Also in connection with the merger, the BLUM Funds will make a cash contribution to us of at least approximately \$40.9 million. This number of shares purchased by the BLUM Funds will be reduced by

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241,885 shares, which is the number of shares of our Class B common stock the BLUM Funds have been purchased for \$16.00 per share in connection with the closing of the sale of 11 1/4% senior subordinated notes by BLUM CB Corp. as described above. The proceeds from the sale of those shares to the BLUM Funds were contributed to BLUM CB Corp., which deposited the proceeds in an escrow account for release when the merger is completed. If the offerings of shares of our Class A common stock and stock fund units we are making by this prospectus are fully subscribed, including for these purposes the shares we are offering that underlie stock fund units that in the CB Richard Ellis Services deferred compensation plan, we expect to receive net cash proceeds of approximately \$33.7 million after the payment of fees and expenses associated with the offering. The BLUM Funds also have agreed to purchase for \$16.00 per share in cash a number of shares of Class B common stock equal to (1) 3,236,639 shares minus (2) the number of shares subscribed for in the offerings plus (3) the aggregate amount of full-recourse notes delivered by designated managers divided by \$16.00.

Using a portion of the proceeds from the sale of the senior notes and the 11 1/4% senior subordinated notes, the borrowings under the new credit agreement and the proceeds from the sale of our Class B common stock to the BLUM Funds and our Class A common stock in the offerings, CB Richard Ellis Services will repay substantially all of its long-term indebtedness that is outstanding immediately prior to the merger. The repaid indebtedness of CB Richard Ellis Services will include its existing credit agreement.

CB Richard Ellis Services has commenced a consent solicitation to amend the indenture governing the outstanding 8 7/8% senior subordinated notes and a tender offer to purchase all of the outstanding 8 7/8% senior subordinated notes. Any holders that consent to the amendment of the indenture and agree to sell their 8 7/8% senior subordinated notes will be paid at the time of the merger, and all 8 7/8% senior subordinated notes that are not tendered for payment will remain outstanding after the merger. The total outstanding amount of 8 7/8% senior subordinated notes remaining at the time of the merger will reduce the amount of the term loans that we incur under the new senior secured credit agreement by an equivalent amount. At 5:00 p.m. New York City time on June 8, 2001 the consent solicitation period for the 8 7/8% senior subordinated notes expired. As of that time, a majority of the holders of 8 7/8% senior subordinated notes had consented to the amendments to the indenture and had tendered their notes. Accordingly, CB Richard Ellis Services intends promptly to execute a supplemental indenture, which will include amendments that substantially modify or eliminate the restrictive covenants in the indenture. Also on June 8, 2001 CB Richard Ellis Services extended its offer to purchase the 8 7/8% senior subordinated notes through 12:00 noon New York City time on July 18, 2001.

Also using a portion of the proceeds described in the immediately prior paragraph CB Richard Ellis Services will pay \$16.00 of cash per shares of its common stock that is outstanding at the time of the merger, as well as cash to holders of options to acquire shares of CB Richard Ellis Services common stock that agree to have their options canceled in exchange for a cash payment. We estimate that the aggregate amount of cash that CB Richard Ellis Services will pay to holders of its common stock and options in connection with the merger will be approximately \$201.0 million.

**Financing Our Operations after the Merger.** After the closing of the merger, we expect to finance our operations, non-acquisition related capital expenditures, employee compensation plan obligations and long-term indebtedness repayment obligations described below primarily with internally generated cash flow and borrowings under the new revolving credit facility of CB Richard Ellis Services. We expect to fund our future acquisitions, if any, that require cash with internally generated cash flow, but these acquisitions, if any, may require new sources of capital such as raising money by issuing additional debt or equity. We anticipate that our existing sources of liquidity, including cash flow from operations, will be sufficient to meet our anticipated non-acquisition cash requirements for the foreseeable future and in any event for at least the next twelve months. Because the BLUM Funds have agreed in the contribution and voting agreement to make a cash contribution to us equal to the amount that the offerings being made by this prospectus are not subscribed for, we are not dependent upon the success of the offerings being made by this prospectus to maintain adequate liquidity.

During the year 2002, we estimate that our non-operations capital expenditures will be no greater than \$20 million and that we will fund approximately \$20 million of co-investments in connection with our real

estate investment management business. We anticipate that our existing sources of liquidity, including cash flow from operations, will be sufficient to fund these capital expenditures and co-investments.



the documents governing our long-term indebtedness that will be outstanding after the merger will impose significant restrictions on the operation of our business, including our financing activities. The new credit agreement will contain numerous restrictive covenants that, among other things, limit our ability to incur or repay other indebtedness, make advances or loans to our subsidiaries and other entities, make capital expenditures, incur liens, enter into mergers or effect other fundamental corporate transactions, sell our assets or declare dividends. In addition, we will be required to meet financial ratios relating to our adjusted net worth, level of indebtedness, fixed charges and interest coverage. The indentures for our senior notes and the senior subordinated notes due 2011 will also include limitations on our ability to incur or repay indebtedness, make advances or loans to our subsidiaries and other entities, incur liens, enter into mergers or effect other fundamental corporate transactions, sell our assets or declare dividends. In addition, if we were to engage in a change of control transaction, as defined in the indentures governing the senior notes, the 8 7/8% senior subordinated notes and the 11 1/4% senior subordinated notes, either we or CB Richard Ellis Services would be required to make an offer to purchase all of the outstanding 11 1/4% senior subordinated notes, all of the outstanding 8 7/8% senior subordinated notes and all of the outstanding senior notes at a price of 101% of their outstanding principal amounts together with any accrued and unpaid interest.

**Seasonal Working Capital Requirements.** CB Richard Ellis Services' working capital borrowing requirements are very seasonal because its cash flow from operating activities has historically been lower in the first three calendar quarters than in the fourth calendar quarter. The seasonal variation in operating cash flow and working capital borrowing requirements results in part from a focus at year-end on completing sales and lease transactions that is consistent with the real estate industry and in part from the timing of the payment of cash bonuses to sales professionals and managers. While compensation expenses are accrued throughout the year, a substantial portion of the actual cash payments are made in the first quarter of the following fiscal year. As a result, working capital borrowing requirements are highest in the first two quarters of the fiscal year and have historically decreased beginning in the third quarter. In addition, our new \$100 million revolving credit facility requires that we have no outstanding borrowings under the facility during December each year. After giving effect to the merger and the related financings on a pro forma basis as of December 31, 2000, we would have had \$76.2 million of cash and no borrowings under the revolving credit facility. After giving effect to the merger and the related financings on a pro forma basis as of March 31, 2001, we would have had \$1.5 million of cash and \$35.0 million of borrowings under the revolving credit facility.

For the reasons described in the immediately prior paragraph, our working capital borrowings would be significantly higher and our available cash would be lower if pro forma effect to the merger and the related financings was made as of a date during our first or second quarters.

**Deferred Compensation Plan Obligations.** After the closing of the merger, we will have obligations under the CB Richard Ellis Services deferred compensation plan that will require future cash expenditures. Under the CB Richard Ellis Services deferred compensation plan, each participant may 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 under the plan after the merger include, among others, two interest index fund alternatives and an insurance fund alternative. Under the first interest index fund alternative, all such allocations are credited with interest at the rate payable by CB Richard Ellis Services under its principal credit agreement. Our unfunded obligations with respect to the first interest index fund totaled \$18.3 million as of March 31, 2001 and new deferrals are no longer permitted into that fund. Under the second interest index fund alternative, which will begin accepting new deferrals prior to the merger, all deferrals are credited with interest at 10% per year for five years, or until distributed if earlier, and thereafter at a rate no lower than the rate CB Richard Ellis Services pays under its principal credit agreement. Under the insurance

fund alternative, the participant can elect to have gain or loss on deferrals measured by one or more of approximately 30 mutual funds. Historically, CB Richard Ellis Services has elected to transfer to a rabbi trust the full amount of deferrals into the insurance fund alternative and then hedged its obligations to the participants under the insurance fund alternative by actually buying a contract of insurance within which it has premiums invested in the mutual funds which participants have elected to measure the value of their deferred compensation.

We expect to fund the after-tax cost of these future distributions under the two interest index alternatives with internally generated cash flow and borrowings under our new revolving credit facility. With respect to existing deferrals under the insurance fund alternative, we expect future distributions to be satisfied by the contracts of insurance that we have purchased. However,

in the future, to the extent we do not fully fund our obligations under the insurance fund alternative with an insurance contract and transfers into the rabbi trust, we would need to fund future distributions with internally generated cash flow and borrowings under our new revolving credit facility.

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

401(k) Plan Obligations. After the closing of the merger, we may be required to make future cash expenditures as a result of legal requirements applicable to the CB Richard Ellis Services 401(k) plan. Under the 401(k) plan, generally upon a participant's termination of employment with us, including as a result of retirement, the participant may elect to receive the cash value of his or her investments in the plan. Accordingly, if a participant owns shares of our common stock that are held in the plan and becomes entitled to receive a distribution under the plan, the participant may require the plan trustee to sell those shares and distribute the cash proceeds. However, there will not be a market for our common stock after the merger, so we will be obligated under applicable law to purchase the shares at fair market value so the required cash distribution may occur.

Repayment of Long-Term Indebtedness. The \$65 million principal amount of 16% senior notes that we will issue in connection with the merger will become due and payable in 2011. The \$229.0 million principal amount of the 11 1/4% senior subordinated notes offering will become due and payable in 2011. Any remaining outstanding principal amount of CB Richard Ellis Services' existing 8 7/8% senior subordinated notes after the tender offer for those notes will become due and payable in 2006. Any amounts outstanding under the revolving credit facility under the new credit agreement will be due and payable on the sixth anniversary of the merger. Under the terms of the revolving credit facility, no amounts can be outstanding as of December 31 of each year. Assuming that none of CB Richard Ellis Services' existing 8 7/8% senior subordinated notes remain outstanding after the merger and assuming a closing date during the third quarter of 2001, the principal amount of the up to \$225.0 million of term loans under the new credit agreement will become due and payable under the following schedule:

<TABLE>  
<CAPTION>

Year	Amount Due
----	-----
<S>	<C>
2001.....	\$ 4.6 million
2002.....	9.3 million
2003.....	9.9 million
2004.....	10.5 million
2005.....	10.5 million
2006.....	10.5 million
2007.....	6.1 million
2008.....	163.6 million

</TABLE>

Recent Acquisitions

During 2000, CB Richard Ellis Services acquired five companies with an aggregate purchase price of \$3.4 million in cash, \$0.7 million in notes, plus additional payments over the next five years based on acquisition earnout agreements. These payments will supplement the purchase price and be recorded as additional goodwill. The most significant acquisition in 2000 was the purchase of Boston Mortgage Capital Corporation through L.J. Melody for \$2.1 million plus supplemental payments based on an acquisition earnout agreement. Boston Mortgage provides further mortgage banking penetration into the northeast. It services approximately \$1.8 billion in loans covering roughly 175 commercial properties throughout New England, New York and New Jersey.

During 1999, CB Richard Ellis Services acquired four companies with an aggregate purchase price of approximately \$13.8 million. The two significant acquisitions were Eberhardt Company, which was acquired in September 1999 through L.J. Melody for approximately \$7.0 million and Profit Nordic which was acquired in the first quarter of 1999 through CB Richard Ellis Services Profit Acquisition Corp., formerly Koll Tender III, for approximately \$5.5 million.

In 1998, CB Richard Ellis Services made several large acquisitions. In April 1998, CB Richard Ellis Services purchased all of the outstanding shares of REI, an international commercial real estate services firm operating under the name Richard Ellis in major commercial real estate markets worldwide, excluding the

United Kingdom. The acquisition was accounted for as a purchase. The purchase price has largely been allocated to goodwill, which is amortized on a straight line basis over an estimated useful life of 30 years. The purchase price for REI was approximately \$104.8 million of which approximately \$53.3 million was paid in cash and notes and approximately \$51.5 million was paid in shares of CB Richard Ellis Services' common stock. In addition, CB Richard Ellis Services assumed approximately \$14.4 million of long-term debt and minority interest. CB Richard Ellis Services incurred a one-time charge of \$3.8 million associated with the integration of REI's operations and systems into its own.

CB Richard Ellis Services also acquired the business of Hillier Parker in July 1998. This was a commercial property services partnership operating in the UK. The acquisition was accounted for as a purchase. The purchase price for Hillier Parker included approximately \$63.6 million in cash and \$7.1 million in shares of CB Richard Ellis Services' common stock. In addition, CB Richard Ellis Services assumed a contingent payout plan for key Hillier Parker employees with a potential payout over three years of approximately \$13.9 million and assumed various annuity obligations of approximately \$15.0 million. The purchase price has largely been allocated to goodwill which is amortized on a straight line basis over its estimated useful life of 30 years.

In September of 1998, CB Richard Ellis Services purchased the approximately 73.0% interest that it did not already own in CB Commercial Real Estate Group of Canada, Inc., now CB Richard Ellis Limited. CB Richard Ellis Services acquired the remaining interest for approximately \$14.3 million in cash. The acquisition was accounted for as a purchase. The purchase price has been largely allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives ranging up to 30 years.

In October 1998, CB Richard Ellis Services purchased the remaining ownership interests that it did not already own in the Richard Ellis Australia and New Zealand businesses. The costs for the remaining interest was \$20.0 million in cash. Virtually all of the revenue of these locations is derived from brokerage and appraisal services. The acquisition was accounted for as a purchase. The purchase price has largely been allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives ranging up to 30 years.

CB Richard Ellis Services also made various smaller acquisitions throughout 1998.

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#### Legal Proceedings

CB Richard Ellis Services and BLUM CB Corp. are party to a number of pending or threatened lawsuits arising out of, or incident to, our ordinary course of business. Currently, CB Richard Ellis Services is the defendant in several lawsuits filed by employees. These suits include claims of wrongful termination, failure to promote or other similar claims resulting from alleged gender discrimination or age discrimination. Management believes that any liability imposed on CB Richard Ellis Services that may result from disposition of these lawsuits or other lawsuits arising out of its ordinary course of business will not have a material effect on its consolidated financial position or results of operations.

In connection with the announcement of the merger transactions, CB Richard Ellis Services and BLUM CB Corp. have been subject to putative class action lawsuits. Between November 12 and December 6, 2000, five putative class actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by various stockholders against CB Richard Ellis Services, its directors and the buying group and their affiliates. A similar action was also filed on November 17, 2000, in the Superior Court of the State of California in and for the County of Los Angeles. These actions all alleged that BLUM CB Corp.'s offering price was unfair and inadequate and sought injunctive relief or rescission of the merger transactions and, in the alternative, money damages.

The five Delaware actions were subsequently consolidated and a lead counsel appointed. As of February 23, 2001, the parties to the Delaware litigation entered into a memorandum of understanding in which they agreed in principle to a settlement. The memorandum provides, among other things:

- . that the defendants admit no liability or wrongdoing whatsoever;
- . that the buying group acknowledge that the pendency and prosecution of the Delaware litigation were positive contributing factors to its decision to increase the merger consideration;
- . for the lead counsel for the plaintiff to have an opportunity to review the proxy statement before mailing;
- . for the certification of a settlement class and the entry of a final

judgment granting a full release of the defendants; and

. for attorneys' fees in an amount not to exceed \$380,000.

Conditions to the settlement proposed by the memorandum include:

- . negotiation and execution of a mutually acceptable stipulation of settlement;
- . closing of the merger;
- . dismissal of the Delaware and California litigation with prejudice; and
- . completion by the plaintiffs of reasonable additional discovery as lead counsel reasonably believes is appropriate.

The parties may not be able to complete a mutually acceptable stipulation of settlement, and, if so, the litigation will continue, which could have a materially adverse impact on our ability to complete the merger. In addition, no agreements have been reached with respect to any settlement of the California litigation, and if this litigation continues, it could have a material adverse impact on our ability to complete the merger.

#### Euro Conversion Disclosure

A majority of the European Union member countries converted to a common currency, the "Euro," on January 1, 1999. The existing legacy currencies of the participating countries will continue to be acceptable until January 1, 2002. We do not expect the introduction of the Euro to have a significant impact on our market or the manner in which we conduct business and believe the related impact on our financial results will not be

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material. Approximately 5% of our 2000 business was transacted in the participating member countries. CB Richard Ellis Services is currently using both the Euro and legacy currencies to conduct business in these member countries.

#### Net Operating Losses

CB Richard Ellis Services had U.S. federal income tax net operating losses, or NOLs, of approximately \$16.3 million at December 31, 2000, corresponding to \$5.7 million of our \$60.3 million in net deferred tax assets before valuation allowances.

CB Richard Ellis Services' ability to utilize NOLs is currently limited by Section 382 of the Internal Revenue Code because it previously experienced an ownership change within the meaning of Section 382. As a result of the limitation, CB Richard Ellis Services will be able to use approximately \$26.0 million of its NOL in 2000. The merger will likely cause another ownership change. Accordingly, for 2001, the \$26.0 million limitation will be pro-rated based upon the number of days in the year before the merger. Any NOLs not utilized before the merger will be subject to annual limitation after the merger equal to the lesser of (1) \$26.0 million or (2) the limitation resulting from the subsequent ownership change. In any event, we anticipate that the remaining \$16.3 million of NOLs will be utilized in 2001.

#### Recent Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral established by SFAS 125. In addition, this statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. CB Richard Ellis Services does not perform these types of transactions. This statement is effective for all transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of SFAS 140 is not expected to have a material impact on our results of operations and financial position.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities--an Amendment of FASB Statement No. 133, which are effective for CB Richard Ellis Services beginning January 1, 2001. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the

effectiveness of transactions that receive hedge accounting. The adoption of these pronouncements did not have a material impact on the consolidated financial statements at March 31, 2001.

Historically, CB Richard Ellis Services has not engaged in hedging transactions and it had no derivatives outstanding at March 31, 2001. In the future, however, CB Richard Ellis Services may engage in transactions to hedge the interest rates of its indebtedness as well as its foreign currency exposures. Therefore, these SFAS statements may impact its results of operations and financial position.

#### Quantitative and Qualitative Disclosures About Our 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 most of our debt obligations.

During the quarter ended March 31, 2001, approximately 23% of CB Richard Ellis Services' business was transacted in local currencies of foreign countries. In the past CB Richard Ellis Services has attempted to

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manage, and in the future expects to continue to manage, this exposure primarily by balancing monetary assets and liabilities and maintaining cash positions only at levels necessary for operating purposes in those countries. While our international results of operations as measured in dollars are subject to foreign exchange rate fluctuations, we do not consider the related risk to be material to our financial condition or results of operations. In the past CB Richard Ellis Services has routinely monitored, and in the future we expect to continue to monitor, the transaction exposure to currency rate changes and entered into currency forward and option contracts to limit the exposure, as appropriate. Gains and losses on contracts are deferred until the transaction being hedged is finalized. As of March 31, 2001, CB Richard Ellis Services had no outstanding contracts. Neither we nor CB Richard Ellis Services engage in any speculative activities.

After the merger, assuming the merger closes during the third quarter of 2001, much of our long-term indebtedness will bear variable rates of interest. Consistent with past practices of CB Richard Ellis Services, after the merger we will utilize sensitivity analyses to assess the potential effect of our variable rate debt. Giving pro forma effect to the merger and the related financing to be entered into in connection with the merger, if interest rates were to increase by 1% per annum the net impact would be a decrease of approximately \$2.6 million on our annual pre-tax income and cash flow. Our expected fixed and variable long-term debt as of the closing of the merger are as follows:

<TABLE>  
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Year of Maturity	Fixed Rate	LIBOR			Total
		Plus 3.25%	Plus 3.75%	Sterling LIBOR Minus 1.5%	
<S>	<C>	<C>	<C>	<C>	<C>
2001.....	\$ 1,161	\$38,750	\$ 875	\$ --	\$ 40,786
2002.....	1,057	7,500	1,750	1,501	11,808
2003.....	512	8,125	1,750	--	10,387
2004.....	128	8,750	1,750	--	10,628
2005.....	20	8,750	1,750	--	10,520
Thereafter.....	297,321	13,125	167,125	--	477,571
Total.....	\$300,199	\$85,000	\$175,000	\$1,501	\$561,700
Weighted average interest rate.....	13.3%	8.6%	9.1%	4.8%	11.2%

</TABLE>

The table above assumes that all of the approximately \$175.0 million aggregate principal amount of 8 7/8% Senior Subordinated Notes due 2006 are repurchased prior to the merger. In the event that some of these notes are not repurchased, the remaining outstanding principal amount would be due and payable in 2006 and the amount of our variable interest rate terms loans initially incurred under the new credit agreement would be decreased by an equivalent amount. Accordingly, in the event that any of the senior subordinated notes due 2006 remain outstanding after the merger, a portion of the indebtedness represented in the table above will be payable earlier than indicated above but will bear interest at a fixed rate instead of a variable rate.

Estimated fair values for our liabilities are not presented because they either are based on variable rates that approximate terms that we could obtain

currently from other sources or they are liabilities to be entered into in connection with the merger that have recently negotiated rates that we believe represent the fair value of the related liabilities.

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## BUSINESS

As a result of the proposed merger, CB Richard Ellis Services would become our wholly-owned subsidiary. Our business after the merger will be the same business as that conducted by CB Richard Ellis Services and its subsidiaries before the merger, which we describe below.

### Overview

CB Richard Ellis Services is the largest global commercial real estate services firm in terms of revenue offering a full range of services to commercial real estate occupiers, owners, lenders and investors. Through its 250 offices, it provides, under the CB Richard Ellis brand name and the CB Hillier Parker brand name in the United Kingdom, services on a local, national and international basis across approximately 100 markets in 44 countries. During 2000, CB Richard Ellis Services advised on approximately 25,000 lease transactions involving aggregate rents, under the terms of leases facilitated, of approximately \$26.0 billion and approximately 7,500 sales transactions with transaction values totaling approximately \$26.0 billion. Also during 2000, CB Richard Ellis Services managed approximately 516 million square feet of property, provided investment management services for \$10.0 billion of assets, originated nearly \$7.2 billion in loans, serviced \$16.7 billion in loans, engaged in approximately 32,000 valuation/appraisal and advisory assignments and serviced approximately 1,400 subscribers with proprietary research. In addition, at March 31, 2001, CB Richard Ellis Services employed approximately 9,700 employees.

**History.** CB Richard Ellis Services was founded in 1906. It was formerly known as CB Commercial Real Estate Services Group, Inc., or CB Commercial, a holding company, organized on March 9, 1989 under the laws of the state of Delaware to acquire Coldwell Banker Commercial Group, Inc. This acquisition occurred on April 19, 1989. On November 25, 1996, CB Commercial completed an initial public offering of 4,347,000 shares of common stock. Prior to this public offering, CB Commercial was a reporting company as a result of an offering to employees under the Securities Act. On May 19, 1998, CB Commercial changed its name to CB Richard Ellis Services, Inc. which is now and we expect will continue to be a reporting company after the consummation of the merger transactions.

As part of its growth strategy, CB Commercial has undertaken various strategic acquisitions. In 1995, CB Commercial purchased Westmark Realty Advisors, L.L.C., which has been renamed CB Richard Ellis Investors, L.L.C., or CBRE Investors. CBRE Investors is a management and advisory business with approximately \$10.0 billion of assets under management. In 1996, CB Commercial acquired L.J. Melody & Company, or L.J. Melody, a nationally-known mortgage banking firm. Then in 1997, CB Commercial acquired Koll Real Estate Services, or Koll, a real estate services company primarily providing property management services, corporate and facilities management services and asset and portfolio management services. The following year, CB Commercial purchased all of the outstanding stock of REI Limited, or REI, which owned and operated the internationally known real estate services firm of Richard Ellis in all the major commercial real estate locations in the world, other than the United Kingdom, or UK. REI's principal operations were in the Netherlands, France, Spain, Brazil, Australia, Hong Kong, including Taiwan, and the People's Republic of China, and Singapore. In 1998, CB Commercial also acquired the business of Hillier Parker May and Rowden, now known as CB Hillier Parker Limited or Hillier Parker, a commercial property services partnership operating in the UK. That same year, CB Richard Ellis Services purchased the approximately 73.0% interest that it did not already own in CB Commercial Real Estate Group of Canada, Inc. In 1998, CB Commercial acquired the remaining ownership interests in Richard Ellis Australia and New Zealand.

**Nature of Operations.** CB Richard Ellis Services is a holding company that conducts its operations primarily through approximately 75 direct and indirect operating subsidiaries. In the United States, it operates through CB Richard Ellis, Inc. and L.J. Melody, in the United Kingdom through Hillier Parker and in Canada through CB Richard Ellis Limited. CBRE Investors and its foreign affiliates conduct business in the United States, Europe and Asia Pacific. CB Richard Ellis Services operates through various subsidiaries in

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approximately 44 countries and pursuant to cooperation agreements in several additional countries. For the quarter ended March 31, 2001 approximately 77% of its revenues were from the United States and 23% from the rest of the world.

CB Richard Ellis Services' operations are reported through three geographic divisions:

- . The Americas consist of the U.S., Canada, Mexico and operations located in Central and South America. We also refer to the operations in Mexico, Central and South America as the Latin America operations.
- . EMEA is an acronym for Europe, the Middle East and Africa. This operating group became part of our company through a series of acquisitions, most significantly Hillier Parker and REI.
- . Asia Pacific consists of operations in Asia, Australia and New Zealand. These operations were acquired in part through the REI acquisition and in total through subsequent acquisitions.

See Note 11 of the Notes to Consolidated Financial Statements for financial data relating to its geographic regions, which is incorporated herein by reference.

A significant portion of CB Richard Ellis Services' revenue is seasonal. Historically, this seasonality has caused its revenue, operating income, net income and cash flow from operating activities to be lower in the first two calendar quarters and higher in the third and fourth calendar quarters of each year. The concentration of earnings and cash flow in the fourth quarter is due to an industry wide focus of completing transactions by year-end, while incurring constant, non-variable expenses throughout the year. This has historically resulted in lower profits or a loss in the first quarter, with profits growing in each subsequent quarter.

#### Business Segments

In July 1999, CB Richard Ellis Services undertook a reorganization to streamline its U.S. operations which resulted in a change in its segment reporting from four to three segments. CB Richard Ellis Services has eight primary lines of business which are aggregated, reported and managed through these three segments: transaction management, financial services and management services. The transaction management segment is the largest generator of revenue and operating income and includes brokerage services, corporate services and investment property activities. Total revenues generated by the transaction management segment relating to the leasing of commercial real estate were approximately \$510.3 million for the year ended December 31, 2000, \$426.1 million for the year ended December 31, 1999 and \$352.8 million for the year ended December 31, 1998. Total revenues generated by the transaction management segment relating to the sales of commercial real estate were approximately \$378.5 million for the year ended December 31, 2000, \$383.2 million for the year ended December 31, 1999 and \$330.2 million for the year ended December 31, 1998. The financial services segment provides commercial mortgage, valuation, investment management and consulting and research services. The management services segment provides facility management services to corporate real estate users and property management and related services to owners.

Information regarding revenues and operating income or loss, attributable to each of CB Richard Ellis Services' business segments is included in "Segment Operations" within the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and within Note 11 of the Notes to Consolidated Financial Statements which are incorporated herein by reference. Information concerning the identifiable assets of each of CB Richard Ellis Services' business segments is set forth in Note 11 of the Notes to Consolidated Financial Statements which is incorporated herein by reference.

#### Transaction Management

Under transaction management, CB Richard Ellis Services operates the following lines of business:

Brokerage Services. The brokerage services line of business provides sales, leasing and consulting services relating to commercial real estate. The brokerage services business line is the

largest business unit in terms of revenue, earnings and cash flow. This business is built upon relationships that CB Richard Ellis Services' employees establish with customers and because of this, we strive to retain top revenue producers through an attractive compensation program that motivates the sales force to achieve higher revenue production. Therefore, the most significant cost is commission expense which can be as high as 70% of the revenue generated by brokerage services. CB Richard Ellis Services is the largest competitor in the commercial brokerage business in terms of revenues and we believe that the CB Richard Ellis brand provides it with a competitive operating advantage. CB Richard Ellis Services employs approximately 2,300 individuals in offices located in most of the largest metropolitan areas in the U.S. and approximately 1,300 individuals in the rest of the world.

Operations. CB Richard Ellis Services maintains a decentralized approach to transaction management other than investment properties by bringing significant local knowledge and expertise to each assignment. Each local office draws upon the broad range of support services provided by the other business groups around the world, including an international network of market research, client relationships and transaction referrals which CB Richard Ellis Services believes provides it with significant economies of scale over local, national and international competitors. While day-to-day operations are decentralized, most accounting and financial functions are centralized.

Compensation. Under a typical brokerage services agreement, brokerage services is entitled to receive sale or lease commissions. Sale commissions, which are calculated as a percentage of sales price, are generally earned by this business line at the close of escrow. Internationally, sales commissions are earned upon completion of work with no existing contingencies. Sale commissions in the U.S. typically range from approximately 1% to 6% with the rate of commission declining as the price of the property increases. In the case of large investment properties of over \$20 million, the commission is generally not more than 2%, declining to 0.5% for properties greater than \$75 million. In the UK, commissions of 0.5% for a sale to .75% for a purchase are typical. Lease commissions in the U.S. and Canada, typically calculated either as a percentage of the minimum rent payable during the term of the lease or based upon the square footage of the leased premises, are generally earned by brokerage services at the commencement of a lease, which typically occurs on the tenant move-in date, unless significant future contingencies exist. In cases where a third-party brokerage firm is not involved, lease commissions earned by brokerage services for a new lease typically range between 2% and 6% of minimum rent payable under the lease depending upon the value of the lease. In the United Kingdom, the leasing commission is typically 10% of the first year's rent. For renewal of an existing lease, these fees are generally 50% of a new lease commission. In sales and leases where a third-party broker is involved, brokerage services must typically share 50% of the commission with the third-party broker. For 2000, in the United States, Canada and much of Australia, brokerage sales professionals received a 40% to 60% share of commissions before costs and expenses. In most other parts of the world, brokerage professionals receive a salary and a bonus, profit-share or a small commission, which in the aggregate approximate a 45% share of commissions earned by this business line.

Investment Properties. The investment properties line of business provides brokerage services for commercial real estate property marketed for sale to institutional and private investors.

Operations and Compensation. At March 31, 2001 this line of business employed approximately 500 individuals in offices located in the United States and about 240 individuals in the rest of the world. Compensation for this operation is similar to the brokerage line of business.

Corporate Services. The corporate services line of business focuses on building relationships with large corporate clients. The objective is to establish long-term relationships with clients that could benefit from utilizing corporate services broad suite of services and/or global presence. These clients are offered the opportunity to be relieved of the burden of managing their commercial real estate activities at a lower cost than they could achieve by managing it themselves. During 2000, the facilities management line of

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business began operating under the same leadership as corporate services. See the section below titled "Management Services" for a description.

Operations. At March 31, 2001 this line of business employed approximately 415 individuals within the United States and over 80 individuals in the rest of the world. Corporate services include research and consulting, structured finance, project management, lease administration and transaction management. These services can be delivered on a bundled or unbundled basis involving other lines of business in a single market or in multiple markets around the globe. A typical corporate services agreement includes a stated term of at least one year and normally contains provisions for extension of the agreement.

Compensation. A typical corporate services agreement gives CB Richard Ellis Services the right to execute some or all of the client's future sales and leasing transactions and to receive other fees on a negotiated basis. The commission rate with respect to these transactions frequently reflects a discount for the captive nature and



large volume of the business. This business line is developing worldwide pricing to maximize integrated service delivery.

All of these business lines provide sales brokerage and leasing and real estate consulting services. Additionally, these business lines are motivated to cross-sell products and services from other business segments.

#### Financial Services

The financial services business segment is focused on providing commercial mortgage, valuation, investment advisory and research and consulting services. We believe that these business lines are complementary to the core businesses in the transaction management segment, offering reliable returns. A description of the principal lines of business in the financial services segment are as follows:

**Mortgage Banking.** The commercial mortgage business line provides commercial loan origination and loan servicing through CB Richard Ellis Services' wholly-owned subsidiary, L.J. Melody. The commercial mortgage business focuses on the origination of commercial mortgages without incurring principal risk. As part of its activities, L.J. Melody has established correspondent and conduit arrangements with investment banking firms, national banks, credit companies, insurance companies, pension funds and government agencies.

Under these arrangements, L.J. Melody originates mortgages into conduit programs where it makes limited representations and warranties based upon representations made by the borrower or another party. In some situations, L.J. Melody originates mortgages in its name and immediately sells them into a conduit program, referred to as "table funding," without principal risk. Mortgages originated for conduits may or may not have servicing rights. L.J. Melody originates mortgages in its name, without principal risk. It also services loans for Federal Home Loan Mortgage Corporation, Freddie Mac and Federal National Mortgage Association, Fannie Mae. L.J. Melody is also a major mortgage originator for insurance companies and pension funds having the right, as correspondent, to originate loans in their names and subsequently services the mortgage loans it originates. At March 31, 2001, L.J. Melody serviced mortgage loan portfolios of approximately \$17.1 billion.

**Operations.** At March 31, 2001, L.J. Melody employed approximately 280 people located in 32 offices in the United States. L.J. Melody has no material mortgage banking operations outside of the United States. Its mortgage loan originations take place throughout the U.S. with support from L.J. Melody's headquarters in Houston, Texas. The mortgage loan servicing is handled primarily from the Houston, Texas headquarters with support from regional offices in Atlanta, Georgia; Minneapolis, Minnesota; Seattle, Washington; Boston, Massachusetts and Los Angeles, California.

**Compensation.** L.J. Melody typically receives origination fees, ranging from 0.5% for large insurance company and pension fund mortgage loans to 1.0% for most conduit and agency

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mortgage loans. In situations where L.J. Melody services the mortgage loans it originates, L.J. Melody also receives a servicing fee between .03% and .25%, calculated as a percentage of the outstanding mortgage loan balance. These servicing agreements generally contain an evergreen provision which provides that the agreement remains in effect for an indefinite period, but enables the lender to terminate the agreement upon 30 days prior written notice, which L.J. Melody believes to be a customary industry termination provision. During 2000, a majority of the mortgage loan origination revenue was from agreements which entitled L.J. Melody to both originate and service mortgage loans. L.J. Melody also originates mortgage loans on behalf of conduits and insurance companies for whom it does not perform servicing. Its client relationships have historically been long-term. L.J. Melody pays its mortgage banking professionals a combination of salary, commissions and incentive-based bonuses, which typically average approximately 50% of loan origination fees earned.

**Valuation and Appraisal Services.** The valuation line of business provides valuation and appraisal services and market research. These services include market value appraisals, litigation support, discounted cash flow analysis and feasibility and fairness opinions.

**Operations.** The valuation business is one of the largest in its industry in the United States. Additional valuation services are provided internationally. At March 31, 2001, this business line had nearly 180 employees on staff in the U.S. and approximately 320 internationally. During 2000, it developed proprietary technology for preparing and delivering valuation reports to its clients. We believe that this technology provides the valuation business line with

competitive advantages over its rivals.

Compensation. The valuation business line earns most of its fees on a fixed-fee basis. Some consulting revenue is earned on an hourly basis.

Investment Management. The investment management line of business provides investment management and advisory services through CB Richard Ellis Services' wholly-owned affiliate CBRE Investors. It focuses on pension plans, investment funds, insurance companies and other organizations seeking to generate returns through investment in real estate related assets. CBRE Investors is often requested to "co-invest" with its clients for a percentage of the total fund. These co-investments range from 2-10% of the fund.

Operations. Operationally, each investment strategy is executed by a dedicated team with the requisite skill sets. At the present time there are seven dedicated teams. In the U.S. they are Fiduciary Services, low risk/return strategies, Strategic Partners, L.P., a value-added fund, Corporate Partners, LLC, corporate real estate strategies, and Global Innovation Partners, technology driven real estate and entry level strategies. Internationally they are CB Hillier Parker Investors (UK), low risk/return strategies, CBRE Investors Asia, value-added, and CBRE Investors Europe, value-added. Each team's compensation is driven largely by the investment performance of its particular strategy/team. This organizational structure is designed to align the interests of team members with those of its investor clients/partners, determine accountability and make performance the priority.

Dedicated teams share resources such as accounting, financial controls, information technology, investor services and research. In addition to the research within the CB Richard Ellis platform, which focuses primarily on market conditions and forecasts, CBRE Investors has an in-house team of research professionals that focuses on investment strategy and underwriting. At March 31, 2001 CBRE Investors and its foreign affiliates have approximately 130 employees located in the Los Angeles headquarters and in the regional office in Boston and over 35 employees internationally.

We believe that this business line provides strategic benefits to all of the lines of business by providing brokerage opportunities for assets under management and by being a natural fit for the

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full range of services that CB Richard Ellis Services offers, including mortgage lending, appraisal and property management.

A key validation of this business occurred during the fourth quarter of 2000 when CBRE Investors were awarded the assignment to manage the CalPERS \$500 million Global Innovation Partners Fund in which CB Richard Ellis Services will be making a co-investment of approximately \$25 million. Under the program, the fund will make investments in real estate and real estate-related entities and capitalize on opportunities created from the convergence of the technology and real estate industries. We anticipate that we may benefit from the opportunity in several ways, including fees, return on our co-investment, return on a carried interest and significant cross-selling of services in relation to this program.

Compensation. Investment management fees can have up to three components. In chronological order, they are: (i) acquisition fees, (ii) annual portfolio management fees and (iii) incentive fees or profit sharing. Each fund or account will have two or three of these components. Fees are typically higher for sponsoring funds or joint ventures than managing separate accounts. Acquisition and annual portfolio management fees usually range between 0.5 to 1.0% of the purchase price in the United States and Asia. In the United Kingdom, annual fees on separate accounts are typically 0.05 to 0.1% of asset value. Incentive fees usually range between 10 and 20% of profit in excess of an agreed upon threshold return. With respect to CBRE Investors' new funds in the United States and all international investments, CB Richard Ellis Services also derives fees for ancillary services including purchase and sale brokerage, mortgage origination, property management and leasing brokerage.

Real Estate Market Research. We provide real estate market research services worldwide through CB Richard Ellis/Torto Wheaton Research, CB Richard Ellis/National Real Estate Index and CB Hillier Parker. Our research services include data collection and interpretation, econometric forecasting and portfolio risk analysis. Our publications and products provide real estate data for more than 70 of the largest metropolitan statistical areas in the United States and are sold on a subscription basis to many of the largest portfolio managers, insurance companies and pension

funds. The National Real Estate Index also compiles proprietary market research for 50 major urban areas nationwide, reporting benchmark market price and rent data for office, light industrial, retail, and apartment properties, and tracking the property portfolios of approximately 150 of the largest real estate investment trusts. The research is prepared by approximately 200 researchers in the United States.

#### Management Services

The management services segment provides property, facility and construction management services, through two lines of business:

**Property Management Asset Services.** The asset services line of business provides value-added asset and related services for income-producing properties owned primarily by institutional investors and, at March 31, 2001, managed approximately 190 million square feet of commercial space in the United States and approximately 180 million square feet in the rest of the world. Asset services include maintenance, marketing and leasing services for investor-owned properties, including office, industrial, retail and multi-family residential properties. Additionally, asset services provides construction management services, which relate primarily to tenant improvements. Asset services works closely with its clients to implement their specific goals and objectives, focusing on the enhancement of property values through maximization of cash flow. Asset services markets its services primarily to long-term institutional owners of large commercial real estate assets. An asset services agreement puts CB Richard Ellis Services in a position to provide other services for the owner including refinancing, appraisal and lease and sales brokerage services.

**Operations.** At March 31, 2001, asset services employed approximately 1,000 individuals in the United States and approximately 750 individuals internationally, part of whose compensation is

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reimbursed by the client. Most asset services are performed by management teams located on-site or in the vicinity of the properties they manage. This provides property owners and tenants with immediate and easily accessible service, enhancing client awareness of manager accountability. All personnel are trained and are encouraged to continue their education through both internally-sponsored and outside training. We provide each local office with centralized corporate resources including investments in computer software and hardware. Asset services personnel generally utilize state-of-the-art computer systems for accounting, marketing and maintenance management.

**Compensation.** Under a typical property management agreement, CB Richard Ellis Services receives a monthly managerial fee and reimbursement for the cost of wages for on-site employees. Payments for reimbursed expenses are netted against those expenses and not included in revenue.

**Facilities Management.** The facilities management line of business, now under the same leadership as corporate services, specializes in the administration, management and maintenance of properties that are occupied by large corporations and institutions, including corporate headquarters, regional offices, administrative offices and manufacturing and distribution facilities, as well as tenant representation, capital asset disposition, project management, strategic real estate consulting and other ancillary services for corporate clients. At March 31, 2001, facilities management had approximately 119 million square feet under management in the United States and it also manages approximately 14 million square feet internationally. We expect the facilities management business both inside and outside of the U.S. to continue growing in 2001.

**Operations.** At March 31, 2001, the facilities management business line employed approximately 1,030 individuals in facilities management services business in the United States and over 140 individuals internationally, most of whose compensation is reimbursed by the client. The facilities management operations in the United States are organized into three geographic regions in the Eastern, Western and Central areas, with each geographic region comprised of consulting, corporate services and team management professionals who provide corporate service clients with a broad array of financial, real estate, technological and general business skills. Facilities management teams are also in place internationally. In addition to providing a full range of corporate services in a contractual relationship, the facilities management group will respond to client requests generated by CB Richard Ellis Services' other business lines for significant, single-assignment acquisition, disposition and consulting assignments that may lead to long-term relationships.

**Compensation.** Under a typical facilities management agreement, CB Richard Ellis Services is entitled to receive management fees and reimbursement for its costs including costs of wages of on-site

employees, capital expenditures, field office rent, supplies and utilities that are directly attributable to management of the facility. Payments for reimbursed expenses are netted against those expenses and not included in revenue. Under particular facilities management agreements, CB Richard Ellis Services may also be entitled to an additional incentive fee which is paid if it meets select performance criteria, for example, a reduction in the cost of operating the facility, which is established in advance with the client.

## Our Strategy

Our strategy is to be the world's leading real estate services firm offering unparalleled breadth and quality of services across the globe. To implement our strategy, we intend to:

- . Increase International Revenues. We aim to continue to grow our international business by further penetrating the local markets where we currently operate and by leveraging our global platform to meet the global needs of our clients. Our focus will be on the large commercial real estate markets of Europe and Asia Pacific.

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- . Capitalize on Increased Corporate Outsourcing to Increase Market Share. We plan to use our global presence and breadth of services to gain market share. We believe that major corporations are increasingly outsourcing their real estate activities and that we are one of the few companies with the geographic reach and service offering to handle these large and complex outsourcing opportunities. We believe corporate outsourcing will contribute significantly to our revenue growth in future years.
- . Promote Further Cross-Selling and Cross-Utilization of our Services across the Globe. We intend to further cross-sell and cross-utilize our services through education and incentive programs that encourage individuals in one business unit to market the services of other business units to their clients.
- . Build Local Market Share. We intend to build upon our strong local presences to generate more business from our existing customers and to develop new relationships with growing companies that have increasing real estate service needs.
- . Grow our Investment Management Business. We intend to continue to grow our assets under management from the \$10.0 billion managed by CBRE Investors as of December 31, 2000, which represents a 49% increase over the assets under management by CBRE Investors on December 31, 1998. In funds where we are the general partner, we will typically co-invest 2%-10% if required to do so by our clients. Historically, we have generated significant revenues through the provision of services on an arm's-length basis to funds managed by CBRE Investors and expect to continue this in the future.
- . Expand our Use of Internet-Based Technology. We intend to utilize Internet-based technology to improve the delivery systems in all of our businesses to create internal operating efficiencies, especially in smaller transactions.

## Competition

We believe our strong position within the real estate services industry is based on our global brand recognition, broad service offerings, ability to scale these offerings and geographic reach. Specifically:

- . Global Brand Name. We are the largest commercial real estate services provider in the world and, together with our predecessors, have been in existence for 95 years. We are a global firm operating in 44 countries across six continents through 250 offices. We believe we are one of the leading commercial real estate services firms in most major U.S. markets and in many other important real estate markets around the world. CB Richard Ellis is the brand name under which we operate in all of our markets, except in the United Kingdom, where we operate under the brand name CB Hillier Parker.
- . Geographic Reach. We possess in-depth knowledge of local and regional markets and can provide a full range of real estate services in most major markets across the globe. Our geographical coverage enables us to better serve our multinational clients and manage funds for institutional investors on a global basis.
- . Full Service Provider. We provide a full range of real estate services to meet the needs of our clients. These services include commercial real estate brokerage services, investment properties, corporate services,

mortgage banking, investment management, valuation and appraisal services, real estate market research, property management/asset services and facilities management. We believe our combination of significant local market presence and diversified line of business platforms differentiates us from our competitors and provides us with a competitive advantage.

- . High End Commercial Brokerage Focus. Our expertise, breadth of services and strong client relationships enable us to derive a large proportion of our commercial brokerage revenues from large, high end transactions. For example, during 1999, we derived more than half of our sales commissions in the United States and more than one-third of our lease commissions in the United States from transactions exceeding \$5.0 million in deal size.
- . Recurring Revenue from Prior Transactions. We believe we are well positioned to generate recurring revenues through the turnover of leases and properties for which we have previously acted as

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transaction manager. Our many years of strong local market presence have allowed us to develop significant repeat client relationships which are responsible for a large part of our business. We estimate that during 2000 approximately 68% of our landlord listing assignments were with clients with whom we had done business previously.

- . Strong Relationships with Established Customers. We have long-standing relationships with a number of the major real estate investors, including Equity Residential Trust, Lend Lease, MetLife and RREEF. Our broad national and international presence has enabled us to develop extensive relationships with many leading corporations, including Ford Motor Company, GE Capital, JP Morgan Chase, Kodak, Lucent Technologies and Washington Mutual.
- . Experienced Senior Management with Significant Equity Stake. We are led by an experienced management team. Our Chief Executive Officer, Ray Wirta, has 33 years of experience in the real estate industry with our company, Bank of America, Koll Management Services and Koll Real Estate Services. Ray Wirta will beneficially own between 3.7% and 4.1% of our outstanding common stock after the merger. In addition, our other employees will have the opportunity to acquire a total of up to 30.9% of the CBRE Holding common stock and stock fund units in connection with the merger transactions.

Despite these competitive advantages, we also experience competitive disadvantages in the commercial real estate industry. These disadvantages include:

- . Higher Leverage. We will incur substantial additional indebtedness in connection with the merger transactions, and our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the real estate services industry generally and therefore could place us at a competitive disadvantage compared to those of our competitors that are less leveraged.
- . Brokerage Competition in Smaller Markets. Our competitors in smaller markets are often able to act more quickly in response to local trends due to their size and lack of centralized control. In addition, because these competitors also do not have to support corporate overhead, these businesses are often able to pay larger percentage commissions to their real estate brokerage employees, which gives them a competitive advantage in attracting and retaining employees that we may not be able to match.
- . Support of Numerous Business Segments. Due to the significant number of business segments in which we conduct business and the geographic breadth within these segments, we are less able to focus our resources on any particular segment, which may place us at a competitive disadvantage to those of our competitors who have less diverse operations.

L.J. Melody competes in the United States with a large number of mortgage banking firms and institutional lenders as well as regional and national investment banking firms and insurance companies in providing its mortgage banking services. Appraisal and valuation services are provided by other international, national, local and regional appraisal firms and some international, national and regional accounting firms. CBRE Investors has numerous competitors including other fund managers, investment banks and commercial banks.

Our management services business competes for the right to manage properties controlled by third parties. The competitor may be the owner of the property,

who is trying to decide the efficiency of outsourcing, or another management services company. Increasing competition in recent years has resulted in having to provide additional services at lower rates, thereby eroding margins. However, management services enjoys synergies with CB Richard Ellis Services' other lines of business, especially those within the transaction management segment.

Employees

At March 31, 2001, CB Richard Ellis Services had approximately 9,700 employees located in 44 countries. We believe that relations with our employees are good.

The breakdown of our employees by segment is as follows:

<TABLE>	
<C>	<S>
Transaction Management	3,200 employees in the United States. 1,630 employees internationally.
Financial Services	
Mortgage banking	280 mortgage banking employees.
Investment management	165 employees in the United States and internationally.
Valuation and appraisals	500 employees.
Global research and consulting	200 employees in the United States.
Management Services	
Property management	1,000 employees in the United States and 750 employees internationally.
Facilities management	1,170 employees in the United States and internationally.
Other	
Administrative support and other	805 employees in the United States and internationally.
</TABLE>	

Facilities

CB Richard Ellis Services leases the following offices:

<TABLE>			
<CAPTION>			
Location	Sales Offices	Corporate Offices	Total
-----	-----	-----	-----
<S>	<C>	<C>	<C>
North America.....	170	4	174
Latin America.....	4	--	4
Europe, Middle East and Africa.....	42	1	43
Asia Pacific.....	28	1	29
	---	---	---
Total.....	244	6	250
	===	===	===
</TABLE>			

The total rental expense of CB Richard Ellis Services under noncancelable operating leases, less proceeds received from sublease rentals, for the year ended December 31, 2000, was approximately \$54.9 million.

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

Legal Proceedings

CB Richard Ellis Services and BLUM CB are party to a number of pending or threatened lawsuits arising out of, or incident to, our ordinary course of business. Currently, CB Richard Ellis Services is the defendant in several lawsuits filed by employees. These suits include claims of wrongful termination, failure to promote or other similar claims resulting from alleged gender discrimination or age discrimination. Management believes that any liability imposed on CB Richard Ellis Services that may result from disposition of these lawsuits or other lawsuits arising out of its ordinary course of business will not have a material effect on its consolidated financial position or results of operations.

In connection with the announcement of the merger transactions, CB Richard Ellis Services and BLUM CB have been subject to putative class action lawsuits. Between November 12 and December 6, 2000, five putative class actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by various stockholders against CB Richard Ellis Services, its directors and the buying group and their affiliates. A similar action was also filed on November 17, 2000, in the Superior Court of the State of California in and for the County of Los Angeles. These actions all alleged that BLUM CB's offering price was unfair and inadequate and sought injunctive relief or rescission of the merger transactions and, in the alternative, money damages.

The five Delaware actions were subsequently consolidated and a lead counsel appointed. As of February 23, 2001, the parties to the Delaware litigation entered into a memorandum of understanding in which they agreed in principle to a settlement. The memorandum provides, among other things:

- . that the defendants admit no liability or wrongdoing whatsoever;
- . that the buying group acknowledge that the pendency and prosecution of the Delaware litigation were positive contributing factors to its decision to increase the merger consideration;
- . for the lead counsel for the plaintiff to have an opportunity to review the proxy statement before mailing;
- . for the certification of a settlement class and the entry of a final judgment granting a full release of the defendants; and
- . for attorneys' fees in an amount not to exceed \$380,000.

Conditions to the settlement proposed by the memorandum include:

- . negotiation and execution of a mutually acceptable stipulation of settlement;
- . closing of the merger;
- . dismissal of the Delaware and California litigation with prejudice; and
- . completion by the plaintiffs of reasonable additional discovery as lead counsel reasonably believes is appropriate.

The parties may not be able to complete a mutually acceptable stipulation of settlement, and, if so, the litigation will continue, which could have a materially adverse impact on CB Richard Ellis Services' ability to complete the merger. In addition, no agreements have been reached with respect to any settlement of the California litigation, and if this litigation continues, it could have a material adverse impact on our ability to complete the merger.

#### MANAGEMENT

##### Executive Officers and Directors

The following table sets forth information about the executive officers of CBRE Holding, Inc. and CB Richard Ellis Services and the directors of CBRE Holding, in each case immediately after the closing of the merger:

<TABLE>

<CAPTION>

Name	Age	Position
----	---	-----
<C>	<C>	<S>
Ray Wirta.....	57	Chief Executive Officer of CB Richard Ellis Services and CBRE Holding, and a Director of CBRE Holding
Brett White.....	41	Chairman of the Americas of CB Richard Ellis Services and CBRE Holding, and a Director of CBRE Holding
James Leonetti....	42	Chief Financial Officer of CB Richard Ellis Services and CBRE Holding
Walter Stafford...	60	Senior Executive VP, Secretary and General Counsel of CB Richard Ellis Services and CBRE Holding
Richard Blum.....	65	Director of CBRE Holding
Bradford Freeman..	59	Director of CBRE Holding
Claus Moller.....	38	Director of CBRE Holding

</TABLE>

Pursuant to the terms of the securityholders' agreement, the BLUM Funds have the right to appoint two additional directors to our board of directors. In addition, immediately after the closing of the merger, one of our real estate brokerage employees will be appointed to our board of directors.

Ray Wirta has been CB Richard Ellis Services' Chief Executive Officer since May 1999 and a director of CB Richard Ellis Services since August 1997. He served as our Chief Operating Officer from May 1998 to May 1999. Mr. Wirta was Chief Executive Officer and a Director of Koll Real Estate Services from November 1994 to August 1997. Prior to that, Mr. Wirta held various management positions with Koll Management Services, Inc. since 1981. Mr. Wirta was a member of the board of directors and served as Chief Executive Officer from June 1992 to November 1996 to Koll Real Estate Group, Inc., which filed for Chapter 11 bankruptcy protection on July 14, 1997 with a reorganization plan pre-approved by its bondholders. Mr. Wirta holds a B.A. degree from California State University, Long Beach and an M.B.A. degree in International Management from Golden Gate University.

Brett White has been CB Richard Ellis Services' Chairman of the Americas since May of 1999 and was President of Brokerage Services from August 1997 to May 1999. Previously, he was Executive Vice President of CB Richard Ellis Services from March 1994 to July 1997, and Managing Officer of the CB Richard Ellis Services Newport Beach, California office from 1992 to March 1994. Mr. White attended the University of California, Santa Barbara from 1979-1984.

James Leonetti has been CB Richard Ellis Services' Chief Financial Officer since September 2000. Mr. Leonetti spent five years as an Assistant Controller with Far West Financial and eight years with California Federal Bank, most recently as its Senior Vice President and Controller. In 1997, Mr. Leonetti became Chief Financial Officer of Long Beach Mortgage Company, where he remained until mid-2000 after the sale of the company to Washington Mutual. Mr. Leonetti holds a B.S. degree in business administration from the University of Southern California.

Walter Stafford has served as CB Richard Ellis Services' Senior Executive Vice President and General Counsel since July 1995 and Secretary since May 1998. Mr. Stafford was a partner at the law firm Pillsbury Madison & Sutro LLP from November 1988 to June 1995 and from January 1973 to March 1982. From March 1982 to November 1988, he was Executive Vice President and General Counsel at Dasonics, Inc., a medical device manufacturer, and from 1982 to 1994, he was a director of that company. Mr. Stafford holds a B.A. degree from the University of California, Berkeley and a J.D. degree from Boalt Hall University of California at Berkeley.

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Richard Blum has been a director of CB Richard Ellis Services since 1993. He is the Chairman and President of BLUM Capital Partners, L.P., a merchant banking firm he founded in 1975. Mr. Blum is a member of the board of directors of Northwest Airlines Corporation, Glenborough Realty, URS Corporation and Playtex Products, Inc. Mr. Blum also serves as Vice Chairman of URS Corporation. Mr. Blum holds a B.A. degree from the University of California, Berkeley, a graduate degree from the University of Vienna and an M.B.A. from the University of California, Berkeley.

Claus Moller has been our President and Sole Director since February 2001. Mr. Moller has been a Managing Partner of BLUM Capital since 1999. Prior to joining BLUM Capital, Mr. Moller was a Managing Director at AEA Investors, a New York based private equity investment firm. Prior to joining AEA, Mr. Moller was an investment banking associate at Morgan Stanley in New York. Mr. Moller currently serves as a director for Smarte Carte Inc. Mr. Moller has a cand. oecon. degree from Aarhus University, Denmark and an M.B.A. from Harvard Business School.

Bradford Freeman has been a director of CB Richard Ellis Services since August 1997. Mr. Freeman was a Director of Koll Real Estate Services and Koll Management Services, Inc. from November 1994 to August 1997. Mr. Freeman is a founding principal of Freeman Spogli & Co. Incorporated, a private investment company, and its affiliated investment partnerships or companies, founded in 1983. Mr. Freeman is also a member of the board of directors of RDO Equipment Company, an agricultural and industrial equipment distributor. Mr. Freeman holds a B.A. from Stanford University and an M.B.A. from Harvard University.

#### Board Composition

Upon completion of the merger and prior to an underwritten initial public offering, following which our common stock is listed on a national securities exchange or the Nasdaq National Market, each holder of our Class B common stock securityholder will agree to vote all of its shares to elect the following representatives to our board of directors:

- . four directors designated by the BLUM Funds, unless at any time there ceases to be a real estate brokerage employee as a director of our board, in which case three directors may be designated by the BLUM Funds;
- . one director designated by Freeman Spogli;
- . Ray Wirta;



- . Brett White; and
- . one director who is a real estate brokerage employee of ours.

In addition, the BLUM Funds have the right at any time to require that our board of directors be increased by one director and that the resulting vacancy be filled by a person designated by the BLUM Funds. The Class B common stock subject to the securityholders' agreement will represent a majority of the votes entitled to be cast for the election of our directors and will therefore have the power to elect the designees described above to our board of directors. In addition, Freeman Spogli will be entitled to have two non-voting observers and DLJ Investment Partners II, L.P. and its affiliates will collectively be entitled to one non-voting observer at all meetings of our board of directors as long as Freeman Spogli owns at least 7.5% and DLJ Investment Partners II, L.P. and its affiliates own 1.0% of our outstanding common stock. Our board of directors will be elected by our stockholders annually for one-year terms. For more information concerning the composition of our board of directors, the terms of these voting arrangements and board observer rights see "The Merger Transactions--Securityholders' Agreement--Governance."

Our executive officers are appointed by the board of directors and serve at the discretion of our board until their successors have been duly elected and qualified. There are no family relationships among any of our directors or officers.

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#### Board Committees

Pursuant to the terms of the securityholders' agreement, prior to an underwritten initial public offering each committee of our board of directors must include at least one director designated by the BLUM Funds and one director designated by the FS Equity entities. For more information concerning the composition of our board of directors and its committees, see "The Merger Transactions--Securityholders' Agreement--Governance." We will establish an operating committee that will meet or take written action when the board of directors is not otherwise meeting and will have the level of authority delegated to it by the board of directors, except that it cannot amend our bylaws, recommend any action that requires the approval of the stockholders or take any other action not permitted under Delaware law to be delegated to a committee. Our operating committee will perform both audit and compensation committee functions. Accordingly, the operating committee will review our internal accounting procedures and consult with and review the services provided by our independent accountants. The operating committee will determine, approve and report to the full board of directors on all elements of compensation and benefits for all of our officers and other employees. The operating committee will administer our stock option and other employee benefit plans. Any action by our operating committee must be approved by all members of that committee. Upon closing of the merger, the operating committee will consist of Messrs. Moller, White and Wirta. In addition, Freeman Spogli will designate one observer to the operating committee.

#### Compensation Committee Interlocks and Insider Participation

Our operating committee will perform those functions typically delegated to a compensation committee. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation, other than those executive officers and directors serving in these capacities for CB Richard Ellis Services.

#### Director Compensation

We will reimburse our non-employee directors for all out-of-pocket expenses incurred in the performance of their duties as directors. We do not intend to pay fees to our directors for attendance at meetings or for their services as members of the board of directors.

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#### Executive Compensation

##### Summary Compensation Table

The following table indicates information concerning compensation of the Chief Executive Officer and the most highly compensated executive officers other than the Chief Executive Officer of CB Richard Ellis Services whose salary and bonus exceeded \$100,000 for the year ended December 31, 2000. All information set forth in this table reflects compensation earned by these individuals for services with CB Richard Ellis Services for the year ended December 31, 2000. These executives are referred to as the "Named Executive Officers" elsewhere in this prospectus.

<TABLE>

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Annual Compensation

Long Term Compensation

Name and Principal Position (/4/)	Year	Annual Compensation			Long Term Compensation		
		Salary	Bonus (/1/)	Other Annual Compensation (/2/)	Restricted Stock Awards (/3/)	Securities Underlying Stock Options	All Other Compensation
Ray Wirta.....	2000	\$500,000	\$972,000	\$ 20,251	30,000	35,000	--
Chief Executive Officer	1999	412,523	300,000	12,000	--	--	--
	1998	384,387	395,920	12,000	--	80,000 (/5/)	--
James Didion.....	2000	506,308	--	12,000	--	--	--
Chairman of the Board	1999	496,795	--	131,718	--	--	860
	1998	500,000	657,218	131,718	--	--	--
Brett White.....	2000	375,000	714,601	49,692	20,000	20,000	--
Chairman of the Americas	1999	331,846	225,000	45,342	--	52,000	860
	1998	281,250	318,908	45,342	25,000	48,000	--
James Leonetti.....	2000	72,115	82,500	--	--	25,000	--
Senior Executive Vice President and Chief Financial Officer	1999	--	--	--	--	--	--
	1998	--	--	--	--	--	--
Walter Stafford.....	2000	300,000	244,375	58,406	--	10,000	--
Senior Executive President, Secretary and General Counsel	1999	298,077	120,000	58,406	--	20,000	860
	1998	300,000	257,550	58,001	--	--	--

</TABLE>

- (1) Bonus for each year is paid pursuant to the Annual Management Bonus Plan in the first quarter of the following year. The bonus shown for 2000 was paid in March of 2001.
- (2) With respect to Other Annual Compensation paid in 1998, 1999 and 2000, the amounts listed for everyone except Mr. Leonetti include a \$12,000 automobile allowance. For Messrs. Wirta, Didion, Stafford and White, the amounts also include interest accrued and forgiven under the promissory notes delivered by them pursuant to our 1996 Equity Incentive Plan (EIP).
- (3) Pursuant to the 1996 EIP, Messrs. Didion and Stafford purchased respectively in 1996, 175,027 and 48,640 shares of common stock for a purchase price of \$10 per share, (the appraised value of the common stock at the time of such purchase), which were paid by delivery of full recourse promissory notes. Pursuant to the 1996 EIP, Mr. White purchased 25,000 shares of common stock in 1998 for a purchase price of \$38.50 and 20,000 shares of common stock in 2000 for a purchase price of \$12.875. Pursuant to the 1996 EIP, Mr. Wirta purchased 30,000 shares of common stock in 2000 at a purchase price of \$12.875. All of these purchases were paid for by the delivery of full recourse promissory notes. The Didion and Stafford notes bear interest at a rate of 6.84% per annum, the White notes bear interest at rates of 5.94% and 7.4%, respectively, and Mr. Wirta's note bears interest at a rate of 7.4%. All such interest for any year is forgiven if the executive's performance produces a high enough level of bonus (approximately \$7,500 in interest is forgiven for each \$10,000 bonus). A first amendment to Mr. White's 1998 Promissory Note provides that the portion of the then outstanding principal in excess of the fair market value of the shares will be forgiven in the event that Mr. White is an employee of us or our subsidiaries on November 16, 2002 and the fair market value of a share of our common stock is less than \$38.50 on November 16, 2002. In the event of any such principal forgiveness, we will pay to Mr. White an amount equal to any federal, state or local income tax liability resulting from such principal forgiveness. The aggregate number and

value of such shares held by the individuals named above as of December 31, 2000, net to the purchase price of such shares was as follows: Mr. Didion--175,027 (\$809,500); Mr. Stafford--48,640 (\$224,965); Mr. White--45,000 (negative \$561,875); and Mr. Wirta--30,000 (\$52,500). The shares vest at the rate of 5 percent per quarter, commencing December 31, 1995 in the case of Messrs. Didion and Stafford, March 31, 1998 and September 30, 2000 in the case of Mr. White and at September 30, 2000 in the case of Mr. Wirta. As a result of bonuses paid in 1999, 2000 and in 2001, all interest on Mr.

Stafford's and Mr. White's promissory notes for 1998, 1999 and 2000 was forgiven. As a result of a bonus paid in 1999, all interest on Mr. Didion's promissory note for 1998 was forgiven. As a result of the decision of the Compensation Committee in February of 2000, Mr. Didion's interest for 1999 was also forgiven. Interest on Mr. Didion's promissory note was not forgiven in 2000. As a result of a bonus paid in 2001, all interest on Mr. Wirta's note for 2000 was forgiven.

- (4) Consists of each individual's allocable share of profit sharing contributions made by us to our Capital Accumulation Plan, a qualified profit sharing 401(k) plan.
- (5) In each of 1997 and 1998, Mr. Wirta received an option to purchase 100,000 shares of common stock (total of 200,000 shares), which were amended on December 15, 1998. Pursuant to the amendment, the options were repriced to \$20 and the number of shares underlying each option was reduced by 20% from 100,000 to 80,000 shares (total of 160,000 shares).

Option Grants In Last Fiscal Year

The following table provides information concerning grants of options to purchase shares of CB Richard Ellis Services common stock made during the fiscal year ended December 31, 2000, to the Named Executive Officers.

In the fiscal year ended December 31, 2000, options to purchase up to an aggregate of 487,710 shares of CB Richard Ellis Services were granted to employees, directors and independent contractors. Most of these options were granted under various CB Richard Ellis Services' stock option plans at exercise prices equal to the fair market value of its common stock on the date of grant, as determined in good faith by the board of directors. All options have a term of ten years. Generally, these options vest 20% per year over 5 years beginning August 31, 2001. These assumed rates of appreciation comply with the rules of the Securities and Exchange Commission and do not represent our estimate of future stock price. Actual gains, if any, on stock option exercises will be dependent on the future performance of the underlying common stock.

Option Grants in 2000

<TABLE>  
<CAPTION>

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in 2000	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Raymond Wirta.....	35,000	7.2%	\$12.875	8/31/10	\$283,395	\$718,200
James Didion.....	--	--	--	--	--	--
Brett White.....	20,000	4.1	12.875	8/31/10	161,940	410,400
James Leonetti.....	25,000	5.1	12.875	8/31/10	202,425	513,000
Walter Stafford.....	10,000	2.1	12.875	8/31/10	80,970	205,200

CB Richard Ellis Services has agreed to pay James Leonetti \$2.375 in cash for each option he exercises which has the effect of reducing his exercise price per share to \$10.50.

Option Exercises In Last Fiscal Year and Fiscal Year-End Option Values

The following table describes for the Named Executive Officers the exercisable and unexercisable options held by them as of December 31, 2000. There were no option exercises by Named Executive Officers in the last fiscal year. The "Value of Unexercised In-the-Money Options at Fiscal Year End" is based on the deemed value of our common stock as of December 31, 2000, less the per share exercise price, multiplied by the number of shares issued upon exercise of the option.

Fiscal Year End Option Values

<TABLE>  
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Name	Number of Securities Underlying Unexercised Options at December 31, 2000		Value of Unexercised In-The-Money Options at December 31, 2000	
	Exercisable	Unexercisable	Exercisable	Unexercisable

<S>	<C>	<C>	<C>	<C>
Raymond Wirta.....	32,000	163,000	--	\$61,250
James Didion.....	200,000	--	--	--
Brett White.....	29,600	90,400	\$3,900	50,600
James Leonetti.....	--	25,000	--	43,750
Walter Stafford.....	4,000	26,000	1,500	23,500

Cancellation of Options in the Merger

At the effective time of the merger, each holder of an option to purchase shares of CB Richard Ellis Services common stock outstanding under any of its stock option or compensation plans or arrangements, whether or not vested, will have the right to have the option canceled and in exchange CB Richard Ellis Services will pay to each holder of a canceled option, as soon as practicable following the effective time, an amount per share that is subject to the option, equal to the greater of (A) the amount by which \$16.00 exceeds the exercise price of the option, if any, and (B) \$1.00, reduced in each case by applicable tax withholding.

Each holder of an option that does not elect to receive the consideration described in the previous sentence will continue to hold his or her options to acquire CB Richard Ellis Services common stock after the merger. However, after the merger, CB Richard Ellis Services will be our wholly-owned subsidiary and its common stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934. Accordingly, if any holder exercised his or her options after the merger, the holder would receive common stock of our subsidiary, which common stock would be difficult, if not impossible, to sell.

Incentive Plans

CB Richard Ellis Services Deferred Compensation Plan

For a description of this plan, you should see the section of this prospectus titled "Descriptions of the Plans--CB Richard Ellis Services Deferred Compensation Plan."

CB Richard Ellis Services Capital Accumulation Plan

For a description of this plan, you should see the section of this prospectus titled "Description of the Plans--CB Richard Ellis Services Capital Accumulation Plan."

2001 Stock Incentive Plan

For a description of this plan, you should see the section of this prospectus titled "Descriptions of the Plans--2001 Stock Incentive Plan."

Employment Agreements

Raymond Wirta and Brett White. In connection with the merger transactions, we expect that Raymond Wirta and Brett White will enter into three-year employment agreements with us, which agreements are expected to become effective on the closing of the merger. Following the three-year term, the employment agreements will be automatically extended for an additional twelve months if notice is not received by either party within 120 days prior to the expiration of the term.

Pursuant to the terms of his employment agreement, Raymond Wirta will become a member of our board of directors and our Chief Executive Officer following the merger. He will receive an annual base salary of \$519,000 and will be eligible for an annual bonus of up to 200% of his target bonus based upon the achievement of performance goals established by our board of directors.

Pursuant to the terms of his employment agreement, Brett White will become a member of our board of directors and our Chairman of the Americas following the merger. He will receive an annual base salary of \$395,000 and will be eligible for an annual bonus of up to 200% of his target bonus based upon the achievement of performance goals established by our board of directors.

At the time of the merger, we expect to grant Mr. Wirta 176,153 options having the same terms as the options granted to other designated managers and we expect to grant Mr. White 141,782 of these options. Pursuant to each of the employment agreements, all unvested options held by Messrs. Wirta and White will automatically vest if there is a change of control of us prior to termination of that executive's employment with us. The definition of change of control in these agreements generally includes either of the following:

- . the sale or disposition, in one or a series of related transactions, of all, or substantially all, of the assets of CBRE Holding to any "person" or "group," as defined in Section 13(d) (3) or 14(d) (2) of the Securities

Exchange Act of 1934, other than the BLUM Funds, Freeman Spogli or their affiliates or any group which includes any of them; or

- . any person or group, other than the BLUM Funds, Freeman Spogli or their affiliates, is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of CBRE Holding, including by way of merger, consolidation or otherwise and the representatives of the BLUM Funds, Freeman Spogli or their affiliates, individually or in the aggregate, cease to have the ability to elect a majority of the board of directors of CBRE Holding. For our purposes, a member of a group will not be considered to beneficially own the securities owned by other members of the group; for our purposes, a member of the group will not be considered to beneficially own the securities owned by other members of the group.

We expect that each employment agreement will provide that the executive's employment by us may be terminated by either party at any time. If during the term of the agreement we terminate the executive's employment without cause or the executive terminates his employment for good reason, then the executive will be entitled to the following severance payments and benefits:

- . any accrued but unpaid compensation;
- . continued payment of base salary and average annual bonus based on the previous two fiscal years for a period of two years following the termination of employment; and
- . continued coverage under our medical plans on the same basis as our active executives until the earlier of the second anniversary of the termination of employment and the date the executive becomes eligible for comparable coverage under any future employer's medical plan.

If during the term of the agreement the executive's employment is terminated due to his death or disability, the executive will be entitled to the following severance payments:

- . any accrued but unpaid compensation; and

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- . a pro rata portion of any annual bonus that the executive would have been entitled to receive in the year of termination, payable at the time the bonus would otherwise have been paid.

We expect that each employment agreement will also contain a customary provision regarding confidentiality, a non-solicitation provision applicable for a period of two years following the executive's termination of employment for any reason and a noncompetition provision applicable for a period of two years following the executive's termination of employment by us without cause or by the executive with good reason.

James Didion. In 1999, CB Richard Ellis Services and James Didion entered into an amended and restated ten-year employment agreement which provides for an annual salary of \$500,000 with no incentive compensation or bonus anticipated. The agreement provides that he will act as a senior advisor to CB Richard Ellis Services during the term of his employment. For as long as he is employed, CB Richard Ellis Services will provide medical and other benefits generally made available to senior officers and an office, a secretary and clerical help. The amended agreement is terminable by CB Richard Ellis Services for cause. Cause includes conviction of a felony, fraud and willful and substantial failure to render services. If the agreement is terminated without cause or in the event of his death or total disability, he, or his estate, will continue to be entitled to the salary. In addition, following the merger Mr. Didion will no longer serve as Chairman of CB Richard Ellis Services.

#### Limitation of Liability and Indemnification

Our restated certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except to the extent such limitation is not permitted under the Delaware General Corporation Law.

Our restated certificate of incorporation and bylaws further provide for the indemnification of our directors and officers to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, including circumstances in which indemnification is otherwise discretionary. Insofar as indemnification for liabilities arising under the Securities Act may be permitted our directors, officers and controlling persons under the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. We also maintain directors' and officers' liability insurance.

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## RELATED PARTY TRANSACTIONS

Since January 1, 1998, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we and our subsidiaries both prior to and as of the merger, including CB Richard Ellis Services, were, was or is, or will be a party in which the amount involved exceeds \$60,000 and in which any director, executive officer or holder of more than 5% of common stock or an immediate family member of any of the foregoing, had or will have a direct or indirect interest other than compensation arrangements, which are described under the section of the prospectus titled "Management," and the transactions described below.

### Participation of Our Directors, Officers and Principal Stockholders in the Merger Transactions

On February 23, 2001, we entered into an agreement and plan of merger with BLUM CB Corp., which is our wholly owned subsidiary and CB Richard Ellis Services pursuant to which, subject to stockholder approval and to other conditions set forth in the merger agreement, CB Richard Ellis Services will become our direct, wholly-owned subsidiary. The merger agreement was amended and restated on May 31, 2001. For additional information regarding the merger and the terms and conditions of the merger agreement, you should read the section of this prospectus titled "The Merger Transactions--Merger Agreement."

### Contribution and Voting Agreement

On February 23, 2001, we entered into a contribution and voting agreement with BLUM CB Corp. and the following other parties, each of which currently holds shares of CB Richard Ellis Services common stock and which we refer to together as the "buying group":

- . the BLUM Funds;
- . Freeman Spogli;
- . Raymond Wirta, who will be one of our directors and our Chief Executive Officer after the merger;
- . Brett White, who will be one of our directors and our Chairman of the Americas after the merger;
- . The Koll Holding Company; and
- . Frederic Malek.

Pursuant to this agreement, which was amended and restated on May 31, 2001, each of the members of the buying group will contribute to us all of the shares of CB Richard Ellis Services common stock that he or it directly owns. Each of these shares contributed to us will be cancelled as a result of the merger, and we will not receive any consideration for those shares of CB Richard Ellis Services common stock. We will issue one share of our Class B common stock in exchange for each share of CB Richard Ellis Services common stock contributed to us. This will result in the issuance to the buying group of an aggregate of 8,052,087 shares of our Class B common stock in exchange for these contributions. Also pursuant to the contribution and voting agreement, immediately prior to the merger, the BLUM Funds have agreed to purchase a minimum of 2,553,879 shares of our Class B common stock and an additional number of shares of CBRE Holding Class B common stock equal to (1) 3,236,669 shares minus (2) the number of shares of our Class A common stock and stock fund units subscribed in the offerings to employees plus (3) the aggregate amount of full-recourse notes delivered by designated managers in the offerings divided by \$16.00. The number of shares purchased by the BLUM Funds will be reduced by 241,885 shares, which is the number of shares of our Class B common stock the BLUM Funds have purchased for \$16.00 per share in connection with the closing of the sale of 11 1/4% senior subordinated notes by BLUM CB Corp.

For additional information regarding the terms of the contribution and voting agreement, you should read the section of this prospectus titled "The Merger Transactions--Contribution and Voting Agreement."

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### Treatment of CB Richard Ellis Services Equity Interests in the Merger

Options and Warrants. Pursuant to the merger agreement, each person that holds options to acquire CB Richard Ellis Services common stock will be entitled to receive in connection with the merger an amount in cash for each option they own equal to the greater of (A) the amount by which \$16.00 exceeds the exercise price of the option, if any, and (B) \$1.00, reduced in each case by applicable tax withholding. Except as described in the following sentence, as a result of the merger, each of the warrants to acquire CB Richard Ellis Services common stock that are outstanding at the time of the merger effectively will terminate. Pursuant to the contribution and voting agreement, the warrants to acquire shares of CB Richard Ellis Services common stock that are beneficially owned by both Raymond Wirta and Donald Koll, who controls The

Koll Holding Company, will be converted into the right to receive \$1.00 per share of CB Richard Ellis Services common stock underlying the warrants.

Based upon the options and warrants held by the members of the buying group on the date of this prospectus, the members of the buying group, persons affiliated with members of the buying group and individuals who will become our directors and executive officers in connection with the merger will be entitled to receive the following amounts in connection with the merger for options and warrants, reduced in each case by applicable tax withholding:

- . Raymond Wirta will be entitled to receive \$269,375 for options to purchase an aggregate of 195,000 shares, and \$55,936 for warrants to purchase 55,936 shares that are beneficially owned by both Raymond Wirta and Donald Koll;
- . Brett White will be entitled to receive \$201,750 for options to purchase an aggregate of 120,000 shares;
- . Richard Blum will be entitled to receive \$62,268 for options to purchase an aggregate of 18,872 shares;
- . James Leonetti will be entitled to receive \$78,125 for options to purchase an aggregate of 25,000 shares;
- . Walter Stafford will be entitled to receive \$1,030,368 for 64,398 shares, which amount will be reduced to repay the loan from CB Richard Ellis Services to purchase the shares, and \$58,750 for options to purchase an aggregate of 30,000 shares;
- . Donald Koll will be entitled to receive \$366,315 for options to purchase an aggregate of 317,480 shares, and \$29,052 for warrants held by him or The Koll Holding Company to purchase 29,052 shares, which warrants exclude the warrants beneficially owned by both Donald Koll and Raymond Wirta described in the first bullet point above; and
- . Frederic Malek will be entitled to receive \$159,737 for options to purchase an aggregate of 15,777 shares.

Also pursuant to the contribution and voting agreement, upon the consummation of the merger, CBRE Holding will issue to Freeman Spogli a warrant to purchase at an exercise price of \$30.00 per share up to an aggregate number of shares of CBRE Holding Class B common stock equal to the number that represents the same percentage of the total outstanding shares of its common stock immediately after the merger as 364,884 shares of our common stock, which Freeman Spogli is entitled to acquire under existing warrants, represent of the total outstanding shares of our common stock.

#### Securityholders' Agreement

In connection with the closing of the merger, the members of the buying group, together with DLJ Investment Partners II, L.P. and its affiliates, which are the entities that will be purchasing our senior notes in connection with the merger transactions, will enter into a securityholders' agreement. This agreement will define various rights of the parties to the agreement related to their ownership and governance of us, including

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voting of their shares of Class B common stock, a right of first offer for potential sales of some of their shares, co-sale and required sale rights applicable in connection with transactions involving our shares, participation rights regarding future issuances of our shares and registration rights. For additional information regarding the terms of the securityholders' agreement, you should read the section of this prospectus titled "The Merger Transactions--Securityholders' Agreement."

Governance. Each of the members of the buying group will agree to vote each of the shares of our common stock it or he beneficially owns to elect to our board of directors individuals designated by various members of the buying group who will initially include, among others, Richard Blum, Claus Moller, Bradford Freeman, Ray Wirta and Brett White. A majority of the directors generally may be designated by the BLUM Funds at any time. Freeman Spogli may designate one of our directors and Raymond Wirta and Brett White will also be designated as directors. The securityholders' agreement also provides that we will be prohibited from taking certain actions without the consent of the director nominated by Freeman Spogli, including incurring certain indebtedness, consummating certain acquisitions or dispositions or issuing stock or options to our employees subject to certain exceptions. For additional information regarding the members of our board of directors after the merger, you should read the section of this prospectus titled "Management--Board Composition."

Subject to exceptions, each of the members of the buying group will agree to vote the shares of our common stock it or he beneficially owns on matters to be decided by our stockholders in the same manner as the BLUM Funds vote the

shares of our common stock that they beneficially own. As a result, on most matters to be decided by our stockholders after the merger, the BLUM Funds will be able to control the outcome.

Registration Rights. Pursuant to the securityholders' agreement, we have agreed, at the request of the BLUM Funds, Freeman Spogli or DLJ Investment Partners II, L.P. and its affiliates, to initiate registrations under the Securities Act of shares held by that party. In addition, we have also agreed that each member of the buying group, as well as DLJ Investment Partners II, L.P. and its affiliates, may "piggyback" on any registration statements that we file. Except with respect to the BLUM Funds, these registration rights generally will not apply until after we have completed, if ever, an underwritten initial public offering of shares of our common stock after which these shares are listed on a national securities exchange or on the Nasdaq National Market.

For additional information regarding the terms of the securityholders' agreement, you should read the section of this prospectus titled "The Merger Transactions--Securityholders' Agreement."

#### Replacement of Margin Loan

In connection with the merger transactions, we will extend a loan of \$1.5 million to Ray Wirta to replace his existing margin loan with a third party that is secured by shares of CB Richard Ellis Services common stock, subject to review of the loan by us. The loan will be full-recourse, accrue interest at a market rate of interest, compounded annually and payable quarterly, and have a stated maturity of five years. This loan will be replaced by a margin loan from a third party when, if ever, our common stock becomes freely tradable on a national securities exchange or an over-the-counter market.

In the event, however, that our common stock is not freely tradable as described above by June 2004, then we will loan Raymond Wirta up to \$3.0 million on a full-recourse basis to enable him to exercise an existing option to acquire shares held by Donald Koll, who controls The Koll Holding Company, if Ray Wirta is employed by us at the time of exercise or was terminated without cause or resigned for good reason. The loan will become repayable upon the earliest to occur of: (1) 90 days following termination of his employment, other than by us without cause or by him for good reason (2) seven months following the date our common stock becomes freely tradable as described above and (3) the receipt of proceeds from the sale of the pledged shares as described below. This loan will bear interest at the prime rate in effect on the date of the loan, compounded annually, and will be repayable to the extent of any net proceeds received by him upon the sale of

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any shares of our common stock. Ray Wirta will pledge the shares received upon exercise of the option as security for the loan.

#### Participation in the Offerings

Identification of Designated Managers. In connection with the offerings, various terms of the offerings will apply only to the designated managers. The "designated managers" refers to our employees who on April 1, 2001 were designated by our board of directors as designated managers and were notified by us during April 2001 of their designation and who are employed by us as of the closing of the merger agreement. Each of our executive officers, including Raymond Wirta, Brett White, James Leonetti and Walter Stafford, is a designated manager.

Grants of Stock Options. In connection with the offering of shares for direct ownership, each designated manager will be entitled to receive a grant of options if he subscribes for at least a percentage of 625,000 shares for direct ownership allocated to the designated manager by our board of directors. The number of shares that a designated manager must subscribe for in order to receive a grant of options will be reduced by the number of deferred compensation plan stock fund units acquired by the designated manager at the closing offerings by the transfer of account balances currently allocated to the deferred compensation plan insurance fund. The aggregate number of options available for grant to the designated managers equals 10% of the number of fully diluted shares of our Class A common stock and Class B common stock outstanding at the time of the merger, including all shares issuable upon exercise of outstanding options and warrants. The options to be issued to designated managers will have an exercise price of \$16.00 per share and have a term of 10 years. Twenty percent of the options will vest on each of the first five anniversaries of the merger and all unvested options will vest if there is a change in control of us. The number of shares that a designated manager must subscribe for in order to receive a grant of options will be reduced by the number of deferred compensation plan stock fund units acquired by the designated manager by the transfer of account balances currently allocated to the deferred compensation plan insurance fund. The number of shares that must be purchased by each of our executive officers if he wants to receive a grant of options are as follows:



.Raymond Wirta--62,500 shares  
.Brett White--51,563 shares  
.James Leonetti--6,250 shares  
.Walter Stafford--18,750 shares

If the executive officer purchases the minimum number of shares that are required to receive a grant of options, then he will receive a grant of options equal to the following percentage of the total number of options available for grant to designated managers:

. Raymond Wirta--10.25%  
. Brett White--8.25%  
. James Leonetti--1.00%  
. Walter Stafford--3.00%

For additional information regarding the grants of options to designated managers and the terms of the options, you should read the sections of this prospectus titled "The Offering--Description of the Offerings" and "Description of Offering Documents--Option Agreement."

Full-Recourse Note. In connection with the offering of shares for direct ownership, under specified circumstances, each designated manager may deliver to us a full-recourse note as payment for a portion of the offering price for shares that he or she purchases. The maximum amount of the full-recourse note that may be

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delivered by a designated manager will be reduced by the amount, if any, of the manager's deferred compensation plan account balance currently allocated to the insurance fund that he or she transfers to stock fund units. Unless our board of directors determines otherwise, the designated manager will be able to use a full-recourse note if the designated manager subscribes for at least a percentage of 625,000 shares that is allocated to the designated manager by our board of directors. The percentage of these shares allocated to each of our executive officers is indicated in the section above titled "Grants of Stock Options." Based upon these percentages, the minimum number of shares that each of our executive officers would need to purchase in the offering of shares for direct ownership to be able to use a full-recourse note are the following:

.Raymond Wirta--62,500 shares  
.Brett White--51,563 shares  
.James Leonetti--6,250 shares  
.Walter Stafford--18,750 shares

If each executive officer purchases the minimum numbers of shares described above, then the maximum amount of the full-recourse notes that each of the executive officers may deliver to us as payment for a portion of the shares he purchases in the offering of shares for direct ownership is the following:

.Raymond Wirta--\$500,000  
.Brett White--\$412,500  
.James Leonetti--\$50,000  
.Walter Stafford--\$150,000

In the event that an executive officer delivers a full-recourse note as payment for a portion of his or her shares purchased for direct ownership, he or she will have to pledge as security for the note a number of shares having an offering price equal to 200% of the amount of the note. For additional information regarding the delivery of full-recourse notes by designated managers and the terms of the notes and the pledge agreements, you should read the sections of this prospectus titled "The Offering--Description of the Offerings," "Description of Offering Documents--Full-Recourse Note" and "--Pledge Agreement."

Deferred Compensation Plan. Our designated managers will have the right to transfer into stock fund units an aggregate of up to \$2.6 million of deferred compensation plan account balances that are currently allocated to the insurance fund under the deferred compensation plan. We are offering up to 162,500 shares of our Class A common stock that are issuable to these holders of stock fund units upon future distributions under the deferred compensation

plan.

#### Retention Bonuses

In connection with the merger transactions, we will award cash retention bonuses to the designated managers employed by us at the time of the merger in order to provide an incentive and a reward for the designated managers' continued service up to and including the merger. The aggregate amount of the retention bonuses will be approximately \$1.6 million. The following executive officers will be among the designated managers receiving cash retention bonuses in excess of \$60,000: Raymond Wirta--\$164,000 and Brett White--\$132,000.

#### Forgiveness of Loans

Pursuant to CB Richard Ellis Services' Equity Incentive Plan, a restricted stock purchase plan, shares of CB Richard Ellis Services common stock were purchased in 1998 and 2000 by some of CB Richard Ellis Services' executive officers and directors for a purchase price equal to the fair market value, which was paid by delivery of full-recourse promissory notes. The notes bear interest at the minimum federal rate, which may be

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forgiven if the executive's performance results in the award of a bonus, with approximately \$7,500 in interest forgiven for each \$10,000 bonus. The aggregate number, purchase price, interest rate, value and net value of the shares held by the individuals named below as of March 31, 2001, were as follows:

<TABLE>  
<CAPTION>

Name	Number of Shares	Aggregate Purchase Price	Interest Rate	Aggregate Value of Shares	Net Value
Brett White.....	25,000	\$962,500	5.94%	\$365,625	\$(596,875)
Brett White.....	20,000	257,500	7.40	292,500	35,000
Raymond Wirta.....	30,000	386,250	7.40	438,750	52,500

</TABLE>

The shares vest at the rate of 5% per quarter commencing on the purchase date. As a result of bonuses paid in 2001, all interest on Brett White's and Raymond Wirta's promissory notes for 2000 were forgiven. In 1998, Brett White purchased 25,000 shares of common stock at a purchase price of \$38.50 per share and in 2000, he purchased 20,000 shares of common stock for \$12.875 per share, which were each paid for by the delivery of promissory notes. The notes bear interest at a rate of 5.94% and 7.4% per annum, respectively, which may be forgiven as previously described. As of December 31, 2000, Brett White held 45,000 shares which, net of the purchase price, had a negative value. The shares are subject to a right of repurchase by CB Richard Ellis Services, which right terminates with respect to 5% of the total number of shares each quarter commencing March 31, 1998, as to the 25,000 shares and September 30, 2000, as to the 20,000 shares. A First Amendment to the 1998 Promissory Note provides that the portion of the then outstanding principal in excess of the fair market value of the shares will be forgiven in the event that Brett White is an employee of CB Richard Ellis Services or its subsidiaries on November 16, 2002, and the fair market value of a share of our Class A and Class B common stock is less than \$38.50 on November 16, 2002. In the event of any principal forgiveness, CB Richard Ellis Services will pay to Brett White an amount equal to any federal, state or local income tax liability resulting from the principal forgiveness. In August 2000, CB Richard Ellis Services loaned Brett White \$75,000, which he repaid in March 2001 with interest at 9% per year.

#### Employment Agreements

In connection with the merger transactions, we will enter into three-year employment agreements with Raymond Wirta and Brett White, each of which will become effective upon the closing of the merger. For more information concerning the terms of these employment agreements, see "Management--Employment Agreements."

#### Transaction Fees

Under the terms of the contribution and voting agreement, in connection with advisory services related to the merger, the general partner of RCBA Strategic Partners, L.P. will receive from us a transaction fee of \$3.0 million and Freeman Spogli & Co. Incorporated or its designee will receive a transaction fee of \$2.0 million upon closing of the merger. The advisory services provided include, among other things, transaction and structuring analysis, financing analysis and the arrangement and negotiation of debt and equity financing. Each of Richard Blum and Claus Moller, who will be members of our board of directors after the merger, owns a beneficial interest in the general partner of RCBA Strategic Partners and would therefore have an interest in the transaction fee

paid to this entity. Bradford Freeman, who will be one of our directors after the merger, owns a beneficial interest in Freeman Spogli & Co. Incorporated and would therefore have an interest in the transaction fee paid to Freeman Spogli & Co. Incorporated or its designee.

PRINCIPAL STOCKHOLDERS

Prior to the merger transactions, no shares of our Class A common stock will be issued and outstanding and 241,885 shares of our Class B common stock will be issued and outstanding, all of which are held directly by the BLUM Funds. For additional information regarding the persons that control the BLUM Fund, you should read footnote (2) to the table below.

The table below sets forth information regarding beneficial ownership of the shares of our Class A common stock and Class B common stock immediately after the closing of the merger. The table sets forth the number of shares beneficially owned, and the percentage ownership, for:

- . each person that will own beneficially 5% or more of our Class A common stock or our Class B common stock;
- . each of our directors after the merger that has currently been identified;
- . the named executive officers after the merger that has currently been identified; and
- . all of our directors and executive officers as a group after the merger that has currently been identified.

As described in further detail in the sections of this prospectus titled "Management," two directors that may be designated by the BLUM Funds and a director that will be chosen from among our real estate brokerage employees currently have not been identified and, accordingly, these unidentified individuals are not included in the table below. Information with respect to beneficial ownership has been furnished by each director, officer or 5% stockholder, as the case may be. Except as otherwise noted below, the address for each person listed on the table is c/o CB Richard Ellis Services Inc., 200 North Sepulveda Boulevard, Suite 300, El Segundo, California 90245.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, which generally attributes beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In computing the number of shares beneficially owned by a person and the percent of ownership of that person, shares subject to options or warrants held by that person that are exercisable as of the date of the merger or will become exercisable within 60 days after the closing of the merger are deemed outstanding, while the shares are not deemed outstanding for purposes of computing percent ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Percentage ownership prior to these offerings is based on 13,205,614 shares of common stock outstanding after giving effect to the merger and assumes full subscription for the offerings. To the extent that any shares are issued upon exercise of options, warrants or other rights to acquire our capital stock that are outstanding upon the closing of the merger transactions or granted in the future or reserved for future issuance under our various stock plans, there will be further dilution to new investors.

<TABLE>  
<CAPTION>

Names of Beneficial Owner	Number of Shares Beneficially Owned			Percentage of Shares Beneficially Owned After the Offerings		
	Class A Common Stock	Class B Common Stock	Both Classes of Common Stock	Class A Common Stock	Class B Common Stock	Both Classes of Common Stock
<S>	<C>	<C>	<C>	<C>	<C>	<C>
5% Stockholders:						
The BLUM Funds						
(/1/) (/2/) (/5/)	--	5,977,765	5,977,765	--	56.4%	45.3%
Freeman Spogli						
(/1/) (/3/)	--	3,402,463	3,402,463	--	32.1	25.8
Donald Koll (/1/) (/4/)	--	734,290	734,290	--	6.9	5.6
Frederic Malek						

(/1/)(/5/)	--	397,873	397,873	--	3.8	3.0
DLJ Investment Partners II, L.P. and certain of its affiliates	521,707	--	521,707	18.9%	--	4.0
Directors and Named Executive Officers:						
Richard Blum (/2/)(/6/)	--	5,977,765	5,977,765	--	56.4	45.3
Bradford Freeman (/3/)(/6/)	--	3,402,463	3,402,463	--	32.1	25.8
James Leonetti (/6/)	--	--	--	--	--	--
Claus Moller (/2/)	--	5,977,765	5,977,765	--	56.4	45.3
Walter Stafford (/6/)	--	--	--	--	--	--
Brett White (/1/)(/6/)	--	58,575	58,575	--	*	*
Ray Wirta (/1/)(/6/)(/7/)	--	556,590	556,590	--	5.2	4.2
All directors and executive officers as a group (includes 7 persons) (/6/)	--	10,605,966	10,605,966	--	100%	80.3%

</TABLE>  
- - - - -

\* Less than 1%

- (1) As a result of the securityholders' agreement to which this party or its affiliate will be a party after the merger, this party, together with the other members of the buying group will be deemed to constitute a group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934. Accordingly, each of the members of this group will be deemed to beneficially own 10,605,966 shares of our Class B common stock, which will represent 100% of our Class B common stock and approximately 80.3% of all outstanding shares of our common stock.
- (2) Consists of 5,977,765 shares of our Class B common stock owned by the BLUM Funds. The sole general partner of the BLUM Funds is RCBA GP, L.L.C. Richard Blum and Claus Moller, each of whom will be one of our directors, are managing members of RCBA GP, L.L.C. Except as to any pecuniary interest, each of Messrs. Blum and Moller disclaims beneficial interest of all of these shares. The business address of RCBA Strategic Partners, L.P., RCBA GP, L.L.C., Richard Blum and Claus Moller is 909 Montgomery Street, Suite 400, San Francisco, California 94133. The BLUM Funds have sole dispositive power over 5,977,765 of the indicated shares. As a result of the securityholders' agreement, the BLUM Funds have shared voting power over 5,977,765 of the indicated shares.
- (3) Includes 3,278,447 shares of our Class B common stock held by FS Equity Partners III, L.P. and 124,016 shares of our Class B common stock to be held by FS Equity Partners International, L.P. As general partner of FS Capital Partners, L.P., which is general partner of FSEP III, FS Holdings, Inc. has power to vote and dispose of the shares owned by FSEP III. As general partner of FS&Co. International, L.P., which is the general partner of FSEP International, FS International Holdings Limited has the power to vote and dispose of the shares owned by FSEP International. Bradford Freeman, Ronald Spogli, Frederick Simmons, William Wardlaw, John Roth and Charles Rullman, Jr. are the directors, officers and shareholders of FS Holdings and FS International Holdings, and may be deemed to be the beneficial owners of the shares of our Class B common stock, and rights to acquire common stock, owned by FSEP III and FSEP International. The business address of FSEP III, FS Capital Partners, L.P. and FS Holdings and their directors, officers and beneficial owners is 11100 Santa Monica Boulevard, Suite 1900, Los Angeles, California 90025. The business address of FSEP International, FS&Co. International and FS International Holdings is c/o Paget-Brown & Company, Ltd., West Winds Building, Third Floor, Grand

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Cayman, Cayman Islands, British West Indies. As a result of the securityholders' agreement, FS Equity Partners III, L.P. and FS Equity Partners International, L.P. have shared voting power and shared dispositive power over 3,402,463 of the indicated shares.

- (4) Consists of 734,290 shares of Class B common stock owned by The Koll Holding Company. Mr. Koll is the sole trustee of the Donald M. Koll Separate Property Trust, which wholly owns The Koll Holding Company. Ray Wirta, who will be our Chief Executive Officer and a director, holds an option granted by The Koll Holding Company to acquire up to 521,590 of the shares of Class B common stock owned by The Koll Holding Company which shares are included in the number indicated for The Koll Holding Company.
- (5) Includes 98,000 shares owned by a trust for which Mr. Malek is the trustee. As a result of the securityholders' agreement, Mr. Malek has shared voting power and shared dispositive power over 397,873 of the indicated shares.

- (6) Does not include shares of Class A common stock to be purchased in the offerings to our employees. The amount of shares of our Class A common stock to be purchased by its named executive officers and directors in connection with these offerings will not be determined until after the date of this offering circular.
- (7) Includes 521,590 shares owned by The Koll Holding Company that Mr. Wirta has the right to acquire under an option granted by The Koll Holding Company to Mr. Wirta. Mr. Wirta has shared voting power and shared dispositive power over 556,590 of the indicated shares.

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#### DESCRIPTION OF CAPITAL STOCK

Upon the completion of this offering, we will be authorized to issue an aggregate of 100,000,000 shares of common stock, consisting of 75,000,000 shares of Class A common stock, \$0.01 par value per share, and 25,000,000 shares of Class B common stock, \$0.01 par value per share. The following description summarizes information regarding our capital stock. This information does not purport to be complete and is subject in all respects to the applicable provisions of the Delaware General Corporation Law, our restated certificate of incorporation and our bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part.

#### Common Stock

As of June 7, 2001, we had 241,885 shares of common stock outstanding all of which were held of record by the BLUM Funds.

All outstanding shares of our common stock are fully paid and nonassessable, and the shares of common stock to be issued upon the closing of the offerings will be fully paid and nonassessable.

Generally. Upon the closing of the offering, we will have a dual class common stock structure. The holders of Class A common stock and Class B common stock will have the same rights. Class B common stock will be issued only to members of the buying group. All other stockholders, including purchasers in these offerings, will be issued Class A common stock.

Voting Rights. Each share of Class A common stock entitles the holder to one vote in all matters submitted to a vote of stockholders. Each share of Class B common stock entitles the holder to ten votes in all matters submitted to a vote of stockholders. There is no cumulative voting. Except as required by applicable law, the holders of Class A common stock and the holders of Class B common stock will vote together on all matters submitted to a vote of the stockholders. In the event that any amendment to the certificate of incorporation is proposed that would alter or change the powers, preferences or special rights of either class of our common stock so as to affect them adversely, we must obtain the approval of a majority of the votes entitled to be cast by the holders of the outstanding shares of the class affected by the proposed amendment. In addition, the number of authorized shares of Class A common stock or Class B common stock may be increased or decreased, but not below the number of shares then outstanding, by the affirmative vote of the holders of a majority in voting power of our outstanding shares of capital stock entitled to vote generally in the election of directors.

Dividends. Holders of Class A common stock and Class B common stock are entitled to receive ratably any dividends that may be declared from time to time by the board of directors out of funds legally available for that purpose. In the event that a dividend or distribution is paid or distributed with respect to one class of common stock, a simultaneous dividend or distribution will be paid or distributed on the other class and in the same proportion. However, in the case of dividends or other distributions payable in common stock, only shares of Class A common stock will be paid or distributed with respect to Class A common stock and only shares of Class B common stock will be paid or distributed with respect to Class B common stock. We may not subdivide or combine shares of either class of our common stock without at the same time proportionally subdividing or combining shares of the other class.

Changes in Capitalization. In the event there is an increase or decrease in the number of issued shares of common stock resulting from any stock split, stock dividend, reverse stock split, combination or reclassification of our common stock, or any other similar event resulting in an increase or decrease in the number of outstanding shares of common stock, the outstanding shares of Class A common stock and the outstanding shares of Class B common stock will be adjusted in the same manner.

Conversion. As long as shares of Class B common stock are outstanding, a holder of Class B common stock may at any time convert any shares of Class A common stock the holder owns, in whole or in part, on a

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share for share basis into the same number of shares of Class B common stock. A

holder of Class B common stock may at any time convert any shares of Class B common stock it owns, in whole or in part, on a share for share basis into the same number of shares of Class A common stock. In the event of a transfer of shares of Class B common stock to any person or entity other than a permitted transferee, each share of Class B common stock so transferred will be converted automatically into one share of Class A common stock. For the purposes of a transfer of capital stock, the permitted transferees include the BLUM Funds, any person or entity that owned Class B common stock at the effective time of the merger and any single person or entity to which a current Class B common stock holder transfers its right to be a permitted holder and all of its Class B common stock. The Class B common stock converts automatically into Class A common stock on a share for share basis upon the closing of a qualifying initial public offering.

**Mergers and Other Business Combinations.** Subject to the next sentence, unless otherwise approved by a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A common stock and the outstanding shares of Class B common stock, each voting separately as a class, all shares of Class A common stock and Class B common stock will be entitled to receive equally on a per share basis the same kind and amount of consideration in the event of any merger, reorganization or consolidation of us with any company. In the event that one or more of the other corporations or entities that is a party to a merger or similar transaction with us deems it necessary for the merger to be treated as a recapitalization for financial accounting purposes and for us to no longer be subject to the reporting requirements of Section 14 of the Exchange Act after the closing date of the merger, then, solely to the extent deemed necessary by the other corporation or entity to satisfy these requirements, the kind of consideration that a holder of a share of Class A common stock would be entitled to receive may be different than the kind of consideration that a holder of a share of Class B common stock would be entitled to receive.

**Liquidation.** In the event of liquidation, dissolution or winding up, the holders of Class A common stock and Class B common stock are entitled to share ratably in all assets remaining after the payment of liabilities.

**Other Agreements.** In connection with the merger transactions, the buying group will enter into a securityholders' agreement with us that includes covenants regarding the voting of their shares and provides for co-sale, required sale, participation and registration rights. Holders of Class B common stock have participation rights in future equity issuance pursuant to the terms of the securityholders' agreement. See "The Merger Transactions--General Securityholders' Agreement."

In addition, shares of our common stock are subject to significant restrictions on transfer pursuant to the terms of the subscription agreements. See "Description of the Offering Documents--Subscription Agreements--General Transfer Restrictions."

## Options

### Grants of Options to Designated Managers

In connection with the offering of shares for direct ownership to our designated managers, we will grant options to designated managers to acquire up to an aggregate of 1,820,397 shares of our Class A common stock. The exercise price for each of the options granted to designated managers will be \$16.00 per shares.

**Vesting Schedule.** Subject to the designated manager's continued employment with us, the options will vest and become exercisable in 20% increments on each of the first five anniversaries of the grant date. The options will not be exercisable prior to their vesting. Upon a change of control, all of these options will become fully vested and exercisable.

**Term of Option.** Subject to the designated manager's continued employment with us, the options will have a term of ten years.

**Transferability.** The options are non-transferable and can only be exercised by the designated manager or his or her estate.

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**Option Agreement.** Each designated manager who receives a grant of options to acquire our Class A common stock will be required to sign and deliver an option agreement, the terms of which are described in the section of this prospectus titled "Description of Offering Documents--Option Agreement."

**2001 Stock Incentive Plan.** All of these options are intended to be non-qualified stock options and are not intended to be treated as options that comply with Section 422 of the Internal Revenue Code of 1986, which means that the designated manager will be subject to taxation at ordinary rates upon exercise of the stock options. The options will be granted and the shares underlying the options will be issued under our 2001 Stock Incentive Plan, which is described in the section of this prospectus titled "Description of the

## Plans--2001 Stock Incentive Plan."

### Grants of Options to Employees

Options to acquire up to an aggregate of 910,199 shares of our Class A common stock to our employees will be available to employees in the discretion of our board of directors. The exercise price for each of the options granted to employees will be \$50.00 per share.

Term of Option. Subject to the employee's continued employment with us, the options will have a term of five years.

Option Agreement. The terms of the option agreement will be established by our board of directors prior to a grant of these options.

2001 Stock Incentive Plan. The options will be granted and the shares underlying the options will be issued under our 2001 Stock Incentive Plan, which is described in the section of this prospectus titled "Description of the Plans--2001 Stock Incentive Plan."

### Warrants

Upon completion of the merger, we will issue warrants to Freeman Spogli at an exercise price of \$30.00 per share to purchase up to an aggregate of the number of shares of our Class B common stock equal to the number that represents the same percentage of the total outstanding shares of our common stock immediately after consummation of the merger as 364,884 shares of CB Richard Ellis Services common stock, which Freeman Spogli is entitled to acquire under existing warrants, represent of the total outstanding shares of CB Richard Ellis Services common stock. These warrants have both optional and automatic net exercise provisions under which, instead of payment of the exercise price in cash, Freeman Spogli surrenders the warrant and receives a net amount of shares based on the fair market value of our Class B common stock at the time of the exercise of the warrant, after deducting the aggregate exercise price. The automatic net exercise is triggered upon a qualifying initial public offering, among other events. These warrants also have customary anti-dilution provisions.

### Registration Rights

Upon completion of the offering, the holders of an aggregate of (a) 264,027 shares of Class A common stock and (b) 10,869,993 shares of Class B common stock, including 264,027 shares issuable upon exercise of outstanding warrants, or 14,106,632 shares in the event that no shares are purchased in the offerings, will be entitled to rights with respect to the registration of these shares under the Securities Act of 1933. Specifically, we are granting demand and piggyback registration rights to the BLUM Funds, Freeman Spogli and DLJ Investment Partners II, L.P. and its affiliates in connection with the merger transactions. Under the terms of the securityholders' agreement which provides for these registration rights, if we propose to register any of our securities for resale under the Securities Act, either for our own account or for the account of other securityholders exercising registration rights, all holders of registrable securities are entitled to notice of this registration and are entitled to include shares of common stock in the registration. The registration rights are

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subject to conditions and limitations, among them the right of the underwriters of an offering subject to the registration to limit the number of shares included in the offering. These holders may also require us to file a registration statement under the Securities Act of 1933 at our expense with respect to their shares of common stock and we are required to use our best efforts to effect this registration, subject to conditions and limitations. A holder's registration rights will terminate if we have completed a qualifying initial public offering, the holder holds less than 2% of our outstanding common stock and the holder is entitled to sell all of its shares in any 90 day period under Rule 144 of the Securities Act. See "The Merger Transactions--Securityholders' Agreement--Registration Rights" for more information concerning these rights.

### Inapplicability of Anti-Takeover Provisions of Delaware Law

We have "opted out" of the protections of Section 203 of the Delaware General Corporation Law in our restated certificate of incorporation. Section 203 is an anti-takeover law that could otherwise make the acquisition of us, through a tender offer, a proxy contest or other means, and the removal of incumbent officers and directors, more difficult.

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## DESCRIPTION OF INDEBTEDNESS

In connection with the merger, we will issue and sell our 16% Senior Notes

due 2011 described below and CB Richard Ellis Services will enter into a new senior secured credit agreement described below. In addition, BLUM CB Corp. has issued 11 1/4% Senior Subordinated Notes due 2011. Finally, under the circumstances described below, a portion of the currently outstanding 8 7/8% Senior Subordinated Notes due 2006 may remain outstanding after the merger.

16% Senior Notes Due 2011

In connection with the merger transactions, we will issue an aggregate principal amount of at least \$65.0 million of 16% Senior Notes due 2011, to DLJ Investment Funding, Inc. and its affiliates. We will also issue and sell 521,847 shares of our Class A common stock to DLJ Investment Partners II, L.P. and its affiliates for a purchase price of \$0.01 per share. The senior notes will be unsecured obligations, senior to all of our current and future indebtedness, but will be effectively subordinated to all current and future indebtedness of CB Richard Ellis Services. The net proceeds from the senior notes will be contributed to CB Richard Ellis Services as equity. The senior notes will be governed by an indenture between us and a trustee, and will mature in 2011. The aggregate principal amount of CBRE Holding's 16% senior notes may be increased and a portion of the 16% senior notes may be purchased by persons other than DLJ Investment Partners II, L.P. and its affiliates.

Interest will accrue at a rate of 16% per year and be payable quarterly in cash in arrears. However, until the fifth anniversary of the issuance of the senior notes, interest in excess of 12% for the senior notes may be paid in kind, and at any time, interest may be paid in kind to the extent that CB Richard Ellis Services' ability to pay us cash dividends is restricted by the terms of its senior secured credit facilities, which are described below. There are no mandatory sinking fund payments for the senior notes.

The senior notes will be redeemable at our option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' notice. The redemption price, expressed as a percentage of the principal amount, will be as set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period commencing on the anniversary of the issue date of these notes of the year below:

<TABLE>  
<CAPTION>

Year	Percentage
----	-----
<S>	<C>
2001.....	116.0%
2002.....	112.8
2003.....	109.6
2004.....	106.4
2005.....	103.2
2006 and thereafter.....	100.0

</TABLE>

In the event of a change of control, which will be defined in the indenture, we will be obligated to make an offer to purchase all outstanding senior notes.

The indenture governing the senior notes will contain customary restrictive covenants for high yield securities, including, among others, limitations on the following activities by us and our subsidiaries:

- . payments of dividends or distributions to stockholders or the repurchase of equity or debt that is junior to the senior notes;
- . indebtedness and issuance of subsidiary equity;
- . consolidation or merger;
- . transactions with affiliates;
- . liens; and
- . disposition of assets.

The holders of the senior notes will have demand registration rights with respect to the senior notes.

This summary of the material provisions of our senior notes is qualified in its entirety by reference to all of the provisions of the indenture governing the Notes, which has been filed as an exhibit to the registration statement of which this prospectus forms a part. See "Where You Can Find Additional Information About Us."

CB Richard Ellis Services Senior Secured Credit Facilities

In connection with the merger transactions, CB Richard Ellis Services will enter into a credit agreement for which Credit Suisse First Boston, or CSFB,



will serve as the administrative and collateral agent, bookrunner and the lead arranger. In connection with the merger and afterwards to fund our working capital, we will draw upon the senior credit facilities which will consist of the following:

- . Tranche A term facility of up to \$50.0 million;
- . Tranche B term facility of up to \$175.0 million; and
- . a revolving line of credit up to \$100.0 million, including revolving credit loans, letters of credit and a swingline loan subfacility.

The senior secured credit facilities will be jointly and severally guaranteed by us and certain of our subsidiaries, including future domestic subsidiaries, and will be secured by substantially all the assets of us and all our domestic subsidiaries, provided that neither CB Richard Ellis Services nor any domestic subsidiary will pledge more than 65% of the voting stock of any foreign subsidiary.

The Tranche A term facility will mature on the sixth anniversary of the closing date and amortize in equal quarterly installments in the following annual amounts: \$7.5 million in years one and two and \$8.75 million thereafter. The Tranche B term facility will mature on the seventh anniversary of the closing date of the merger and amortize in equal quarterly installments in an annual amount equal to 1% of the outstanding principal amount on the closing date with the balance payable on the maturity date. The revolving line of credit terminates on the sixth anniversary of the closing date.

Borrowings under the senior secured credit facilities will bear interest at varying rates based, at our option, on either LIBOR plus 3.25% or the alternate base rate plus 2.25%, in the case of Tranche A and the revolving facility, and LIBOR plus 3.75% or the alternate base rate plus 2.75%, in the case of Tranche B. The alternate base rate is the higher of (1) CSFB's prime rate or (2) the effective rate for federal funds plus one-half of one percent. After delivery of our consolidated financial statements for the year ended December 31, 2001, the amount added to the LIBOR rate or the alternate base rate under the Tranche A and revolving facility will vary, from 2.50% to 3.25% for LIBOR and from 1.50% to 2.25% for the alternate base rate, as determined by reference to our ratios of total debt less available cash to EBITDA. The interest rate margins described above are subject to change until the terms of the credit agreements are finalized.

We will be required to pay to the lenders under the senior secured credit facilities a commitment fee on the average unused portion of the revolving credit facility and a letter of credit fee on each letter of credit outstanding. We also will be required to apply proceeds of sales of assets, issuances of equity, incurrences of debt, and excess cash flow or material assets to the prepayment of the term loans, subject to limited exceptions, as well as excess cash flow to the lenders under the senior secured credit facilities.

The credit agreement for the senior secured credit facilities will contain customary restrictive covenants for a credit agreement, including, among others, limitations on the following activities by us, CB Richard Ellis Services and its subsidiaries:

- . dividends on, and redemptions and repurchases of, capital stock;

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- . prepayments, redemptions and repurchases of debt;
- . liens and sale-leaseback transactions;
- . loans and investments;
- . indebtedness;
- . mergers, acquisitions and asset sales;
- . transactions with affiliates;
- . changes in lines of business; and
- . capital expenditures.

In addition, the credit agreement will also contain covenants that require us to maintain specified financial ratios, including the following ratios:

- . total debt less available cash to EBITDA
- . total senior debt less available cash to EBITDA
- . EBITDA to interest expense plus expense associated with dividends paid to us to pay amounts due under our 16% senior Notes due 2011; and

. adjusted EBITDA to fixed charges.

This summary of the material provisions of the credit agreement is qualified in its entirety by reference to all of its provisions, which has been filed as an exhibit to the registration statement of which this prospectus forms a part. See "Where You Can Find Additional Information About Us."

#### CB Richard Ellis Services' 8 7/8% Senior Subordinated Notes

CB Richard Ellis Services currently has outstanding senior subordinated notes due June 1, 2006. The \$175.0 million principal amount of these senior subordinated notes bears annual interest of 8 7/8%. These notes are governed by an indenture between CB Richard Ellis Services and State Street Bank and Trust Company of California, National Association. Interest on the 8 7/8% senior subordinated notes is payable semiannually on each June 1 and December 1. There are no mandatory sinking fund payments for the notes.

Pursuant to the merger agreement, CB Richard Ellis Services commenced a tender offer to repurchase all of the outstanding 8 7/8% senior subordinated notes and a solicitation of consents from the holders of the outstanding 8 7/8% senior subordinated notes to amend the indenture governing the 8 7/8% senior subordinated notes to permit the merger transactions contemplated by the merger agreement. At 5:00 p.m. New York City time on June 8, 2001 the consent solicitation period for the 8 7/8% senior subordinated notes expired. As of that time, a majority of the holders of 8 7/8% senior subordinated notes had consented to the amendments to the indenture and had tendered their notes. Accordingly, CB Richard Ellis Services intends promptly to execute a supplemental indenture, which will include amendments that substantially modify or eliminate the restrictive covenants in the indenture. Also on June 8, 2001 CB Richard Ellis Services extended its offer to purchase the 8 7/8% senior subordinated notes through 12:00 noon New York City time on July 18, 2001. In the event that not all of the 8 7/8% senior subordinated notes are tendered, the notes not tendered will remain outstanding after the consummation of the merger. In addition, the aggregate amount of term commitments under the credit agreement will be reduced by the amount of 8 7/8% senior subordinated notes not tendered. For more information, see "CB Richard Ellis Services Senior Secured Credit Facilities" described above.

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At any time after June 1, 2002, the 8 7/8% senior subordinated notes will be redeemable, in whole or in part, at our option. The redemption price, expressed as a percentage of the principal amount, will be as set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period commencing June 1st of the year below:

<TABLE> <CAPTION> Year	Percentage
----	-----
<S>	<C>
2002.....	104.4%
2003.....	102.9
2004.....	101.4
2005 and thereafter.....	100.0

This summary of the material provisions of CB Richard Ellis Services' 8 7/8% senior subordinated notes is qualified in its entirety by reference to all of the provisions of the indenture governing these notes, which has been filed as an exhibit to the registration statement of which this prospectus forms a part.

#### BLUM CB Corp.'s 11 1/4% Senior Subordinated Notes Due 2011

In connection with the merger, BLUM CB Corp. issued \$229.0 million in aggregate principal amount of 11 1/4% senior subordinated notes due 2011, which we refer to as the 11 1/4% senior subordinated notes, on June 7, 2001 for \$225.6 million. The 11 1/4% senior subordinated notes are its unsecured senior subordinated obligations, and will rank equally in right of payment with any of BLUM CB Corp.'s future senior subordinated unsecured indebtedness, but will be subordinated to any senior indebtedness of BLUM CB Corp. The 11 1/4% senior subordinated notes are governed by an indenture between us, BLUM CB and State Street Bank and Trust Company of California, N.A., as trustee, and will mature in 2011. If the merger transactions are consummated on or prior to the 75th day after the issuance of the 11 1/4% senior subordinated notes, the proceeds from the sale of the 11 1/4% senior subordinated notes will be released from the escrow account into which they were deposited on June 7, 2001, and CB Richard Ellis Services will assume the obligations under these notes.

Interest will accrue at a rate of 11 1/4% per year and be payable semiannually in arrears on June 15 and December 15, commencing on December 15,

2001. Interest will accrue on the 11 1/4% senior subordinated notes from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360 day year comprised of twelve 30-day months.

There are no mandatory sinking fund payments for the 11 1/4% senior subordinated notes. We may at any time and from time to time purchase the 11 1/4% senior subordinated notes in the open market or otherwise.

We, and concurrently with the merger, each subsidiary guarantor, have agreed to guarantee the 11 1/4% senior subordinated notes on a senior subordinated basis. The guarantees by the guarantors of the notes will be subordinated to all existing and future senior indebtedness, including guarantees of the senior credit facilities, of such guarantors. If the merger is not consummated within 75 days of the issuance of the 11 1/4% senior subordinated notes or the merger agreement is terminated at any time prior thereto, a special mandatory redemption of the notes will be required and none of CB Richard Ellis Services' subsidiaries will guarantee the notes.

Except as discussed below, the notes cannot be redeemed prior to June 15, 2006.

Until June 15, 2004, the 11 1/4% senior subordinated notes may be redeemed on one or more occasions in an amount not to exceed 35% of the principal amount of all issued 11 1/4% senior subordinated notes at a redemption price of 111 1/4%, plus accrued and unpaid interest to the redemption date, with the cash proceeds raised in public equity offerings, as long as:

- . at least 65% of the aggregate principal amount of the 11 1/4% senior subordinated notes, including any additional 11 1/4% senior subordinated notes, remains outstanding after each redemption;

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- . if the money is raised in an equity offering by us, then we must contribute to the issuer an amount sufficient to redeem the 11 1/4% senior subordinated notes; and
- . the 11 1/4% senior subordinated notes are redeemed within 90 days after the completion of the related equity offering.

On and after June 15, 2006, all or a portion of the 11 1/4% senior subordinated notes will be redeemable at the issuer's option, upon not less than 30 nor more than 60 days' notice. The redemption price, expressed as a percentage of the principal amount on the redemption date, will be as set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period commencing June 15 of the year below:

<TABLE>  
<CAPTION>

Year	Percentage
----	-----
<S>	<C>
2006.....	105.625%
2007.....	103.750
2008.....	101.875
2009 and thereafter.....	100.000

</TABLE>

In the event of a change of control, as defined in the indenture, the issuer will be obligated to make an offer to purchase all outstanding 11 1/4% senior subordinated notes at a redemption price of 101% of the principal amount, plus accrued interest.

The indenture governing the 11 1/4% senior subordinated notes will contain customary restrictive covenants for high yield securities, including, among others, limitations on the following activities by the issuer and its subsidiaries:

- . incurrence of additional indebtedness;
- . payments of dividends or distributions to stockholders or the repurchase of equity or debt that is junior to the 11 1/4% senior subordinated notes;
- . restrictions on distributions from subsidiaries;
- . sales of assets and subsidiary stock;
- . transactions with affiliates;
- . issuance of subsidiary equity; and
- . consolidation or merger.

Within 90 days of the merger, BLUM CB Corp. has agreed:

- . to file an exchange offer registration statement with the SEC with respect to a registered offer to exchange the 11 1/4% senior subordinated notes for new notes of CB Richard Ellis Services;
- . to use its reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act within 180 days of the effective date of the merger;
- . as soon as practicable after the effectiveness of the exchange offer registration statement, to offer the new notes in exchange for surrender of the 11 1/4% senior subordinated notes; and
- . to keep the registered exchange offer open for not less than 20 business days after the date notice of the registered exchange offer is mailed to the holders of the 11 1/4% senior subordinated notes.

This summary of the material provisions of our 11 1/4% senior subordinated notes is qualified in its entirety by reference to all of the provisions of the indenture governing the 11 1/4% senior subordinated notes, which has been filed as an exhibit to the registration statement of which this prospectus forms a part.

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#### SHARES ELIGIBLE FOR FUTURE SALE

After this offering, we will have an aggregate of 13,205,614 shares of Class A and Class B common stock outstanding. This includes the 2,077,801 shares of Class A common stock that we are offering for direct ownership and for ownership through the CB Richard Ellis Services 401(k) plan. Also after the offerings, assuming all 1,158,838 stock fund units being offered are subscribed for, there will be up to 2,003,733 shares of our Class A common stock issuable, subject to applicable vesting requirements, as a result of elections made under the CB Richard Ellis Services deferred compensation plan.

Prior to the earlier of the tenth anniversary of the merger and 180 days after the closing date of an underwritten initial public offering following which our Class A common stock is listed on a national securities exchange or the Nasdaq National Market, shares of our Class A common stock will be subject to significant restrictions on transfer pursuant to the terms of the subscription agreements. For more information concerning these transfer restrictions, see "Description of the Offering Documents--Subscription Agreements--General Transfer Restrictions."

In connection with the offering of direct ownership shares to our designated managers, we will grant to the designated managers up to an aggregate of 1,820,397 options to acquire shares of our Class A common stock at an exercise price of \$16.00 per share. For more information, see "The Offerings--Description of the Offerings--Grants of Stock Options to Designated Managers." Our board of directors will also have discretion to grant to our employees options to acquire up to an aggregate of 910,199 shares of our Class A common stock at a purchase price of \$50.00 per share. We will also issue warrants to Freeman Spogli to purchase up to an aggregate number of shares of our Class B common stock equal to the number that represents the same percentage of the total outstanding shares of common stock immediately after the merger as 364,884 shares of CB Richard Ellis Services common stock, which Freeman Spogli is entitled to acquire under existing warrants, represent of the total outstanding shares of CB Richard Ellis Services common stock. See "Description of Capital Stock--Warrants." We will also grant options to acquire our Class A common stock and shares of our Class A common stock under our 2001 Stock Incentive Plan in the future. Accordingly, we have reserved . shares of our common stock for issuance under our stock incentive plan. See "Descriptions of the Plans--2001 Stock Incentive Plan."

Demand and piggyback registration rights granted to the buying group and to DLJ Investment Partners II L.P. and its affiliates are described under the caption "The Merger Transactions--Securityholders' Agreement--Registration Rights."

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#### U.S. FEDERAL TAX CONSEQUENCES

The following describes the material U.S. federal income tax consequences of the merger and the offerings to individuals who are citizens or residents of the U.S. who acquire shares of our Class A common stock in the offerings. It does not address the U.S. federal income tax consequences of the merger or the offerings to non-U.S. persons. This discussion does not address all aspects of U.S. federal income taxes and does not deal with foreign, state and local tax consequences that may be relevant to you in light of your personal circumstances. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the

Code, and regulations, rulings and judicial decisions promulgated thereunder as of the date hereof, and these authorities may be repealed, revoked or modified, possibly retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. Persons considering participating in the offerings should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any tax consequences arising under the laws of any other taxing jurisdiction.

#### The Merger

This discussion applies to shares of CB Richard Ellis Services common stock that you own directly, including shares that you may have purchased with a loan from CB Richard Ellis Services. It does not apply to shares of CB Richard Ellis Services common stock underlying stock fund units in the CB Richard Ellis Services deferred compensation plan, shares of CB Richard Ellis Services common stock held in the CB Richard Ellis Services 401(k) plan, shares acquired through the CB Richard Ellis Services Special Incentive Plan or options to acquire shares of CB Richard Ellis Services common stock.

The merger of our subsidiary, BLUM CB Corp., into CB Richard Ellis Services will be treated for U.S. federal income tax purposes as a redemption of shares of CB Richard Ellis Services common stock to the extent of the consideration treated as received from CB Richard Ellis Services in the merger and as an acquisition of shares of CB Richard Ellis Services common stock by CBRE Holding to the extent of the consideration treated as received from us in the merger. The tax consequences to you of the merger may differ depending on the source of the consideration. We are not able to currently identify the portion of the consideration in the merger that will be received from CB Richard Ellis Services, on the one hand, and from CBRE Holding, on the other hand, but we expect that most of the consideration in the merger will be treated as received from CBRE Holding.

#### Assignment of Merger Proceeds

The following discussion assumes that either the shares of our Class A common stock that you acquire are vested or, if the shares are subject to our repurchase right, you will make a section 83(b) election with respect to those shares as required by the Designated Manager Subscription Agreement and described below in "--Shares Acquired in Connection with the Performance of Services--Acquisition of Shares Subject to Repurchase in the Offering."

To the extent you irrevocably assign to us your right to receive cash proceeds in the merger attributable to your shares of CB Richard Ellis Services common stock (other than shares acquired through the Special Incentive Plan) in payment for shares of our Class A common stock that you acquire in the offerings, you should be treated as having exchanged those shares of CB Richard Ellis Services common stock for our Class A common stock as part of a transaction to which section 351 of the Code applies, which will include the contributions by and the issuance of our Class B common stock to the buying group. If section 351 is applicable:

- . you should not recognize gain or loss on the exchange of those shares of CB Richard Ellis Services common stock for our Class A common stock; and
- . your tax basis in our Class A common stock received should be equal to your tax basis in those shares of CB Richard Ellis Services common stock you exchanged.

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The IRS might take the position that, notwithstanding your irrevocable assignment of your right to receive cash proceeds in the merger, you should be treated as having received the cash proceeds and, then, having reinvested them in our Class A common stock. In that case, you would be taxed on the cash proceeds that you would be treated as having received in the manner described in "--Cash Consideration Treated as received from CB Richard Ellis Services" and "--Cash Consideration Treated as received from CBRE Holding," even though you reinvested those proceeds in our Class A common stock."

You may be required by regulations under section 351 of the Code to retain records related to your CB Richard Ellis common stock and file with your U.S. federal income tax return a statement setting forth facts relating to the transactions.

#### Cash Consideration Treated as Received from CB Richard Ellis Services

To the extent that cash paid in the merger is treated as received in redemption of your shares of CB Richard Ellis Services common stock, you will recognize gain or loss equal to the difference between the cash received and the tax basis in the shares treated as redeemed only if you satisfy the requirements of section 302 of the Code. If you fail to satisfy the requirements of section 302, the cash treated as received in redemption of your shares of CB Richard Ellis Services common stock, without regard to gain or loss, would be treated as a dividend taxable as ordinary income to the extent

of the current and accumulated earnings and profits of CB Richard Ellis Services.

A redemption of stock will satisfy the requirements of section 302 if:

- . The redemption is "not essentially equivalent to a dividend", meaning that the redemption results in a meaningful reduction in your proportionate stock interest in CB Richard Ellis Services after the merger and the offerings as compared with your interest immediately before the merger and the offerings, taking into account both actual and constructive ownership of stock; or
- . The redemption is "substantially disproportionate" with respect to you, meaning that, following the merger and the offerings, you own, actually and constructively, less than 80% of the amount of CB Richard Ellis Services stock that you owned, actually and constructively, immediately before the merger and the offerings; or
- . The redemption results in a "complete termination" of your interest in CB Richard Ellis Services, meaning that all of the stock actually and constructively owned by you has been redeemed.

Following the merger, CB Richard Ellis Services will become our wholly-owned subsidiary and, therefore, you will no longer own any stock in CB Richard Ellis Services. Even if you acquire our stock in the offerings, you should not constructively own any of the stock of CB Richard Ellis Services that we will own because, under the relevant constructive ownership rule, you will own less than 50% of the value of our stock. Therefore, you should be able to satisfy the "complete termination" test with respect to your shares that are treated as redeemed by CB Richard Ellis Services in the merger. As a result, any gain or loss that you recognize on the redemption of those shares should be capital gain or loss if you hold your CB Richard Ellis Services shares as a capital asset and should be long-term capital gain or loss if you have held those shares for more than one year at the effective date of the merger.

Nonetheless, the IRS might take the position that all of the cash consideration that you receive in the merger should be treated as received from CBRE Holding for purposes of determining the tax consequences of the merger to you. In that case, as discussed below, under the applicable constructive ownership rules, you would be treated as owning a percentage of the stock of CB Richard Ellis Services that we will own following the merger even though you will own less than 50% of our stock. As a result, you would not be able to satisfy the "complete termination" test with respect to your ownership of CB Richard Ellis Services and would have to satisfy one of the other section 302 tests, after applying the constructive ownership rules of section 318 of the Code, as modified by section 304, to obtain gain or loss treatment and avoid dividend treatment on the cash

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you receive in the merger. The application of section 302 of the Code and the constructive ownership rules of section 318 of the Code are complex and you should consult your own tax advisor as to their applicability to your particular circumstances.

#### Cash Consideration Treated as Received from CBRE Holding

Shareholders who, in the aggregate, own more than 50% of stock of CB Richard Ellis Services will, following the merger and the offerings, own, in the aggregate, more than 50% of our stock. Therefore, section 304 of the Code will apply to the extent that cash paid in the merger is treated as received from CBRE Holding by a shareholder of CB Richard Ellis Services who participates in the offerings. As a result, you will recognize gain or loss equal to the difference between the cash received and the tax basis in your shares of common stock of CB Richard Ellis treated as acquired by CBRE Holding only if you satisfy the requirements of section 302 of the Code, described above, with respect to your ownership of CB Richard Ellis Services. If you fail to satisfy the requirements of section 302, the cash treated as received from CBRE Holding for your shares of CB Richard Ellis Services common stock, without regard to gain or loss, would be treated as a dividend taxable as ordinary income to the extent of the current and accumulated earnings and profits of CB Richard Ellis Services and CBRE Holding.

However, unlike the rules applicable to cash treated as received in redemption of shares of CB Richard Ellis Services common stock, described above, in determining whether you satisfy the requirements of section 302 for purposes of section 304, you will be treated as owning a percentage of the stock of CB Richard Ellis Services that we will own following the merger based upon your actual and constructive ownership of our stock even though you will own less than 50% of our stock. Therefore, you will not be able to satisfy the "complete termination" test, described above. To obtain gain or loss treatment and avoid dividend treatment, you must satisfy one of the other section 302 tests.

To determine whether either of the other section 302 tests is satisfied, you

must take into account not only the stock that you actually own, but also any stock you are deemed to own under the constructive ownership rules of section 318 of the Code. Under section 318, as modified by section 304, you are deemed to own:

- . stock owned, directly or indirectly, by or for your spouse, children, grandchildren and parents;
- . stock owned, directly or indirectly, by corporations, partnerships, estates or certain trusts (not including a trust under section 401(a), such as the trust under the CB Richard Ellis Services 401(k) plan), in proportion to your interest in each entity;
- . a percentage of shares of CB Richard Ellis Services stock owned by us equal to the percentage by value of CBRE Holding stock that you own; and
- . stock that you may acquire by exercise of currently vested options.

The application of section 304 of the Code and the constructive ownership rules of section 318 of the Code are complex and you should consult your own tax advisor as to their applicability to your particular circumstances.

If you satisfy the section 302 requirements with respect to your shares of CB Richard Ellis Services common stock acquired by CBRE Holding, any gain or loss that you recognize on those shares should be capital gain or loss if you hold your CB Richard Ellis Services shares as a capital asset and should be long-term capital gain or loss if you have held those shares for more than one year at the effective date of the merger.

#### Shares Acquired in Connection with the Performance of Services

This discussion applies only to shares of our Class A common stock that you acquire directly, and not to any shares of Class A common stock that will underlie stock fund units in the CB Richard Ellis Services deferred compensation plan or that will be acquired by the CB Richard Ellis Services 401(k) plan.

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#### Acquisition of Vested Shares in the Offering

Designated managers and non-management employees who acquire fully vested shares of our Class A common stock in the offerings will be treated as having acquired those shares in connection with the performance of services. Under section 83 of the Code, you would have taxable ordinary income equal to the excess of the fair market value on the date of acquisition of the shares you acquire, if any, over the amount of cash you paid, or the fair market value of CB Richard Ellis Services common stock you exchanged, for the shares. Although the value of a share is speculative, we believe that the consideration paid for the shares will be equal to their fair market value. In this case, the acquisition of shares of our Class A common stock would not result in any taxable income. However, the IRS might assert that the shares of Class A common stock have a higher value with the result that you would have taxable income with respect to their acquisition equal to the excess of that higher value over the consideration paid for the shares.

#### Acquisition of Shares Subject to Repurchase in the Offering

Shares of our Class A common stock that are subject to our right of repurchase described in "The Offerings--Right of Repurchase for Designated Manager Shares" will be 100% unvested upon issuance and will vest 20% on each anniversary of the closing of the offering. Pursuant to the designated manager subscription agreement, a designated manager will be required to make a section 83(b) election with respect to his or her shares subject to our repurchase right. As a result, you will have taxable ordinary income equal to the excess, if any, of the fair market value of those shares on the date of their acquisition over the amount paid for the shares. As discussed above, we believe that the price paid for the shares will be equal to their fair market value and, accordingly, that the election would result in no taxable income with respect to the acquisition of shares. However, the IRS might assert that the shares of Class A common stock have a higher value with the result that you would have taxable ordinary income with respect to their acquisition equal to the excess of that higher value over the consideration paid for the shares. In this case, section 83(b) would prevent you from deducting a loss in that amount if you forfeit any shares upon termination of employment.

If notwithstanding the designated manager subscription agreement you do not make a section 83(b) election for shares of our Class A common that are subject to our right of repurchase, you would be required to include as taxable ordinary income an amount equal to the excess of the fair market value of the shares subject to our right of repurchase at the time our right of repurchase expires with respect to each block of shares over the amount paid for those shares.

A section 83(b) election must be made within 30 days after the shares are

acquired. Each designated manager is responsible for the timely filing of a section 83(b) election. The form must be filed with the IRS at the address where a designated manager files his or her income tax return. The election may not be revoked without the consent of the IRS. Designated managers should discuss the filing of a section 83(b) election with their own tax advisors.

#### Offering of Shares to 401(k) Plan

The disposition of shares of CB Richard Ellis Services common stock in the merger held by the CB Richard Ellis Services Capital Accumulation Plan and the subsequent reinvestment of the cash proceeds in other investment options, including purchase of our Class A common stock, permitted under the amended Capital Accumulation Plan will not result in any U.S. federal income tax consequences to you.

#### Offering of Shares Underlying Stock Fund Units in Deferred Compensation Plan

The substitution of shares of CB Richard Ellis Services common stock underlying stock fund units in the deferred compensation plan with our Class A common stock will not result in taxable income to a participant in that plan until the participant has received, actually or constructively, the underlying stock.

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#### General U.S. Federal Income Tax Considerations of Holding Shares of Our Class A Common Stock

The following discussion assumes that either the shares of our Class A common stock that you acquire are vested or, if the shares are subject to our repurchase right, you will make a section 83(b) election with respect to those shares as required by the Designated Manager Subscription Agreement and described above in "--Shares Acquired in Connection with the Performance of Services--Acquisition of Shares Subject to Repurchase in the Offering."

Distributions on the shares will generally constitute dividends for federal income tax purposes to the extent paid from our current or accumulated earnings and profits as determined under federal income tax principles. This income will be includible in your gross income as ordinary income on the day received by you. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, the distribution will first be treated for federal income tax purposes as a tax-free return of capital, causing a reduction in the adjusted basis of the shares, thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the shares, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange.

For U.S. federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of a share in an amount equal to the difference between the amount realized for the share and your adjusted basis in the share. This gain or loss will be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

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#### U.S. FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following summary describes the material U.S. federal income and estate tax consequences of the ownership of shares of our Class A common stock by a Non-U.S. Holder, as defined below, who does not and will not perform services within the U.S. This discussion does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to these Non-U.S. Holders in light of their personal circumstances. The discussion below is based upon the provisions of the Code and regulations, rulings and judicial decisions thereunder as of the date hereof, and these authorities may be repealed, revoked or modified so as to result in U.S. federal income tax consequences different from those discussed below. Persons considering participating in the offerings should consult their own tax advisors concerning the U.S. federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, a "Non-U.S. Holder" is an individual who is not a citizen or resident of the U.S.

#### The Merger

If cash consideration received in the merger is treated as a dividend to you it would be subject to U.S. federal income tax at a 30% rate or a lower rate as may be specified by an applicable income tax treaty. To determine whether any cash consideration would be treated as a dividend, please see "U.S. Federal Tax Consequences--The Merger--Cash Consideration Treated as Received from CB Richard Ellis Services" and "U.S. Federal Tax Consequences--The Merger--Cash



Consideration Treated as Received from CBRE Holding." Because the rules for determining dividend treatment are complex, you should consult your own tax advisor as to their applicability to your particular circumstances.

#### Holding Shares of Our Class A Common Stock

##### Dividends

Dividends paid to a Non-U.S. Holder of Class A common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate, or a lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by a Non-U.S. Holder within the U.S. and, where a tax treaty applies, are attributable to a U.S. permanent establishment of a Non-U.S. Holder, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certification and disclosure requirements must be complied with in order for effectively connected income to be exempt from withholding.

A Non-U.S. Holder of Class A common stock who wishes to claim the benefit of an applicable treaty rate, and avoid back-up withholding as discussed below, for dividends paid will be required to satisfy applicable certification and other requirements.

A Non-U.S. Holder of Class A common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

##### Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of shares of our Class A common stock unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Holder in the U.S., and, where a tax treaty applies, is attributable to a U.S. permanent establishment of the Non-U.S. Holder, (ii) in the case of a Non-U.S. Holder who is an individual and holds the Class A common stock as a capital asset, is present in the U.S. for 183 or more days in the taxable year of the sale or other disposition and select other conditions are met or (iii) we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes.

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An individual Non-U.S. Holder described in clause (i) above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. An individual Non-U.S. Holder described in clause (ii) above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the U.S.

We believe that we are not and do not anticipate becoming a "U.S. real property holding corporation" for U.S. federal income tax purposes.

##### Federal Estate Tax

Class A common stock held by an individual Non-U.S. Holder at the time of death will be included in the holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

##### Information Reporting and Backup Withholding

We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to the holder and the tax withheld with respect to their dividends, regardless of whether withholding was required. Copies of the information returns reporting the dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

A Non-U.S. Holder will be subject to back-up withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale of our Class A common stock within the U.S. or conducted through U.S. related financial intermediaries is subject to both backup withholding and information reporting unless the beneficial owner certifies under penalties of perjury that it is a Non-U.S. Holder, and the payor does not have actual knowledge that the beneficial owner is a U.S. person, or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

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## PLAN OF DISTRIBUTION

We are offering an aggregate of 3,236,639 shares of our Class A common stock to the designated managers and non-management employees of CB Richard Ellis Services and one or more of its subsidiaries in the offerings, which includes shares for direct ownership, shares to be held in the CB Richard Ellis Services 401(k) plan and shares underlying stock fund units in the CB Richard Ellis Services deferred compensation plan. We will also grant to our designated managers up to an aggregate of 1,820,397 options to acquire shares of our Class A common stock.

Immediately prior to the merger and the consummation of the offerings, the BLUM Funds have agreed to purchase for cash a minimum of 2,553,879 shares of our Class B common stock at \$16.00 per share. In addition, the BLUM Funds have agreed to purchase for \$16.00 per share in cash an additional number of shares of our Class B common stock equal to (1) 3,236,639 shares minus (2) the number of shares of our Class A common stock and stock fund units subscribed for in the offerings made by this prospectus plus (3) the aggregate amount of full-recourse notes delivered by designated managers in the offerings divided by \$16.00. The number of shares purchased by the BLUM Funds will be reduced by 241,885 shares, which is the number of shares of our Class B common stock the BLUM Funds have purchased for \$16.00 per share in connection with the closing of the sale of 11 1/4% senior subordinated notes by BLUM CB Corp. After the offerings are completed depending on the amount to which the offerings are subscribed, the shares of our Class B common stock owned by the buying group will be equal to between approximately 80% and 96% of our outstanding Class A and Class B common stock, taken together. Only the members of the buying group will have an opportunity to acquire shares of our Class B common stock.

We are offering an aggregate of 1,187,982 shares of our Class A common stock to the designated managers and non-management employees for direct ownership. In addition, under the circumstances described below, the designated managers will be eligible to receive an aggregate of up to 1,820,397 options to acquire our Class A common stock. Unless our board of directors determines otherwise, a designated manager will receive a grant of a portion of these options only if he or she subscribes for a minimum number of shares in the offering of Class A common stock for direct ownership. The minimum number of shares that a designated manager must subscribe for in order to receive an option grant is a percentage of 625,000 shares that will be allocated to that designated manager by our board of directors. The minimum number of shares that a designated manager must subscribe for in order to receive a grant of options will be reduced by the number of deferred compensation plan stock fund units acquired by the designated manager at the closing of the offerings by the transfer of account balances currently allocated to the deferred compensation plan insurance fund. If a designated manager subscribes for at least his or her minimum number of shares, then we will grant to the designated manager a percentage of the 1,820,397 total options equal to the percentage of the 625,000 shares allocated to that designated manager. Subject to our right to allocate the shares to be purchased if the offering is over-subscribed, a designated manager may subscribe for more than the minimum number of shares required to receive a grant of options. However, as long as the minimum number of shares required to receive an option grant are subscribed for, the number of options granted to the designated manager will be the same regardless of the actual number of shares subscribed for.

In the event that the offering of shares for direct ownership is over-subscribed, meaning we receive offers to purchase more than the 1,187,982 shares which we have set aside for this offering, we first will allocate a sufficient number of shares to the designated managers to allow them to subscribe for the minimum number of shares necessary to obtain grants of options, as described below, and all remaining shares then will be allocated proportionately among all participants in the offering of shares for direct ownership based upon the total number of those shares for which we receive subscriptions.

We are offering to all of our U.S. employees who are currently participants in the CB Richard Ellis Services 401(k) plan up to 889,819 shares of our Class A common stock to be held in the 401(k) plan, which will be amended to add this new investment alternative. To participate in this offering, an employee must either instruct the trustee of the 401(k) plan to sell existing investments held by the employee in the 401(k) plan and

use those proceeds to purchase shares in this offering for his or her 401(k) account or use the proceeds received in the merger for shares of CB Richard Ellis Services common stock held by the employee in the 401(k) plan, if any, to purchase shares in this offering for his or her 401(k) plan account. No employee may have more than 50% of his or her entire 401(k) plan account balance invested in shares of our Class A common stock as of June 1, 2001. If this offering is over-subscribed, the number of shares that each participating employee is able to purchase will be reduced proportionately based upon the total number of 401(k) plan shares for which we receive subscriptions.

The CB Richard Ellis Services deferred compensation plan has been amended to provide that, after the merger, each stock fund unit will entitle its holder to receive one share of our Class A common stock on a future distribution date under the plan, rather than a share of CB Richard Ellis Services common stock. Each of our current U.S. employees and our current independent contractors in the states of California, New York, Illinois and Washington at the time of the merger who holds stock fund units in the CB Richard Ellis Services deferred compensation plan that have vested prior to the merger will be entitled to convert the value of the stock fund unit into other investment alternatives under the plan or continue to hold the stock fund units in the deferred compensation plan. We are offering up to 996,338 shares of our Class A common stock that are issuable upon a distribution under the deferred compensation plan to those holders of stock fund units who elect to continue to hold the stock fund units after the merger. In addition, our designated managers will also have the right to transfer into stock fund units an aggregate of up to \$2.6 million of deferred compensation plan account balances that are currently allocated to the insurance fund under the deferred compensation plan. As a result, we are offering up to 162,500 shares of our Class A common stock that are issuable to those holders of stock fund units upon future distribution under the deferred compensation plan.

These securities are being sold directly by us, with no underwriters, dealers or agents involved. Upon the effectiveness of the registration statement relating to this offering, we will solicit subscriptions from our employees by the distribution of this prospectus, as well as the offering documents required for participation in each of the offerings. For more information, see "Description of the Offering Documents."

Pursuant to the terms of the subscription agreements, each designated manager or non-management employee purchasing shares of our Class A common stock for direct ownership must accept and agree to be bound by significant restrictions on transfer. Accordingly, we will place a legend on the stock certificate stating that the transfer or other disposition of the shares evidenced by the certificate is restricted pursuant to the subscription agreements. The transfer restrictions terminate upon the earlier of ten years after the closing of this offering and 180 days after the effectiveness of an underwritten initial public offering pursuant to which our Class A common stock is listed on a national securities exchange or the Nasdaq National Market.

The offering price of \$16.00 per share for our Class A common stock is the same price that is being paid to the CB Richard Ellis Services stockholders for each of their shares of CB Richard Ellis Services common stock in the merger and is the same cash price that is being paid by the BLUM Funds for the shares of our Class B common stock that they will purchase under the contribution and voting agreement. For more information see "The Merger Transactions-- Contribution and Voting Agreement."

There will be no trading market for our Class A common stock upon completion of this offering. Our Class A common stock will not be listed on a national securities exchange or authorized for quotation on the Nasdaq National Market upon completion of the offerings. Accordingly, we cannot assure you that a liquid trading market will develop for our Class A common stock in the future.

We estimate that the total expenses of the offerings will be approximately \$2.1 million. We will bear all costs, expenses and fees in connection with the registration of our Class A common stock and options to acquire our Class A common stock.

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#### LEGAL MATTERS

The validity of the shares of Class A common stock being offered will be passed upon for us by Simpson Thacher & Bartlett, Palo Alto, California.

#### EXPERTS

The audited consolidated balance sheet of CBRE Holding, Inc. and the audited consolidated financial statements and schedule of CB Richard Ellis Services, Inc. included in this prospectus and elsewhere in the registration statement to the extent and for the periods indicated in their reports have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

#### WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT US

We filed with the Securities and Exchange Commission a Registration Statement on Form S-1 under the Securities Act with respect to the shares of the Class A common stock and options to acquire Class A common stock being offered by this prospectus included in the registration statement. This prospectus does not contain all of the information described in the registration statement and the related exhibits and schedules. For further information with respect to CBRE Holding and the Class A common stock and

options to acquire Class A common stock being offered, reference is made to the registration statement and the related exhibits and schedule. Statements contained in this prospectus regarding the contents of any contract or any other document to which reference is made are not necessarily complete and, in each instance, reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by the reference. In addition, CB Richard Ellis Services, which we will acquire in connection with the merger and whose business immediately prior to the merger will be substantially the same as our business immediately after the merger, files periodic and other reports with the Commission under the Exchange Act of 1934.

Copies of each of the registration statement and the related exhibits and schedule that we have filed and the reports that CB Richard Ellis Services has filed may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices located at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048 and copies of all or any part of the registration statement may be obtained from these offices upon the payment of the fees prescribed by the Commission. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is <http://www.sec.gov>.

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AND FINANCIAL STATEMENT SCHEDULE

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All other schedules are omitted because either they are not applicable, not required or the information required is included in the consolidated financial statements, including the notes thereto.

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CBRE HOLDING, INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>  
 <CAPTION>

	March 31, 2001	February 20, 2001
	-----	-----
<S>	<C>	<C>
ASSETS -----		
Cash.....	\$160.00	\$160.00
	-----	-----
Total assets.....	\$160.00	\$160.00
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY -----		
Total liabilities.....	\$ --	\$ --
Stockholders' equity		
Common stock, \$0.01 par value; 2,000 shares authorized, 10 shares issued and outstanding ....	0.10	0.10
Additional paid-in capital.....	159.90	159.90
	-----	-----
Total stockholders' equity.....	\$160.00	\$160.00
	-----	-----
Total liabilities and stockholders' equity.....	\$160.00	\$160.00
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

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CBRE HOLDING, INC.

NOTES TO CONSOLIDATED BALANCE SHEET

1. Summary of Significant Accounting Policies

a. Organization and Description of Partnership

CBRE Holding, Inc., a Delaware corporation, was established on February 20, 2001, as BLUM CB Holding Corp. On March 26, 2001, BLUM CB Holding Corp. changed its name to CBRE Holding, Inc. (the Company). The purpose of the Company is to act as the acquiror in a transaction (the Merger) to acquire all of the outstanding shares of CB Richard Ellis Services, Inc. (CBRE), an international real estate services firm, for \$16.00 per share in cash. The Company intends to offer shares in the Company to certain managers and employees of CBRE. The Company is a wholly-owned subsidiary of RCBA Strategic Partners, L.P. (RCBA). RCBA is expected to control the Company after the Merger.

The accompanying consolidated balance sheet includes the accounts of the Company and its wholly-owned subsidiary, BLUM CB Corporation (BLUM CB), established October 27, 2000, formerly known as CB Radio Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

b. Proposed Acquisition of CBRE

On February 23, 2001, a contribution and voting agreement (the "Contribution Agreement") was signed by the following persons and entities, who are referred to together as the "buying group": RCBA Strategic Partners, L.P., FS Equity Partners III, L.P. and FS Equity Partners International, L.P., Raymond Wirta, Brett White, The Koll Holding Company and Frederic Malek. The Contribution Agreement was amended on April 24, 2001 and further amended on May 31, 2001.

Each member of the buying group is either a current shareholder, senior executive or director of CB Richard Ellis Services, Inc. or an affiliate of one of the same. Pursuant to the contribution and voting agreement, immediately prior to the Merger, each of the members of the buying group will contribute all of the shares of CBRE common stock that it holds directly to the Company. Each of these shares contributed to the Company will be cancelled, as a result

of the merger, and the Company will not receive any consideration for those shares of CBRE common stock. The Company will issue one share of Class B common stock in exchange for each share of CBRE common stock contributed by the buying group. RCBA has also committed to provide up to \$109.9 million in cash equity to fund part of the CBRE Acquisition. This includes the purchase of approximately 1.1 million shares of CBRE currently owned by affiliates of RCBA for approximately \$17.3 million which will be subsequently contributed to the Company in exchange for the issuance of Class B common stock of the Company, and the purchase of up to 5.8 million shares of Class B common stock of the Company at \$16.00 per share in cash to raise \$92.6 million.

On February 24, 2001, the Company announced that it had entered into a merger agreement (the "Merger Agreement") providing for the acquisition of CBRE by its wholly-owned subsidiary, Blum CB for \$16.00 per share in cash. The Merger Agreement was amended on April 24, 2001 and further amended on May 31, 2001. Upon completion of the Merger, CBRE will become a wholly owned subsidiary of the Company.

The agreement provides that CBRE employees will have the option to roll over their existing shares in CBRE's deferred compensation plan and a portion of CBRE shares held in their 401(k) accounts. Employees will also be provided the opportunity to make a direct equity investment in the Company.

The merger, which is expected to close early in the third quarter of calendar 2001, remains subject to certain conditions, including the receipt of the Company's debt financing and the approval of the merger by the holders of two-thirds of the outstanding shares of CBRE not currently owned by the buying group. CBRE will pay a termination fee of \$7.5 million and reimburse up to \$3.0 million of the Company's expenses if CBRE wishes to accept a superior acquisition proposal.

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CBRE HOLDING, INC.

NOTES TO CONSOLIDATED BALANCE SHEET--(Continued)

c. Commitments & Contingencies

In connection with the announcement of the Merger, BLUM CB and CBRE have been subject to putative class action lawsuits. Between November 12 and December 6, 2000, five putative class actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by various stockholders against CBRE, its directors and the buying group and their affiliates. A similar action was also filed on November 17, 2000, in the Superior Court of the State of California in and for the County of Los Angeles. These actions all alleged that The Company's offering price was unfair and inadequate and sought injunctive relief or rescission of the merger transactions and, in the alternative, money damages.

The five Delaware actions were subsequently consolidated and a lead counsel appointed. As of February 23, 2001, the parties to the Delaware litigation entered into a memorandum of understanding in which they agreed in principle to a settlement. The memorandum provides, among other things that:

1. The defendants admit no liability or wrongdoing whatsoever;
2. The buying group acknowledges that the pendency and prosecution of the Delaware litigation were positive contributing factors to its decision to increase the merger consideration;
3. For the lead counsel for the plaintiff to have an opportunity to review the CBRE proxy statement before mailing;
4. For the certification of a settlement class and the entry of a final judgment granting a full release of the defendants; and
5. For attorneys' fees in an amount not to exceed \$380,000.

Conditions to the settlement proposed by the memorandum include:

1. Negotiation and execution of a mutually acceptable stipulation of settlement;
2. Closing of the merger;
3. Dismissal of the Delaware and California litigation with prejudice; and
4. Completion by the plaintiffs of such reasonable additional discovery as lead counsel reasonably believes is appropriate.

The parties may not be able to complete a mutually acceptable stipulation of settlement, and, if so, the litigation will continue, which could have a material adverse impact on the Company's ability to complete the Merger. In addition, no agreements have been reached with respect to any settlement of the

California litigation, and if this litigation continues, it could have a material adverse impact on the Company's ability to complete the Merger.

d. Subsequent Events

On June 7, 2001, BLUM CB issued \$229.0 million in aggregate principal amount of 11 1/4% senior subordinated notes due June 15, 2011 (the "Notes") for \$225.6 million in the aggregate. The proceeds from the offering were deposited in an escrow account and will be released to CBRE in connection with the completion of the Merger. CBRE will assume the Notes if the Merger is completed. The notes require semi-annual payments of interest with the outstanding principal balance due in June 2011.

On June 7, 2001, the Company sold and issued 241,875 shares of Class B common stock to RCBA for aggregate cash consideration of \$3,870,000. The purchase of these shares by RCBA will proportionately reduce the \$109.9 million in cash equity RCBA is committed to purchase from the Company.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholder and Board of Directors of CBRE Holding, Inc.:

We have audited the accompanying consolidated balance sheet of CBRE Holding, Inc. (a Delaware corporation) as of February 20, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of CBRE Holding, Inc. as of February 20, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP  
 Los Angeles, California  
 April 23 , 2001

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CBRE HOLDING, INC.

CONSOLIDATED BALANCE SHEET

<TABLE>  
 <CAPTION>

	February 20, 2001
	-----
<S>	<C>
ASSETS	
-----	
Cash.....	\$160.00
Total assets.....	\$160.00
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
-----	
Total liabilities.....	--
Stockholders' equity	
Common stock, \$0.01 par value; 2,000 shares authorized, 10	
shares issued and outstanding .....	0.10
Additional paid-in capital.....	159.90
	-----
Total stockholders' equity.....	\$160.00
	-----
Total liabilities and stockholders' equity.....	\$160.00
	=====

</TABLE>

The accompanying notes are an integral part of this consolidated balance sheet.

## CBRE HOLDING, INC.

## NOTES TO CONSOLIDATED BALANCE SHEET

## 1. Summary of Significant Accounting Policies

## a. Organization and Description of Partnership

CBRE Holding, Inc., a Delaware corporation, was established on February 20, 2001, as BLUM CB Holding Corp. On March 26, 2001, BLUM CB Holding Corp. changed its name to CBRE Holding, Inc. (the Company). The purpose of the Company is to act as the acquiror in a transaction (the Merger) to acquire all of the outstanding shares of CB Richard Ellis Services, Inc. (CBRE), an international real estate services firm, for \$16.00 per share in cash. The Company intends to offer shares in the Company to certain managers and employees of CBRE. The Company is a wholly-owned subsidiary of RCBA Strategic Partners, L.P. (RCBA).

The accompanying consolidated balance sheet includes the accounts of the Company and its wholly-owned subsidiary, BLUM CB Corporation (BLUM CB), established October 27, 2000, formerly known as CB Radio Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

## b. Commitments &amp; Contingencies

In connection with the announcement of the Merger, BLUM CB and CBRE have been subject to putative class action lawsuits. Between November 12 and December 6, 2000, five putative class actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by various stockholders against CBRE, its directors and the buying group and their affiliates. A similar action was also filed on November 17, 2000, in the Superior Court of the State of California in and for the County of Los Angeles. These actions all alleged that The Company's offering price was unfair and inadequate and sought injunctive relief or rescission of the merger transactions and, in the alternative, money damages.

The five Delaware actions were subsequently consolidated and a lead counsel appointed. As of February 23, 2001, the parties to the Delaware litigation entered into a memorandum of understanding in which they agreed in principle to a settlement. The memorandum provides, among other things that:

1. The defendants admit no liability or wrongdoing whatsoever;
2. The buying group acknowledges that the pendency and prosecution of the Delaware litigation were positive contributing factors to its decision to increase the merger consideration;
3. For the lead counsel for the plaintiff to have an opportunity to review the CBRE proxy statement before mailing;
4. For the certification of a settlement class and the entry of a final judgment granting a full release of the defendants; and
5. For attorneys' fees in an amount not to exceed \$380,000.

Conditions to the settlement proposed by the memorandum include:

1. Negotiation and execution of a mutually acceptable stipulation of settlement;
2. Closing of the merger;
3. Dismissal of the Delaware and California litigation with prejudice; and
4. Completion by the plaintiffs of such reasonable additional discovery as lead counsel reasonably believes is appropriate.

The parties may not be able to complete a mutually acceptable stipulation of settlement, and, if so, the litigation will continue, which could have a material adverse impact on the Company's ability to complete the Merger.

## c. Subsequent Event

On February 23, 2001, a contribution and voting agreement was signed by the following persons and entities, who are referred to together as the "buying group": RCBA Strategic Partners, L.P., FS Equity Partners III, L.P. and FS Equity Partners International, L.P., Raymond Wirta, Brett White, The Koll Holding Company and Frederic Malek.



Each member of the buying group is either a current shareholder, senior executive or director of CB Richard Ellis Services, Inc. or an affiliate of one of the same. Pursuant to the contribution and voting agreement, immediately prior to the Merger, each of the members of the buying group will contribute all of the shares of CBRE common stock that it holds directly to the Company. Each of these shares contributed to the Company will be cancelled, as a result of the merger, and the Company will not receive any consideration for those shares of CBRE common stock. The Company will issue one share of Class B common stock in exchange for each share of CBRE common stock contributed by the buying group.

On February 24, 2001, the Company announced that it had entered into a merger agreement providing for the acquisition of CBRE by its wholly-owned subsidiary, Blum CB for \$16.00 per share in cash.

The agreement provides that CBRE employees will have the option to roll over their existing shares in CBRE's deferred compensation plan and a portion of CBRE shares held in their 401(k) accounts. Employees will also be provided the opportunity to make a direct equity investment in the Company.

The merger, which is expected to close early in the third quarter of calendar 2001, remains subject to certain conditions, including the receipt of the Company's debt financing, the approval of the merger by the holders of two-thirds of the outstanding shares of CBRE not currently owned by the buying group, the expiration or termination of waiting periods under applicable antitrust laws and a successful tender offer for at least 51% of CBRE's outstanding 8 7/8% Senior Subordinated Notes. CBRE will pay a termination fee of \$7.5 million and reimburse up to \$3.0 million of the Company's expenses if CBRE wishes to accept a superior acquisition proposal.

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

<TABLE>  
<CAPTION>

	March 31, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 20,339	\$ 20,854
Receivables, less allowance for doubtful accounts of \$11,959 and \$12,631 at March 31, 2001 and December 31, 2000 .....	141,792	176,908
Prepaid expenses.....	9,819	8,017
Deferred taxes, net.....	13,105	11,139
Other current assets.....	8,716	6,127
	-----	-----
Total current assets.....	193,771	223,045
Property and equipment, net.....	75,048	75,992
Goodwill, net of accumulated amortization of \$59,738 and \$56,417 at March 31, 2001 and December 31, 2000..	415,299	423,975
Other intangible assets, net of accumulated amortization of \$290,679 and \$289,038 at March 31, 2001 and December 31, 2000.....	44,169	46,432
Cash surrender value of insurance policies, deferred compensation plan.....	61,267	53,203
Investment in and advances to unconsolidated subsidiaries.....	38,187	41,325
Deferred taxes, net.....	35,316	32,327
Prepaid pension costs.....	24,126	25,235
Other assets.....	44,113	41,571
	-----	-----
Total assets.....	\$931,296	\$963,105
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 77,803	\$ 83,673
Compensation and employee benefits payable.....	63,790	79,801
Accrued bonus and profit sharing.....	20,807	117,878
Income taxes payable.....	14,696	28,260
Short-term borrowings.....	8,418	9,215
Current maturities of long-term debt.....	1,161	1,378
	-----	-----
Total current liabilities.....	186,675	310,205

Long-term debt:		
Senior subordinated notes, less unamortized discount of \$1,604 and \$1,664 at March 31, 2001 and December 31, 2000.....	173,396	173,336
Revolving credit facility.....	218,000	110,000
Other long-term debt.....	18,257	20,235
	-----	-----
Total long-term debt.....	409,653	303,571
Deferred compensation liability.....	79,980	80,503
Other liabilities.....	27,729	29,739
	-----	-----
Total liabilities.....	704,037	724,018
Minority interest.....	2,967	3,748
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 8,000,000 shares authorized; no shares issued or outstanding.....	--	--
Common stock, \$0.01 par value; 100,000,000 shares authorized; 20,636,051 and 20,605,023 shares outstanding at March 31, 2001 and December 31, 2000.....	217	217
Additional paid-in capital.....	365,420	364,168
Notes receivable from sale of stock.....	(11,661)	(11,847)
Accumulated deficit.....	(91,943)	(89,097)
Accumulated other comprehensive loss.....	(21,897)	(12,258)
Treasury stock at cost, 1,072,155 shares at March 31, 2001 and December 31, 2000.....	(15,844)	(15,844)
	-----	-----
Total stockholders' equity.....	224,292	235,339
	-----	-----
Total liabilities and stockholders' equity.....	\$931,296	\$963,105
	=====	=====

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Dollars in thousands, except share and per share data)

<TABLE>  
<CAPTION>

	Three Months Ended March 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Revenue:		
Leases.....	\$ 103,166	\$ 99,753
Sales.....	73,843	74,281
Property and facilities management fees.....	27,872	25,285
Consulting and referral fees.....	16,367	16,314
Appraisal fees.....	18,836	16,284
Loan origination and servicing fees.....	14,812	9,263
Investment management fees.....	8,549	7,337
Other.....	9,053	12,402
	-----	-----
Total revenue.....	272,498	260,919
Costs and Expenses:		
Commissions, fees and other incentives.....	124,398	113,963
Operating, administrative and other.....	134,079	127,148
Depreciation and amortization.....	11,696	10,569
	-----	-----
Operating income.....	2,325	9,239
Interest income.....	800	489
Interest expense.....	9,055	9,685
	-----	-----
(Loss) income before (benefit) provision for income tax.....	(5,930)	43
(Benefit) provision for income tax.....	(3,084)	23
	-----	-----
Net (loss) income.....	\$ (2,846)	\$ 20
	=====	=====
Basic (loss) earnings per share.....	\$ (0.13)	\$ --
	=====	=====
Weighted average shares outstanding for basic (loss) earnings per share.....	21,309,550	20,819,268
	=====	=====

Diluted (loss) earnings per share.....	\$ (0.13)	\$ --
	=====	=====
Weighted average shares outstanding for diluted (loss) earnings per share.....	21,309,550	20,851,184
	=====	=====

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)

<TABLE>  
<CAPTION>

	Three Months Ended March 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net (loss) income.....	\$ (2,846)	\$ 20
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization excluding deferred financing costs.....	11,696	10,569
Gain on sale of properties, businesses and servicing rights.....	(6,279)	(4,735)
Deferred compensation deferrals.....	11,113	8,513
Equity interest in earnings of unconsolidated subsidiaries.....	(1,042)	(1,742)
Provision for doubtful accounts.....	1,173	987
Decrease in receivables.....	27,920	20,973
Increase in cash surrender value of insurance policies, deferred compensation plan.....	(8,064)	(10,751)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing.....	(100,714)	(87,165)
Decrease in accounts payable and accrued expenses.....	(4,505)	(6,783)
Decrease in income taxes payable.....	(17,632)	(5,463)
(Decrease) increase in other liabilities.....	(11,664)	1,777
Other.....	(3,419)	6,278
	-----	-----
Net cash used in operating activities.....	(104,263)	(67,522)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment.....	(6,639)	(4,538)
Proceeds from sale of properties, businesses and servicing rights.....	6,105	11,304
Distributions from (contributions to) investments in and advances to unconsolidated subsidiaries, net.....	3,276	(711)
Other investing activities, net.....	(3,278)	259
	-----	-----
Net cash (used in) provided by investing activities....	(536)	6,314
	-----	-----
Cash flows from financing activities:		
Proceeds from revolving credit facility.....	142,000	88,000
Repayment of revolving credit facility.....	(34,000)	(27,000)
Repayment of senior notes and other loans, net.....	(2,786)	(1,168)
Other financing activities, net.....	(274)	(1,038)
	-----	-----
Net cash provided by financing activities.....	104,940	58,794
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	141	(2,414)
Cash and cash equivalents, at beginning of period.....	20,854	27,844
Effect of exchange rate changes on cash.....	(656)	(639)
	-----	-----
Cash and cash equivalents, at end of period.....	\$ 20,339	\$ 24,791
	=====	=====
Supplemental data:		
Cash paid during the period for:		
Interest (none capitalized).....	\$ 3,733	\$ 6,074
Income taxes, net.....	\$ 14,575	\$ 5,376

</TABLE>

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

## CB RICHARD ELLIS SERVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 1. Organization

CB Richard Ellis Services, Inc. (the Company), was founded in 1906. It is a holding company that conducts its worldwide operations through approximately 75 direct and indirect subsidiaries. Approximately 77% of the Company's revenues are from the United States and 23% from the rest of the world. On February 24, 2001, the Company announced that it had entered into an Agreement and Plan of Merger with CBRE Holding, Inc. and Blum CB Corporation, which was amended and restated as of April 24, 2001, whereby members of senior management, Ray Wirta, CEO, and Brett White, Chairman, The Americas, together with director, Fred Malek and directors, Richard Blum, Bradford Freeman and Donald Koll and their respective affiliates will acquire all of the Company's outstanding shares which they do not own at a price of \$16.00 per share. The acquisition, which is expected to close in July of 2001, remains subject to certain conditions, including, among others, the receipt of debt financing by CBRE Holding, Inc. and the Company, the approval of the merger by the holders of two-thirds of the outstanding shares of the Company not owned by the buying group, the expiration or termination of waiting periods under applicable antitrust laws and a successful tender offer for at least 51% of the Company's outstanding 8 7/8% Senior Subordinated Notes. The Company will pay a termination fee of \$7.5 million and reimburse up to \$3.0 million of the buying group's expenses if it wishes to accept a superior acquisition proposal.

## 2. Basis of Preparation

The accompanying unaudited consolidated financial statements include all information and footnotes required for interim financial statement presentation. In the Company's opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ materially from those estimates. All significant intercompany transactions and balances have been eliminated and certain reclassifications have been made to prior periods' consolidated financial statements to conform to current period presentation. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2001.

## 3. Investments in and Advances to Unconsolidated Subsidiaries

Condensed Statement of Operations (unaudited) for the unconsolidated subsidiaries accounted for using the equity method is as follows (in thousands):

<TABLE>  
<CAPTION>

	Three Months Ended March 31,	
	2001	2000

<S>	<C>	<C>
Revenues.....	\$69,649	\$48,496
Income from operations.....	12,689	13,219
Net income.....	7,846	8,957

</TABLE>

## 4. Debt

The Company has a revolving credit facility of \$270.0 million, which is subject to a mandatory reduction of \$70.0 million on December 31, 2001 and expires on May 20, 2003. The amount outstanding under this facility totaled \$218.0 million at March 31, 2001. Interest rate alternatives include Bank of America's reference

(Unaudited)

rate plus 1.00% and LIBOR plus 2.00%. The weighted average interest rate on amounts outstanding at March 31, 2001 and December 31, 2000 was 7.69% and 8.79%, respectively.

The revolving credit facility contains numerous restrictive covenants that, among other things, limit the Company's ability to incur or repay other indebtedness, make advances or loans to subsidiaries and other entities, make capital expenditures, incur liens, enter into mergers or effect other fundamental corporate transactions, sell its assets, or declare dividends. In addition, the Company is required to meet certain ratios relating to its adjusted net worth, level of indebtedness, fixed charges and interest coverage.

The Company has outstanding 8 7/8% Senior Subordinated Notes due on June 1, 2006. The 8 7/8% Senior Subordinated Notes are redeemable in whole or in part after June 1, 2002 at 104.438% of par on that date and at declining prices thereafter. On or before June 1, 2001, up to 35.0% of the issued amount may be redeemed at 108.875% of par plus accrued interest solely with the proceeds from an equity offering. The amount included in the accompanying Consolidated Balance Sheet less unamortized discount was \$173.4 million at March 31, 2001.

The Company has short-term borrowings of \$8.4 million and \$9.2 million with related weighted average interest rates of 7.0% and 7.3% as of March 31, 2001 and December 31, 2000, respectively.

The Company has a credit agreement with Residential Funding Corporation (RFC). The credit agreement provides for a revolving line of credit of up to \$100.0 million, and bears interest at 1.00% per annum over LIBOR. The agreement expires on August 31, 2001. During the quarter, the Company had a maximum of \$91.6 million revolving line of credit principal outstanding. At March 31, 2001, the Company had \$0.6 million revolving line of credit principal outstanding.

#### 5. Commitments and Contingencies

Between November 12, and December 6, 2000, five putative class actions were filed in the Court of Chancery of the State of Delaware in and for New Castle County by various of the Company's stockholders against the Company, its directors and the group which has proposed to take the Company private. A similar action was also filed on November 17, 2000 in the Superior Court of the State of California in and for the County of Los Angeles. These actions all alleged that the offering price for the going private transaction was unfair and inadequate and sought injunctive relief or rescission of the merger transactions and, in the alternative, money damages.

The five Delaware actions have been consolidated. As of February 23, 2001, the parties to the Delaware litigation entered into a memorandum of understanding in which they agreed in principle to a settlement. The memorandum provides, among other things:

- . that the defendants admit no liability or wrongdoing whatsoever;
- . that the members of the going private group acknowledge that the pendency and prosecution of the Delaware litigation were positive contributing factors to its decision to increase the merger consideration;
- . for the certification of a settlement class and the entry of a final judgment granting a full release of the defendants; and
- . for attorneys' fees in an amount not to exceed \$380,000.

There are numerous conditions to the settlement proposed by the memorandum including the closing of the merger.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited)

The parties may not be able to complete a mutually acceptable stipulation of settlement, and, if so, the litigation will continue. In addition, no agreements have been reached with respect to any settlement of the California action.

In December 1996, GMH Associates, Inc. (GMH) filed a lawsuit against Prudential Realty Group (Prudential) and the Company in Superior Court of Pennsylvania, Franklin County, alleging various contractual and tort claims against Prudential, the seller of a large office complex, and the Company, its agent in the sale, contending that Prudential breached its agreement to sell

the property to GMH, breached its duty to negotiate in good faith, conspired with the Company to conceal from GMH that Prudential was negotiating to sell the property to another purchaser and that Prudential and the Company misrepresented that there were no other negotiations for the sale of the property. Following a non-jury trial, the court rendered a decision in favor of GMH and against Prudential and the Company, awarding GMH \$20.3 million in compensatory damages, against Prudential and the Company jointly and severally, and \$10.0 million in punitive damages, allocating the punitive damage award \$7.0 million as against Prudential and \$3.0 million as against the Company. Following the denial of motions by Prudential and the Company for a new trial, a judgment was entered on December 3, 1998. Prudential and the Company filed an appeal of the judgment. On March 3, 2000, the appellate court in Pennsylvania reversed all of the trial courts' decisions finding that liability was not supported on any theory claimed by GMH and directed that a judgment be entered in favor of the defendants including the Company. The plaintiff filed an appeal with the Pennsylvania Supreme Court which was denied. The plaintiff has exhausted all appeal possibilities and judgment has been entered in favor of all defendants.

In August 1993, a former commissioned sales person of the Company filed a lawsuit against the Company in the Superior Court of New Jersey, Bergen County, alleging gender discrimination and wrongful termination by the Company. On November 20, 1996, a jury returned a verdict against the Company, awarding \$1.5 million in general damages and \$5.0 million in punitive damages to the plaintiff. Subsequently, the trial court awarded the plaintiff \$0.6 million in attorneys' fees and costs. Following denial by the trial court of the Company's motions for a new trial, reversal of the verdict and reduction of damages, the Company filed an appeal of the verdict and requested a reduction of damages. On March 9, 1999 the appellate court ruled in the Company's favor, reversed the trial court's decision and ordered a new trial. On February 16, 2000, the Supreme Court of New Jersey reversed the decision of the appellate court, concluded that the general damage award in the trial court should be sustained and returned the case to the appellate court for a determination as to whether a new trial should be ordered on the issue of punitive damages. In April 2000, the Company settled the compensatory damages claim, including interest, and all claims to date with respect to attorneys fees by paying to the plaintiff the sum of \$2.75 million leaving only the punitive damage claim for resolution. The plaintiff also agreed, with very limited exceptions, that no matter what the outcome of the punitive damage claim the Company would not be responsible for more than 50% of the plaintiff's future attorney fees. In February 2001, the Company settled all remaining claims for the sum of \$2.0 million and received a comprehensive release.

The Company is a party to a number of pending or threatened lawsuits arising out of, or incident to, its ordinary course of business. Based on available cash and anticipated cash flows, the Company believes that the ultimate outcome will not have an impact on the Company's ability to carry on its operations. Management believes that any liability that may result from disposition of these lawsuits will not have a material effect on the Company's consolidated financial position or results of operations.

An important part of the strategy for the Company's investment management business involves investing its own capital in certain real estate investments with its clients. As of March 31, 2001, the Company had committed \$40.6 million to fund future co-investments.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited)

#### 6. Comprehensive Loss

Comprehensive loss consists of net income (loss) and other comprehensive loss. Accumulated other comprehensive loss consists of foreign currency translation adjustments. For the three months ended March 31, 2001, total comprehensive loss was \$12.5 million, which consists of foreign currency translation loss of \$9.6 million. For the three months ended March 31, 2000, total comprehensive loss was \$3.2 million, which consists of foreign currency translation loss.

#### 7. Per Share Information

Basic (loss) earnings per share was computed by dividing net (loss) income by the weighted average number of common shares outstanding of 21,309,550 and 20,819,268 for the three months ended March 31, 2001 and 2000, respectively. As a result of operating losses incurred for the three months ended March 31, 2001, diluted weighted average shares outstanding do not give effect to common stock equivalents, as to do so would be anti-dilutive. At March 31, 2000, the computation of diluted earnings per share further assumes the dilutive effect

of 31,916 common stock equivalents, which consisted principally of stock options.

#### 8. Industry Segments

The Company reports its operations through three business segments: Transaction Management, Financial Services and Management Services. The Company has a number of lines of business which are aggregated, reported and managed through these three segments. The Transaction Management segment is the Company's largest generator of revenue and includes Brokerage Services, Corporate Services and Investment Property activities. Brokerage Services includes activities that provide sales, leasing and consulting services in connection with commercial real estate and is the Company's primary revenue source. Corporate Services focuses on building relationships with large corporate clients which generate recurring revenue. Investment Property activities provide brokerage services for commercial real property marketed for sale to institutional and private investors. The Financial Services segment provides commercial mortgage, valuation, investment management and consulting and research services. The current year results of Financial Services include a nonrecurring pre-tax gain of \$5.6 million from the sale of mortgage fund management contracts. The Management Services segment provides facility management services to corporate real estate users and property management and related services to owners. Prior year quarter includes a \$4.7 million nonrecurring pre-tax gain on the sale of certain non-strategic assets.

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#### CB RICHARD ELLIS SERVICES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

(Unaudited)

The following unaudited table summarizes the revenue, cost and expenses, and operating (loss) income by operating segment for the three months ended March 31, 2001 and 2000:

<TABLE>  
<CAPTION>

	Three Months Ended March 31	
	2001	2000
	(Dollars in thousands)	
<S>	<C>	<C>
Revenue		
Transaction Management.....	\$179,981	\$178,459
Financial Services.....	55,919	41,397
Management Services.....	36,598	41,063
	-----	-----
	\$272,498	\$260,919
	=====	=====
Operating (loss) income		
Transaction Management.....	\$ (4,130)	\$ 4,631
Financial Services.....	6,849	805
Management Services.....	(394)	3,803
	-----	-----
	2,325	9,239
Interest income.....	800	489
Interest expense.....	9,055	9,685
	-----	-----
(Loss) income before (benefit) provision for income tax....	\$ (5,930)	\$ 43
	=====	=====

#### Geographic Information

Revenue		
Americas		
United States.....	\$211,009	\$198,500
Canada, South and Central America.....	11,504	9,199
	-----	-----
	222,513	207,699
Pacific.....	7,690	8,014
Asia.....	9,015	9,733
Europe, Middle East and Africa.....	33,280	35,473
	-----	-----
	\$272,498	\$260,919
	=====	=====

</TABLE>

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of CB Richard Ellis Services, Inc.:

We have audited the accompanying consolidated balance sheets of CB Richard Ellis Services, Inc. (a Delaware corporation) as of December 31, 2000, and 1999, and the related consolidated statements of operations, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2000. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CB Richard Ellis Services, Inc. as of December 31, 2000, and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Los Angeles, California  
February 24, 2001

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

<TABLE>  
<CAPTION>

	December 31	
	2000	1999
	-----	-----
<S>	<C>	<C>
	ASSETS	
	-----	
Current Assets:		
Cash and cash equivalents.....	\$ 20,854	\$ 27,844
Receivables, less allowance for doubtful accounts of \$12,631 and \$15,560 at December 31, 2000 and 1999.....	176,908	168,276
Prepaid expenses.....	8,017	8,370
Deferred taxes, net.....	11,139	11,758
Other current assets.....	6,127	10,596
	-----	-----
Total current assets.....	223,045	226,844
Property and equipment, net.....	75,992	70,149
Goodwill, net of accumulated amortization of \$56,417 and \$41,008 at December 31, 2000 and 1999.....	423,975	445,010
Other intangible assets, net of accumulated amortization of \$289,038 and \$279,156 at December 31, 2000 and 1999...	46,432	57,524
Cash surrender value of insurance policies, deferred compensation plan.....	53,203	20,442
Investment in and advances to unconsolidated subsidiaries.....	41,325	38,514
Deferred taxes, net.....	32,327	28,190
Prepaid pension costs.....	25,235	26,323
Other assets.....	41,571	16,487
	-----	-----
Total assets.....	\$963,105	\$ 929,483
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

-----



Current Liabilities		
Accounts payable and accrued expenses.....	\$ 83,673	\$ 81,068
Compensation and employee benefits.....	79,801	84,357
Accrued bonus and profit sharing.....	117,878	81,394
Income taxes payable.....	28,260	18,429
Current maturities of long-term debt.....	10,593	6,765
	-----	-----
Total current liabilities.....	310,205	272,013
Long-term debt:		
Senior subordinated notes, less unamortized discount of \$1,664 and \$1,892 at December 31, 2000 and 1999.....	173,336	173,108
Revolving credit facility.....	110,000	160,000
Other long-term debt.....	20,235	24,764
	-----	-----
Total long-term debt.....	303,571	357,872
Deferred compensation liability.....	80,503	47,202
Other liabilities.....	29,739	38,787
	-----	-----
Total liabilities.....	724,018	715,874
Minority interest.....	3,748	3,872
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 8,000,000 shares authorized; no shares issued or outstanding.....	--	--
Common stock, \$0.01 par value; 100,000,000 shares authorized; 20,605,023 and 20,435,692 shares issued and outstanding at December 31, 2000 and 1999.....	217	213
Additional paid-in capital.....	364,168	355,893
Notes receivable from sale of stock.....	(11,847)	(8,087)
Accumulated deficit.....	(89,097)	(122,485)
Accumulated other comprehensive loss.....	(12,258)	(1,928)
Treasury stock at cost, 1,072,155 and 885,100 shares at December 31, 2000 and 1999.....	(15,844)	(13,869)
	-----	-----
Total stockholders' equity.....	235,339	209,737
	-----	-----
Total liabilities and stockholders' equity.....	\$963,105	\$ 929,483
	=====	=====

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except share and per share data)

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue:			
Leases.....	\$ 539,419	\$ 448,091	\$ 371,300
Sales.....	389,745	394,718	357,718
Property and facilities management fees...	110,654	110,111	86,379
Consulting and referral fees.....	78,714	73,569	72,586
Appraisal fees.....	75,055	71,050	48,082
Loan origination and servicing fees.....	58,190	45,940	39,402
Investment management fees.....	42,475	28,929	33,145
Other.....	29,352	40,631	25,891
	-----	-----	-----
Total revenue.....	1,323,604	1,213,039	1,034,503
Costs and Expenses:			
Commissions, fees and other incentives....	634,639	559,289	458,463
Operating, administrative and other.....	538,481	536,381	448,794
Merger-related and other nonrecurring charges.....	--	--	16,585
Depreciation and amortization.....	43,199	40,470	32,185
	-----	-----	-----
Operating income.....	107,285	76,899	78,476
Interest income.....	2,554	1,930	3,054
Interest expense.....	41,700	39,368	31,047
	-----	-----	-----
Income before provision for income tax.....	68,139	39,461	50,483
Provision for income tax.....	34,751	16,179	25,926
	-----	-----	-----
Net income.....	\$ 33,388	\$ 23,282	\$ 24,557

Deemed dividend on preferred stock.....	\$	--	\$	--	\$	32,273
Net income (loss) applicable to common stockholders.....	\$	33,388	\$	23,282	\$	(7,716)
Basic earnings (loss) per share.....	\$	1.60	\$	1.11	\$	(0.38)
Weighted average shares outstanding for basic earnings (loss) per share.....		20,931,111		20,998,097		20,136,117
Diluted earnings (loss) per share.....	\$	1.58	\$	1.10	\$	(0.38)
Weighted average shares outstanding for diluted earnings (loss) per share.....		21,097,240		21,072,436		20,136,117

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income.....	\$ 33,388	\$ 23,282	\$ 24,557
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization excluding deferred financing costs.....	43,199	40,470	32,185
Amortization of deferred financing costs....	2,069	1,696	1,184
Deferred compensation deferrals.....	43,557	25,932	14,738
(Gain) loss on sale of properties, businesses and servicing rights.....	(10,184)	(9,865)	2,058
Equity interest in earnings of unconsolidated subsidiaries.....	(7,112)	(7,528)	(3,443)
Minority interest.....	607	2,016	730
Provision for litigation, doubtful accounts and other.....	5,125	4,724	5,185
Deferred income tax (benefit) provision....	(4,083)	(12,688)	14,394
Increase in receivables.....	(12,545)	(37,640)	(24,846)
Increase in cash surrender value of insurance policies, deferred compensation plan.....	(32,761)	(20,442)	--
Increase in compensation and employee benefits payable and accrued bonus and profit share...	24,418	37,339	7,782
(Decrease) increase in accounts payable and accrued expenses.....	(3,201)	1,346	2,615
Increase in income taxes payable.....	11,074	16,696	8,913
(Decrease) increase in other liabilities.....	(9,553)	7,583	(9,536)
Net change in other operating assets and liabilities.....	114	1,090	98
Net cash provided by operating activities..	84,112	74,011	76,614
Cash flows from investing activities:			
Purchases of property and equipment.....	(26,921)	(35,130)	(29,715)
Proceeds from sale of inventoried property....	--	7,355	--
Proceeds from sale of properties, businesses and servicing rights.....	17,495	12,072	--
Purchase of investments.....	(23,413)	(1,019)	--
Increase in intangible assets and goodwill....	(3,119)	(5,331)	(14,595)
Acquisition of businesses including net assets acquire intangibles and goodwill.....	(3,442)	(8,931)	(189,895)
Other investing activities, net.....	3,678	4,217	10,685
Net cash used in investing activities.....	(35,722)	(26,767)	(223,520)
Cash flows from financing activities:			
Proceeds from revolving credit facility.....	179,000	165,000	315,000
Repayment of revolving credit facility.....	(229,000)	(172,000)	(268,000)
Proceeds from senior subordinated term loan...	--	--	172,788
Repayment of inventoried property loan.....	--	(7,093)	(377)
Proceeds from (repayment of) senior notes and other loans, net.....	588	(12,402)	(14,324)

Payment of dividends payable.....	--	--	(5,000)
Repurchase of preferred stock.....	--	--	(72,331)
Repurchase of common stock.....	(2,018)	(4,986)	(8,883)
Repayment of capital leases.....	(1,373)	(1,340)	(1,655)
Minority interest payments.....	(2,180)	(3,801)	(2,902)
Other financing activities, net.....	1,460	(1,099)	5,122
	-----	-----	-----
Net cash (used in) provided by financing activities.....	(53,523)	(37,721)	119,438
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(5,133)	9,523	(27,468)
Cash and cash equivalents, at beginning of period.....	27,844	19,551	47,181
Effect of exchange rate changes on cash.....	(1,857)	(1,230)	(162)
	-----	-----	-----
Cash and cash equivalents, at end of period...	\$ 20,854	\$ 27,844	\$ 19,551
	=====	=====	=====

Supplemental data:

Cash paid during the period for:

Interest (none capitalized).....	\$ 38,352	\$ 36,997	\$ 27,528
Income taxes, net.....	\$ 27,607	\$ 12,689	\$ 3,395

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Dollars in thousands)

<TABLE>

<CAPTION>

	Preferred Stock	Common Stock	Additional Paid-in capital	Notes receivable from sale of stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1997.....	\$ 40	\$188	\$333,981	\$ (5,956)	\$ (170,324)	\$ (158)	\$ --	\$157,771
Net income.....	--	--	--	--	24,557	--	--	24,557
Common stock issued for incentive plans.....	--	1	962	(962)	--	--	--	1
Contributions, deferred compensation plan.....	--	--	5,361	--	--	--	--	5,361
Collection on, net of cancellation of notes receivable from employee stock incentive plan.....	--	--	(646)	1,264	--	--	--	618
Common stock issued for REI and HP acquisitions.....	--	15	58,486	--	--	--	--	58,501
Shares issued for Capital Accumulation Plan.....	--	--	2,889	--	--	--	--	2,889
Common stock options exercised.....	--	7	8,835	--	--	--	--	8,842
Amortization of cheap stock.....	--	--	312	--	--	--	--	312
Tax deduction from issuance of stock.....	--	--	11,907	--	--	--	--	11,907
Foreign currency translation gain.....	--	--	--	--	--	1,297	--	1,297
Purchase of preferred stock.....	(40)	--	(72,291)	--	--	--	--	(72,331)
Purchase of common stock.....	--	--	--	--	--	--	(8,883)	(8,883)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1998.....	--	211	349,796	(5,654)	(145,767)	1,139	(8,883)	190,842
Net income.....	--	--	--	--	23,282	--	--	23,282
Common stock issued for incentive plans.....	--	2	2,534	(2,534)	--	--	--	2
Contributions, deferred compensation plan.....	--	--	2,094	--	--	--	--	2,094
Collection on, net of cancellation of notes receivable from employee stock incentive plan.....	--	--	--	101	--	--	--	101

Common stock options exercised.....	--	--	449	--	--	--	--	449
Amortization of cheap stock.....	--	--	312	--	--	--	--	312
Tax deduction from issuance of stock.....	--	--	708	--	--	--	--	708
Foreign currency translation loss.....	--	--	--	--	--	(3,067)	--	(3,067)
Purchase of common stock.....	--	--	--	--	--	--	(4,986)	(4,986)
-----								
Balance, December 31, 1999.....	--	213	355,893	(8,087)	(122,485)	(1,928)	(13,869)	209,737
Net income.....	--	--	--	--	33,388	--	--	33,388
Common stock issued for incentive plans.....	--	4	4,310	(4,310)	--	--	--	4
Contributions, deferred compensation plan.....	--	--	2,729	--	--	--	--	2,729
Deferred compensation plan co-match.....	--	--	907	--	--	--	--	907
Collection on, net of cancellation of notes receivable from employee stock incentive plan.....	--	--	(550)	550	--	--	--	--
Amortization of cheap and restricted stock...	--	--	342	--	--	--	--	342
Tax deduction from issuance of stock.....	--	--	580	--	--	--	--	580
Foreign currency translation loss.....	--	--	--	--	--	(10,330)	--	(10,330)
Purchase of common stock.....	--	--	(43)	--	--	--	(1,975)	(2,018)
-----								
Balance, December 31, 2000.....	\$ --	\$217	\$364,168	\$(11,847)	\$ (89,097)	\$ (12,258)	\$(15,844)	\$235,339
=====								

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
	<C>	<C>	<C>
Net income.....	\$ 33,388	\$23,282	\$24,557
Other comprehensive (loss) income net of tax.....	(10,330)	(3,067)	1,297
-----			
Comprehensive income.....	\$ 23,058	\$20,215	\$25,854
=====			

</TABLE>

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

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CB Richard Ellis Services, Inc. (the Company) and majority owned and controlled subsidiaries. The equity attributable to minority shareholders' interests in subsidiaries is shown separately in the balance sheets. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company's investments in unconsolidated subsidiaries in which it has the

ability to exercise significant influence over operating and financial policies, but does not control, are accounted for by using the equity method. Accordingly, the Company's share of the earnings of these equity basis companies is included in consolidated net income. All other investments held on a long-term basis are valued at cost less any permanent impairment in value.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an original maturity of less than three months. The Company controls certain cash and cash equivalents as agent for its investment and property management clients. These amounts are not included in the consolidated balance sheets.

#### Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of an acquisition over the Company's interest in the fair value of the net identifiable assets acquired. Goodwill is carried at cost less accumulated amortization and amortized on a straight-line basis. Net goodwill at December 31, 2000 consisted of \$405.7 million related to the 1995 through 2000 acquisitions which is being amortized over an estimated useful life of 30 years and \$18.3 million related to the Company's original acquisition in 1989 which is being amortized over an estimated useful life of 40 years.

Net other intangible assets at December 31, 2000 included \$6.0 million of deferred financing costs and \$40.4 million of intangibles stemming from the 1995 through 2000 acquisitions. These are amortized on a straight-line basis over the estimated useful lives of the assets up to 12 years.

The Company periodically evaluates the recoverability of the carrying amount of goodwill and other intangible assets. In this assessment, the Company considers macro market conditions and trends in the Company's relative market position, its capital structure, lender relationships and the estimated undiscounted future cash flows associated with these assets. If any of the significant assumptions inherent in this assessment materially change due to market, economic and/or other factors, the recoverability is assessed based on the revised assumptions and resultant undiscounted cash flows. If the analysis indicates impairment, it would be recorded in the period the changes occur based on the fair value of the goodwill and other intangible assets.

#### Property, Plant and Equipment

The Company capitalizes expenditures that materially increase the life of the related assets and charges the cost of maintenance and repairs to expense. Upon sale or retirement, the capitalized costs and related accumulated depreciation or amortization are eliminated from the respective accounts, and the resulting gain or loss is included in operating income.

Depreciation is computed primarily using the straight line method over estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized over the term of the respective leases, excluding options

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CB RICHARD ELLIS SERVICES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

to renew. Equipment under capital leases is depreciated over the related term of the leases. The Company periodically reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any of the significant assumptions inherent in this assessment materially change due to market, economics, and/or other factors, the recoverability is assessed based on the revised assumptions. If this analysis indicates that such assets are considered to be impaired, the impairment is recognized in the period the changes occur and is measured by the amount in which the carrying value exceeds the fair value of the asset.

#### Income Recognition

Real estate commissions on sales are recorded as income upon close of escrow or upon transfer of title. Real estate commissions on leases are generally recorded as income once the Company satisfies all obligations under the commission agreement, which generally occurs upon the earlier of the date of occupancy or cash receipt, if cash is received prior to occupancy. The existence of any significant future contingencies will result in the delay of recognition of income until such contingency is satisfied. If, for example, the tenant has a free rent period, lease revenue is not recorded until the first month's rent is paid. Investment management fees and 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 the Company has no significant remaining obligations for performance in connection with the loan transaction, while loan servicing fees are recorded as principal and interest

payments are collected from mortgagors. Other commissions and fees are recorded as income at the time the related services have been performed unless significant future contingencies exist. The adoption of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," did not have a material effect on our operations or financial position.

#### Foreign Currencies

The financial statements of subsidiaries located outside the United States (US) are generally measured using the local currency as the functional currency. The assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date and income and expenses are translated at the average monthly rate. The currency effects of translating the financial statements of these non-US operations of the Company are included in the "Accumulated other comprehensive income (loss)" component of stockholders' equity. Gains and losses resulting from foreign currency transactions are included in the results of operations. The aggregate transaction gains and losses included in the consolidated statements of operations are a \$3.1 million loss, \$1.1 million gain and \$0.2 million loss for 2000, 1999 and 1998, respectively.

#### Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments.

#### Accounting for Transfers and Servicing

The Company follows Statement of Financial Accounting Standards (SFAS) No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments in accounting for loan sales and acquisition of servicing rights. Under SFAS No. 125, the Company is required to recognize, at fair value, financial and servicing assets it has acquired control over and related liabilities it has incurred and amortize them over the period of estimated net servicing income or loss. Write-off of the asset is required when control is surrendered. The fair value of these servicing rights resulted in a gain, which is reflected in the Consolidated Statements of Operations, with a corresponding servicing asset of approximately \$0.7 million and \$0.8 million, at December 31, 2000 and 1999, respectively, which is reflected in the Consolidated Balance Sheets.

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CB RICHARD ELLIS SERVICES, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the US requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the reporting periods. Actual results could differ from those estimates. Management believes that these estimates provide a reasonable basis for the fair presentation of its financial condition and results of operations.

#### Stock Based Compensation

The Company has elected to apply the provisions of Accounting Principles Board (APB) Opinion No. 25 and provide the pro forma disclosure requirements of SFAS No. 123, Accounting for Stock Based Compensation in the footnotes to its consolidated financial statements. SFAS No. 123 requires pro forma disclosure of net income and, if presented, earnings per share, as if the fair-value based method of accounting defined in this statement had been applied. APB Opinion No. 25 and related interpretations require accounting for stock compensation awards based on their intrinsic value as of the grant date.

#### Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with SFAS 109, Accounting for Income Taxes. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax basis of assets and liabilities and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured by applying enacted tax rates and laws to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

#### New Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral established by SFAS 125. In addition, this statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Company does not perform these types of transactions. This statement is effective for all transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company is evaluating the impact of SFAS 140 on its results of operation and financial position for these types of transactions.

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities--an Amendment of FASB Statement No. 133. SFAS No. 138 amends the accounting and reporting for certain derivative instruments and hedging activities and is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 138 is not expected to have a material impact on earnings or other components of comprehensive income of the Company.

In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133, which deferred the effective date of SFAS No. 133 for one year. SFAS No. 137 is effective for all fiscal quarters of all fiscal years beginning after

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

June 15, 2000. SFAS No. 137 is not anticipated to have a material impact on earnings or other components of comprehensive income as the Company had no derivatives outstanding at December 31, 2000.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 133 is not expected to have a material impact on earnings or other components of comprehensive income as the Company had no derivatives outstanding at December 31, 2000.

#### Reclassifications

Some reclassifications, which do not have an effect on net income, have been made to the 1999 and 1998 financial statements to conform to the 2000 presentation.

#### 2. Acquisitions and Dispositions

During 2000, the Company acquired five companies with an aggregate purchase price of approximately \$3.4 million in cash, \$0.7 million in notes, plus additional payments over the next five years based on acquisition earnout agreements. These payments will supplement the purchase price and be recorded as additional goodwill. The most significant acquisition in 2000 was the purchase of Boston Mortgage Capital Corporation (Boston Mortgage), through L.J. Melody, for approximately \$2.1 million, plus supplemental payments based on an acquisition earnout agreement. Boston Mortgage provides further mortgage banking penetration into the northeast. It services approximately \$1.8 billion in loans covering roughly 175 commercial properties throughout New England, New York and New Jersey.

In February 2000, the Company sold certain non-strategic assets for cash proceeds of \$8.4 million, resulting in a pre-tax gain of \$4.7 million.

During 1999, the Company acquired four companies with an aggregate purchase price of approximately \$13.8 million. The two significant acquisitions were Eberhardt Company which was acquired in September 1999 through L.J. Melody for approximately \$7.0 million and Profi Nordic which was acquired in February 1999 through CBRE Profi Acquisition Corp. (formerly Koll Tender III) for approximately \$5.5 million.

During 1999, the Company sold five of its smaller non-strategic offices

(Bakersfield and Fresno, California; Albuquerque, New Mexico; Reno, Nevada; and Salt Lake City, Utah) for a total of approximately \$7.0 million received in cash and notes. It also sold an insurance operation which was used to help property management and other clients with complex insurance problems for \$3.0 million in receivables. These sales resulted in a pre-tax gain of \$8.7 million.

On October 20, 1998 the Company, through L.J. Melody, purchased Carey, Brumbaugh, Starman, Phillips, and Associates, Inc., a regional mortgage banking firm for approximately \$5.6 million in cash and approximately \$2.4 million in notes bearing interest at 9.0% with three annual payments which began in October 1999. Approximately \$0.2 million of the \$2.4 million notes was accounted for as deferred cash compensation to select key executives. The acquisition was accounted for as a purchase. The purchase price has

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

largely been allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives of 7 and 30 years, respectively.

On October 1, 1998 the Company purchased the remaining ownership interests that it did not already own in the Richard Ellis Australia and New Zealand businesses. The costs for the remaining interest was \$20.0 million in cash. Virtually all of the revenue of these locations is derived from brokerage and appraisal services. The acquisition was accounted for as a purchase. The purchase price has largely been allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives ranging up to 30 years.

On September 22, 1998 the Company purchased the approximately 73.0% interest that it did not already own in CB Commercial Real Estate Group of Canada, Inc. The Company acquired the remaining interest for approximately \$14.3 million in cash. The acquisition was accounted for as a purchase. The purchase price has been largely allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives ranging up to 30 years.

On July 7, 1998 the Company acquired the business of Hillier Parker May and Rowden, now known as CB Hillier Parker Limited (HP), a commercial property services partnership operating in the United Kingdom (UK). The acquisition was accounted for as a purchase. The purchase price for HP included approximately \$63.6 million in cash and \$7.1 million in shares of the Company's common stock. In addition, the Company assumed a contingent payout plan for key HP employees with a potential payout over three years of approximately \$13.9 million and assumed various annuity obligations of approximately \$15.0 million. The purchase price has largely been allocated to goodwill which is amortized on a straight line basis over its estimated useful life of 30 years.

On July 1, 1998 the Company increased its ownership percentage in CB Commercial/Arnheim & Neely, an existing partnership formed in September 1996, which then combined with the Galbreath Company Mid-Atlantic to form CB Richard Ellis/Pittsburgh, LP. The total purchase price of the Company's 50% interest in the combined enterprise is \$5.7 million.

On May 31, 1998 the Company acquired Mathews Click and Associates, a property sales, leasing, and management firm, for approximately \$10.0 million in cash and potential supplemental payments of \$1.9 million which were contingent upon operating results, payable to the sellers over a period of two years. The acquisition was accounted for as a purchase. The total purchase price including potential supplemental payments was allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives of 7 and 30 years, respectively.

Effective May 1, 1998 the Company, through L.J. Melody, acquired Shoptaw-James, Inc. (Shoptaw-James), a regional mortgage banking firm, for approximately \$6.3 million in cash and approximately \$2.7 million in notes bearing interest at 9.0% with three annual payments which began in May 1999. The acquisition was accounted for as a purchase. Approximately \$0.3 million of the \$2.7 million notes are being accounted for as compensation over the term of the notes as the payment of these notes are contingent upon select key executives' and producers' continued employment with the Company. Approximately \$2.4 million of the \$2.7 million is being accounted for as supplemental payments to the sellers over a period of three years. The purchase price and supplemental payments have largely been allocated to intangibles and goodwill which are amortized on a straight line basis over their estimated useful lives of 7 and 30 years, respectively.

On April 17, 1998 the Company purchased all of the outstanding shares of CB Commercial Limited, formerly known as REI Limited (REI), an international commercial real estate services firm operating under the name Richard Ellis in major commercial real estate markets worldwide (excluding the UK). The acquisition



## CB RICHARD ELLIS SERVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

was accounted for as a purchase. The purchase price has largely been allocated to goodwill, which is amortized on a straight line basis over an estimated useful life of 30 years. The purchase price for REI was approximately \$104.8 million of which approximately \$53.3 million was paid in cash and notes and approximately \$51.5 million was paid in shares of the Company's common stock. In addition, the Company assumed approximately \$14.4 million of long-term debt and minority interest. The Company incurred a one-time charge of \$3.8 million associated with the integration of REI's operations and systems into the Company's.

On February 1, 1998 the Company, through L.J. Melody, acquired all of the issued and outstanding stock of Cauble and Company of Carolina, a regional mortgage banking firm for approximately \$2.2 million, including cash payments of approximately \$1.8 million and a note payable of approximately \$0.4 million bearing interest at 9.0% with principal payments starting in April 1998. The acquisition was accounted for as a purchase. The purchase price has been largely allocated to intangibles and goodwill, which are amortized on a straight line basis over their estimated useful lives of 7 and 30 years, respectively.

On January 31, 1998 the Company, through L.J. Melody, acquired certain assets of North Coast Mortgage Company, a regional mortgage banking firm for cash payments of approximately \$3.0 million and approximately \$0.9 million in notes. Approximately \$0.3 million of the \$0.9 million notes have been accounted for as supplemental payments to the sellers and approximately \$0.6 million as deferred compensation to certain key executives and producers payable in three annual installments which began in February 1999. The acquisition was accounted for as a purchase. The purchase price and supplemental payments have largely been allocated to intangibles and goodwill, which are amortized on a straight line basis over their estimated useful lives of 7 and 30 years, respectively. The \$0.6 million of deferred cash compensation is being accounted for as compensation over the term of the agreements as the payment of the compensation is contingent upon select key executives' and producers' continued employment with the Company.

The assets and liabilities of certain acquired companies, along with the related goodwill, intangibles and indebtedness, are reflected in the accompanying consolidated financial statements at December 31, 2000. The results of operations of the acquired companies are included in the consolidated results from the dates they were acquired. The unaudited pro forma results of operations of the Company for the year ended December 31, 1998, assuming the REI acquisition had occurred on January 1, 1998, would have been as follows (amounts in thousands, except per share data):

<TABLE>  
<CAPTION>

	Year Ended December 31, 1998
	-----
<S>	<C>
Revenue.....	\$1,051,114
Net income.....	15,586
Net loss applicable to common stockholders.....	(16,687)
Loss per share	
Basic.....	(0.81)
Diluted.....	(0.81)

</TABLE>

For the year ended December 31, 1998, net loss applicable to common stockholders includes a deemed dividend of \$32.3 million on the repurchase of the Company's preferred stock. The pro forma results do not necessarily represent results which would have occurred if the acquisitions had taken place on the date assumed above, nor are they indicative of the results of future combined operations. The amounts are based upon certain assumptions and estimates, and do not reflect any benefit from economies which might be achieved from combined operations. Further, REI historical results for the first three months of 1998 include certain nonrecurring adjustments.

## CB RICHARD ELLIS SERVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

## 3. Property and Equipment

Property and equipment is stated at cost and consists of the following (in thousands):

<TABLE>  
<CAPTION>

	December 31	
	2000	1999
<S>	<C>	<C>
Buildings and improvements.....	\$ 17,354	\$ 19,273
Furniture and equipment.....	128,678	111,840
Equipment under capital leases.....	28,765	29,800
	174,797	160,913
Accumulated depreciation and amortization.....	(98,805)	(90,764)
Property and equipment, net.....	\$ 75,992	\$ 70,149

</TABLE>

The Company sold its headquarters building in downtown Los Angeles, California, in September 1999 and a small office building in Phoenix, Arizona in October 1999, both at a minimal loss. Depreciation expense was \$19.2 million, \$17.1 million and \$14.8 million during 2000, 1999 and 1998, respectively.

#### 4. Investments in and Advances to Unconsolidated Subsidiaries

Investments in and advances to unconsolidated subsidiaries as of December 31, 2000 and 1999 are as follows (in thousands):

<TABLE>  
<CAPTION>

		December 31	
	Interest	2000	1999
<S>	<C>	<C>	<C>
CB Commercial/Whittier Partners, LP.....	50.0%	\$10,173	\$ 9,646
CBRE Pittsburgh.....	50.0%	6,261	5,853
Ikoma CB Richard Ellis K.K.....	20.0%	3,695	2,523
Strategic Partners (CBRE Investors).....	3.4%	3,659	--
Building Technology Engineers.....	49.9%	2,595	--
CBRE Corp Partners, LLC.....	9.1%	2,510	1,453
Other.....	*	12,432	19,039
		\$41,325	\$38,514

</TABLE>

\* Various interests with varying ownership rates.

Unaudited combined condensed financial information for the entities accounted for using the equity method is as follows (in thousands):

#### Consolidated Statement of Operations Information

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
	(Unaudited)		
<S>	<C>	<C>	<C>
Net revenue.....	\$241,902	\$172,365	\$72,911
Income from operations.....	59,936	43,088	27,921
Net income.....	50,183	32,795	23,678

</TABLE>

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Condensed Balance Sheet Information:

<TABLE>  
<CAPTION>

	December 31	
	2000	1999

	(Unaudited)	
<S>	<C>	<C>
Current assets.....	\$153,942	\$ 62,579
Noncurrent assets.....	777,718	689,286
Current liabilities.....	94,507	34,076
Noncurrent liabilities.....	302,530	249,546
Minority interest.....	519	1,115

</TABLE>

#### 5. Employee Benefit Plans

Option Plans. In conjunction with the North Coast Mortgage Company acquisition, options for 25,000 shares were granted with an exercise price representing the fair market value at date of grant of \$32.50 per share. On December 15, 1998, the option holders elected to change the exercise price to \$20.00 per share, which was above market value on the date of election, and simultaneously reduce the number of shares by 20%. The options vest over five years at a rate of 20% per year, expiring in February 2008. Options for 20,000 shares under the North Coast Mortgage Company acquisition were outstanding at December 31, 2000.

In conjunction with the Shoptaw-James acquisition, options for 25,000 shares were granted with an exercise price representing a fair market value of \$37.32 per share on the date of grant. On December 15, 1998 the option holders elected to change the exercise price to \$20.00 per share, which was above market value on the date of election, and simultaneously reduce the number of shares by 20%. The options vest over five years at a rate of 20% per year, expiring in May 2008. Options for 20,000 shares under the Shoptaw-James acquisition were outstanding at December 31, 2000.

In October 1998, in conjunction with the Carey, Brumbaugh acquisition, options for 25,000 shares were granted with an exercise price representing a fair market of \$19.44 per share on the grant date. The options vest over five years at a rate of 20% per year, expiring in September 2008. Options for 25,000 shares under the Carey, Brumbaugh acquisition were outstanding at December 31, 2000.

In April 1998, in conjunction with the REI acquisition, the Company approved the assumption of the options outstanding under the REI Limited Stock Option Plan. These options for 46,115 shares of common stock were issued and exercised immediately at \$14.95 per share in exchange for existing REI options. Also in conjunction with the REI acquisition, the Company granted options for 475,677 shares at an exercise price equal to fair market value at date of grant of \$33.76 per share. On December 15, 1998 select holders of stock options elected to change the exercise price of their options to \$20.00 per share, which was above market value on the date of election, and simultaneously reduce the number of shares by 20%. During 2000, the Company granted options for 58,000 shares of common stock at an exercise price of \$12.88 per share. All options were granted at an exercise price equal to fair market value at date of grant. The vesting periods of these options range from three to five years and they expire at various dates through August 2010. Options for 492,984 shares were outstanding under the REI Limited Stock Option Plan at December 31, 2000.

A total of 700,000 shares of common stock have been reserved for issuance under the Company's 1997 Employee Stock Option Plan. On December 15, 1998, select holders of stock options with an exercise price in excess of \$20.00 per share elected to change the exercise price of their options to \$20.00 per share, which was above market value on the date of election and simultaneously reduce the number of shares by 20%. During 2000, the Company granted options for 105,000 shares of common stock at exercise prices ranging from \$10.38 to \$12.85 per share. All options were granted at an exercise price equal to fair market value at date of grant.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The vesting periods for these options range from approximately four to five years and they expire at various dates through August 2010. Options for 692,060 shares were outstanding under the 1997 Employee Stock Option Plan at December 31, 2000.

In August 1997, in conjunction with the Koll acquisition, the Company approved the assumption of the options outstanding under the KMS Holding Company Amended 1994 Stock Option Plan (now known as the CBC Substitute Option Plan (CBCSP)) and the Koll Acquisition Stock Option Plan (KASOP). Under the CBCSP, 407,087 stock options were issued with exercise prices ranging from \$12.89 to \$18.04 per share in exchange for existing Koll options. These options were immediately exercisable and expire at various dates through April 2006. All options were granted at an exercise price equal to fair market value at date of grant. At December 31, 2000, 231,941 options were outstanding. Under the KASOP, options for 550,000 shares were approved for issuance to former

senior executives of Koll who became employees or directors of the Company. These options have exercise prices ranging from \$14.25 to \$36.75 per share and vesting periods ranging from immediate to three years. During 2000, the Company granted options for 20,000 shares of common stock under the KASOP at an exercise price of \$12.88 per share. These options expire at various dates through August 2010. Options for 550,000 shares were outstanding for the KASOP at December 31, 2000.

In August 1997, in conjunction with the Koll acquisition, the Company approved the issuance of warrants to purchase 599,967 shares. Of the outstanding warrants, 42,646 are attached to common stock obtainable under the CBC Substitute Option Plan and 555,741 are attached to shares of outstanding common stock. Each warrant is exercisable into one share of common stock at an exercise price of \$30.00 commencing in August 2000 and expiring in August 2004. At December 31, 2000, 598,387 warrants issued were outstanding.

A total of 90,750 shares of common stock have been reserved for issuance under the L.J. Melody Acquisition Stock Option Plan, which was adopted by the Board of Directors in September 1996 as part of the July 1996 acquisition of L.J. Melody. Options for all these shares have been issued at an exercise price of \$10.00 per share and vest over a period of five years at the rate of 5% per quarter and these options expire in June 2006. Options for 90,750 shares of common stock under the L.J. Melody Acquisition Stock Option Plan were outstanding at December 31, 2000.

A total of 600,000 shares of common stock have been reserved for issuance under the Company's 1991 Service Providers Stock Option Plan. In various years, options were granted below market price to select directors as partial payment for director fees. On December 15, 1998 select holders of stock options with an exercise price in excess of \$20.00 per share elected to change the exercise price of their options to \$20.00 per share, which was above market value on the date of election and simultaneously reduce the number of shares by 20%. During 2000, options for 39,000 shares were granted to select directors and executive officers at an exercise price equal to fair market value at date of grant ranging from \$11.81 to \$12.88 per share. These options vest from a zero to a five year period and expire at various dates through August 2010. Options for 583,888 shares were outstanding under the 1991 Service Providers Stock Option Plan at December 31, 2000.

A total of 1,000,000 shares of common stock have been reserved for issuance under the Company's 1990 Stock Option Plan. All options vest over a four year period, expiring at various dates through November 2006. Options for 35,000 shares under the 1990 Stock Option Plan were outstanding at December 31, 2000.

The Company completed the 1999 stock repurchase program on January 5, 2000. A total of 397,450 shares of common stock were purchased for a total of \$5.0 million. In 1998, a total of 488,900 shares of common stock were purchased for \$8.8 million. The shares purchased in 1999 and 1998 will be used to minimize the dilution caused by the exercise of stock options and the grant of stock purchase rights.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

A summary of the status of the Company's option plans at December 31, 2000, 1999 and 1998 and changes during the years then ended is presented in the table and narrative below:

<TABLE>

<CAPTION>

Stock Options and Warrants	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding beginning of the year.....	3,075,356	\$20.71	2,937,085	\$23.18	3,284,381	\$22.43
Granted.....	487,710	24.81	628,611	15.17	1,885,944	25.94
Exercised.....	--	--	(58,000)	10.00	(824,385)	10.73
Forfeited/Expired.....	(223,056)	19.84	(432,340)	31.64	(1,408,855)	32.42
Outstanding end of year.....	3,340,010	\$21.25	3,075,356	20.71	2,937,085	\$23.18
Exercisable at end of year.....	1,824,665	\$23.90	770,756	\$21.86	830,289	\$21.94
Weighted average fair value of options						

granted during the			
year.....	\$ 6.72	\$ 8.84	\$12.27

Significant option and warrant groups outstanding at December 31, 2000 and related weighted average price and life information is presented below:

<TABLE>  
<CAPTION>

Range of Exercise Prices	Outstanding Options and Warrants			Exercisable Options and Warrants	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
\$00.38-\$10.38.....	167,594	5.32 yrs.	\$ 7.44	143,519	\$ 6.97
\$11.81-\$19.44.....	985,941	7.69 yrs.	14.48	327,141	14.48
\$20.00-\$23.75.....	1,273,754	6.84 yrs.	20.52	488,218	20.79
\$30.00-\$36.75.....	912,721	4.64 yrs.	32.11	865,787	32.02
	3,340,010		\$21.25	1,824,665	\$23.90

</TABLE>

Deferred Compensation Plan (the DCP). In 1994, the Company implemented the DCP. Under the DCP, a select group of management and highly compensated employees can defer the payment of all or a portion of their compensation (including any bonus). The DCP permits participating employees to make an irrevocable election at the beginning of each year to receive amounts deferred at a future date either in cash, which is an unsecured long-term liability of the Company, or in shares of common stock of the Company which elections are recorded as additions to stockholders' equity. In May 2000, the Company began repurchasing stock from the open market in order to minimize the dilutive effect of issuing stock pursuant to the DCP. As of December 31, 2000, the Company has repurchased 185,800 shares of common stock for \$2.0 million, which is reported as an increase in treasury stock. In 1999, the Company revised the DCP to add insurance products which function like mutual funds as an investment alternative and to fund the Company's obligation for deferrals invested in these insurance products. Prior to July 1, 2000, cash payments to purchase additional insurance products were made on the third business day of the month following the related DCP participant deferral. Currently, payments are made twice a month. For the year ended December 31, 2000, \$43.6 million was deferred and mainly allocated to the other investment products. The accumulated non-stock liability at December 31, 2000 was \$80.5 million and the assets (in the form of insurance proceeds) set aside to cover the liability was \$53.2 million. The total liability of \$92.0 million, including \$11.5 million deferred in stock, was charged to expense in the period of deferral and classified as deferred compensation plan liability, except for

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

stock which is included in stockholders' equity. On July 17, 2000, the Company announced a match of the stock portion of the DCP for the Plan Year 1999 in the amount of \$4.5 million, equivalent to 437,880 shares of common stock at a market price of \$10.38 per share. The vesting period is over five years with 20% vesting each year at December 31, 2000 through 2004. The related compensation expense will be amortized over the vesting period. The Company charged to compensation expense a total of \$0.9 million for the year ended December 31, 2000. The weighted average fair value of the shares granted during the year is \$5.90. In October 2000, the Company added the "Retention Program" and the "Recruitment Program" to the DCP, with the awards being effective January 2001. Under the Retention Program, the 125 best sales professionals were credited with 5,700, 4,500 or 3,000 stock units under the DCP (each unit is the equivalent of one share of stock). The stock units do not vest for four years and in the case of those sales professionals who were credited with 5,700 or 4,500 stock units, there was a requirement to execute a long-term covenant not to compete. Under the Recruitment Program, the Company credited either stock units or cash to experienced new hires for sales professional jobs. The share awards ranged from 750 to 4,500 and the cash awards ranged from \$30 thousand to \$100 thousand.

As allowed under the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, the Company has elected to follow Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its employee stock based compensation plans. Under this method the Company does not recognize compensation expense for options that were granted at or above the market price of the underlying stock on the date of grant. Had compensation expense been determined consistent with

SFAS No. 123, the Company's net income and per share information would have been reduced to the following pro forma amounts (in thousands except per share data):

<TABLE>  
<CAPTION>

	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Net Income:			
As Reported.....	\$33,388	\$23,282	\$24,557
Pro Forma.....	30,393	19,039	20,396
Basic EPS:			
As Reported.....	1.60	1.11	(0.38)
Pro Forma.....	1.45	0.91	(0.59)
Diluted EPS:			
As Reported.....	1.58	1.10	(0.38)
Pro Forma.....	1.44	0.91	(0.59)

</TABLE>

Because the SFAS 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The fair value of each option grant and DCP company match is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants:

<TABLE>  
<CAPTION>

	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Risk free interest rate.....	6.52%	5.55%	4.95%
Expected volatility.....	58.06%	61.83%	48.16%
Expected life.....	5.00 years	5.00 years	5.00 years

</TABLE>

Dividend yield is excluded from the calculation since it is the present intention of the Company to retain all earnings.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes the Black-Scholes model does not necessarily provide a reliable single measure of the fair value of its employee stock options.

**Stock Purchase Plans.** The Company has restricted stock purchase plans covering select key executives including senior management. A total of 500,000 and 550,000 shares of common stock have been reserved for issuance under the Company's 1999 and 1996 Equity Incentive Plans, respectively. The shares may be issued to senior executives for a purchase price equal to the greater of \$18.00 and \$10.00 per share or fair market value, respectively. Under the 1999 and 1996 Equity Incentive Plans, the Company issued 285,000 and 50,000 shares in 2000, and 415,833 and 441,937 shares were outstanding at December 31, 2000, respectively. The purchase price for these shares must be paid either in cash or by delivery of a full recourse promissory note. The related promissory notes are also included in the Consolidated Statements of Stockholders' Equity.

In October 1998, the Company offered all employees under the 1990 Stock Option Plan who held options that expired in April 1999 a loan equal to 100% of the total exercise price plus 40% of the difference between the current market value of the shares and the exercise price. Loan proceeds were applied towards the total exercise price and payroll withholding taxes. The loans are evidenced by full recourse promissory notes having a maturity of five years at an interest rate of 6.0%. Interest is due annually, while the principal is due the earlier of five years or upon sale of the shares. The shares issued under this offering may not be sold until after 18 months from the date of issuance. A total of 415,000 shares were issued under this offering. The related promissory notes of \$4.7 million and \$4.9 million are included in other assets in the Consolidated Balance Sheets at December 31, 2000 and 1999, respectively.

**Bonuses.** The Company has bonus programs covering select key employees,

including senior management. Awards are based on the position and performance of the employee and the achievement of pre-established financial, operating and strategic objectives. The amounts charged to expense for bonuses were \$49.8 million, \$44.3 million and \$33.7 million for the years ended December 31, 2000, 1999, and 1998, respectively.

Capital Accumulation Plan (the Cap Plan). The Cap Plan is a defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code and is the Company's only such plan. Under the Cap Plan, each participating employee may elect to defer a portion of his or her earnings and the Company may make additional contributions from the Company's current or accumulated net profits to the Cap Plan in these amounts as determined by the Board of Directors. The Company expensed, in connection with the Cap Plan, \$2.2 million and \$1.6 million for the years ended December 31, 2000 and 1999. No expense, in connection with the Cap Plan, was incurred for the year ended December 31, 1998.

Employee Stock Purchase Plan. In May 2000, the Company amended and restated, effective July 1, 2000, its 1998 employee stock purchase plan designed exclusively for employees who earn less than \$100,000 in total annual compensation. Under the plan, the eligible employees may purchase common stock by means of contributions to the Company at a price equal to 90% of the fair market value of the share on the last trading day of the purchase period. The plan provides for purchases by employees up to an aggregate of 150,000 shares each year for 2000, 2001 and 2002. This program was discontinued effective October 2000.

Pension Plan. The Company, through the acquisition of Hillier Parker, maintains a contributory defined benefit pension plan to provide retirement benefits to existing and former Hillier Parker employees participating in the plan. It is the Company's policy to fund the minimum annual contributions required by applicable regulations. Pension expense totaled \$0.9 million, \$1.9 million and \$0.9 million in 2000, 1999 and 1998, respectively.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following sets forth a reconciliation of benefit obligation, plan assets, plan's funded status and amounts recognized in the accompanying Consolidated Balance Sheets:

<TABLE>  
<CAPTION>

	Year Ended December 31	
	2000	1999
	(in thousands)	
	<C>	<C>
<b>&lt;S&gt;</b>		
Change in benefit obligation		
Benefit obligation at beginning of year.....	\$ 72,146	\$ 73,190
Service cost.....	5,728	5,350
Interest cost.....	4,026	4,175
Plan participants' contributions.....	671	804
Actuarial gain.....	(4,680)	(7,495)
Benefits paid.....	(1,343)	(1,760)
Currency gain.....	(5,472)	(2,118)
	-----	-----
Benefit obligation at end of year.....	\$ 71,076	\$ 72,146
	=====	=====
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year.....	\$115,039	\$ 95,731
Actual return on plan assets.....	(3,340)	22,666
Company contributions.....	1,257	786
Plan participants' contributions.....	671	419
Benefits paid.....	(1,343)	(1,760)
Currency loss.....	(8,596)	(2,803)
	-----	-----
Fair value of plan assets at end of year.....	\$103,688	\$115,039
	=====	=====
Funded status.....	\$ 32,612	\$ 42,893
Unrecognized net actuarial gain.....	(7,941)	(16,570)
Company contributions in the post-measurement period....	564	--
	-----	-----
Prepaid benefit cost.....	\$ 25,235	\$ 26,323
	=====	=====

</TABLE>

Weighted-average assumptions used in developing the projected benefit

obligation were as follows:

<TABLE>  
<CAPTION>

	December 31	
	2000	1999
<S>	<C>	<C>
Discount rate.....	6.00%	5.75%
Expected return on plan assets.....	7.75%	7.75%
Rate of compensation increase.....	5.00%	5.00%

Net periodic pension cost consisted of the following:

<CAPTION>

	Year Ended December 31	
	2000	1999
	(in thousands)	
<S>	<C>	<C>
Employer service cost.....	\$ 5,728	\$ 5,350
Interest cost on projected benefit obligation.....	4,026	4,175
Expected return on plan assets.....	(8,395)	(7,636)
Unrecognized net gain.....	(425)	--
Net periodic benefit cost.....	\$ 934	\$ 1,889

</TABLE>

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

#### 6. Long-term Debt

Long-term debt consists of the following (in thousands):

<TABLE>  
<CAPTION>

	December 31	
	2000	1999
<S>	<C>	<C>
Senior Subordinated Notes, less unamortized discount of \$1.7 million and \$1.9 million at December 31, 2000 and 1999, respectively, with fixed interest at 8.9% due in 2006.....	\$173,336	\$173,108
Revolving Credit Facility, with interest ranging from 8.5% to 9.0%, due in 2003.....	110,000	160,000
Westmark Senior Notes, with interest ranging from 9.0% to 10.0% through December 31, 2004 and at variable rates depending on the Company's credit facility rate thereafter, due from 2001 through 2010.....	15,502	16,502
Euro cash pool loan, with interest at 6.91% and no stated maturity date.....	6,946	--
REI Senior Notes, with variable interest rates based on Sterling LIBOR minus 1.5%, due in 2002.....	2,742	2,965
Shoptaw-James Senior Notes, with fixed interest at 9.0%, due in 2001.....	810	1,620
Carey, Brumbaugh Senior Notes, with fixed interest at 9.0%, due in 2001.....	720	1,440
Eberhardt Acquisition Obligations, with fixed interest at 8.0%, due from 2001 through 2002.....	600	900
Capital lease obligations, mainly for autos and telephone equipment, with interest ranging from 6.8% to 8.9%, due through 2004.....	2,302	3,554
Other.....	1,206	4,548
Total.....	314,164	364,637
Less current maturities.....	10,593	6,765
Total long-term debt.....	\$303,571	\$357,872

</TABLE>

Annual aggregate maturities of long-term debt at December 31, 2000 are as follows (in thousands): 2001--\$10,593; 2002--\$4,536; 2003--\$110,512; 2004--\$128; 2005--\$20; and \$188,375 thereafter.



In October 1999, the Company executed an amendment to the revolving credit facility, eliminating the mandatory reduction on December 31, 1999, and revising some of the restrictive covenants. The new amendment is also subject to mandatory reductions of the facility by \$80.0 million and \$70.0 million on December 31, 2000 and 2001, respectively. This reduced the facility from \$350.0 million to \$270.0 million at December 31, 2000. The amount outstanding under this facility was \$110.0 million at December 31, 2000. Interest rate alternatives include Bank of America's reference rate plus 1.00% and LIBOR plus 2.00%. The weighted average rate on amounts outstanding at December 31, 2000 was 8.79%.

The revolving credit facility contains numerous restrictive covenants that, among other things, limit the Company's ability to incur or repay other indebtedness, make advances or loans to subsidiaries and other entities, make capital expenditures, incur liens, enter into mergers or effect other fundamental corporate transactions, sell its assets, or declare dividends. In addition, the Company is required to meet certain ratios relating to its adjusted net worth, level of indebtedness, fixed charges and interest coverage.

The Company has outstanding Senior Subordinated Notes (Subordinated Notes) due on June 1, 2006. The Subordinated Notes are redeemable in whole or in part after June 1, 2002 at 104.438% of par on that date and at declining prices thereafter. On or before June 1, 2001, up to 35.0% of the issued amount may be redeemed at 108.875% of par plus accrued interest solely with the proceeds from an equity offering.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The Company has a credit agreement with Residential Funding Corporation (RFC). The credit agreement provides for a revolving line of credit, which bears interest at 1.25% per annum over LIBOR. On July 19, 2000, the Company executed an amendment to the revolving line of credit, increasing the line of credit from \$50.0 million to \$100.0 million, decreasing the interest rate from 1.25% to 1.00% per annum over LIBOR and extending the expiration date from August 31, 2000 to August 31, 2001. In addition, on November 8, 2000, the Company obtained a temporary line of credit increase of \$52.0 million, resulting in a total line of credit equaling \$152.0 million. This temporary line of credit increase expired on November 30, 2000. During the year, the Company had a maximum of \$151.3 million revolving line of credit principal outstanding. At December 31, 2000, the Company had \$0.4 million revolving line of credit principal outstanding.

7. Commitments and Contingencies

In December 1996, GMH Associates, Inc. (GMH) filed a lawsuit against Prudential Realty Group (Prudential) and the Company in the Superior Court of Pennsylvania, Franklin County, alleging various contractual and tort claims against Prudential, the seller of a large office complex, and the Company, its agent in the sale, contending that Prudential breached its agreement to sell the property to GMH, breached its duty to negotiate in good faith, conspired with the Company to conceal from GMH that Prudential was negotiating to sell the property to another purchaser and that Prudential and the Company misrepresented that there were no other negotiations for the sale of the property. Following a non-jury trial, the court rendered a decision in favor of GMH and against Prudential and the Company, awarding GMH \$20.3 million in compensatory damages, against Prudential and the Company jointly and severally, and \$10.0 million in punitive damages, allocating the punitive damage award \$7.0 million as against Prudential and \$3.0 million as against the Company. Following the denial of motions by Prudential and the Company for a new trial, a judgment was entered on December 3, 1998. Prudential and the Company filed an appeal of the judgment. On March 3, 2000, the appellate court in Pennsylvania reversed all of the trial courts' decisions finding that liability was not supported on any theory claimed by GMH and directed that a judgment be entered in favor of the defendants including the Company. The plaintiff filed an appeal with the Pennsylvania Supreme Court which was denied. The plaintiff has exhausted all appeal possibilities and judgment is expected to be entered shortly in favor of all defendants.

In August 1993, a former commissioned sales person of the Company filed a lawsuit against the Company in the Superior Court of New Jersey, Bergen County, alleging gender discrimination and wrongful termination by the Company. On November 20, 1996, a jury returned a verdict against the Company, awarding \$1.5 million in general damages and \$5.0 million in punitive damages to the plaintiff. Subsequently, the trial court awarded the plaintiff \$0.6 million in attorneys' fees and costs. Following denial by the trial court of the Company's motions for new trial, reversal of the verdict and reduction of damages, the Company filed an appeal of the verdict and requested a reduction of damages. On March 9, 1999, the appellate court ruled in the Company's favor, reversed the trial court decision and ordered a new trial. On February 16, 2000, the Supreme

Court of New Jersey reversed the decision of the appellate court, concluded that the general damage award in the trial court should be sustained and returned the case to the appellate court for a determination as to whether a new trial should be ordered on the issue of punitive damages. In April 2000, the Company settled the compensatory damages claim (including interest) and all claims to date with respect to attorneys fees by paying to the plaintiff the sum of \$2.75 million leaving only the punitive damage claim for resolution (the plaintiff also agreed, with very limited exceptions, that no matter what the outcome of the punitive damage claim the Company would not be responsible for more than 50% of the plaintiff's future attorney fees). In February 2001, the Company settled all remaining claims for the sum of \$2.0 million and received a comprehensive release.

The Company is a party to a number of pending or threatened lawsuits arising out of, or incident to, its ordinary course of business. Based on available cash and anticipated cash flows, the Company believes that the ultimate outcome will not have an impact on the Company's ability to carry on its operations. Management

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

believes that any liability to the Company that may result from disposition of these lawsuits will not have a material effect on the consolidated financial position or results of operations of the Company.

The following is a schedule by years of future minimum lease payments for noncancelable leases as of December 31, 2000 (in thousands):

<TABLE>  
<CAPTION>

	Capital Leases	Operating Leases
	-----	-----
<S>	<C>	<C>
2001.....	\$1,167	\$ 48,299
2002.....	895	40,686
2003.....	518	33,316
2004.....	10	25,967
2005.....	--	22,195
Thereafter.....	--	97,674
	-----	-----
Total minimum payments required.....	\$2,590	\$268,137
	=====	=====

</TABLE>

The interest portion of capital lease payments represents the amount necessary to reduce net minimum lease payments to present value calculated at the Company's incremental borrowing rate at the inception of the leases. This totaled \$0.3 million at December 31, 2000, resulting in a present value of net minimum lease payments of \$2.3 million. At December 31, 2000, \$0.9 million and \$1.4 million are included in the current portion of long-term debt and long-term debt, respectively. In addition, the total minimum payments for noncancelable operating leases have not been reduced by the minimum sublease rental income of \$42.9 million due in the future under noncancelable subleases.

Substantially all leases require the Company to pay maintenance costs, insurance and property taxes, and generally may be renewed for five year periods. The composition of total rental expense under noncancelable operating leases consisted of the following (in thousands):

<TABLE>  
<CAPTION>

	December 31,		
	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Minimum rentals.....	\$56,243	\$51,467	\$33,126
Less sublease rentals.....	(1,387)	(928)	(706)
	-----	-----	-----
	\$54,856	\$50,539	\$32,420
	=====	=====	=====

</TABLE>

In 1999, the Company entered into an agreement with Fannie Mae in which the Company agreed to fund the purchase of a \$103.6 million loan portfolio from proceeds from its RFC line of credit, which was temporarily increased to \$140.0 million in 2000. In December 2000, the Company entered into an agreement with Fannie Mae in which the Company agreed to fund the purchase of an additional \$7.5 million loan from proceeds from its RFC line of credit. A 100% participation in both the original and additional loan portfolio was

subsequently sold to Fannie Mae with the Company retaining the credit risk on the first 2% of loss incurred on the underlying commercial mortgage loans. The Company has collateralized a portion of its obligation to cover the first 2% of losses for both the \$103.6 million loan portfolio and the additional \$7.5 million loan portfolio by increasing a letter of credit in favor of Fannie Mae to total \$1.1 million.

The Company has a participation agreement with RFC whereby RFC agrees to purchase a 99% participation interest in any eligible multifamily mortgage loans owned by the Company and outstanding at quarter-end. This participation agreement, which originally expired on August 31, 2000, has been extended to August 31, 2001.

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

An important part of the strategy for the Company's investment management business involves investing the Company's own capital in certain real estate investments with its clients. As of December 31, 2000, the Company had committed an additional \$37.7 million to fund future co-investments.

#### 8. Income Taxes

The tax provision (benefit) for the years ended December 31, 2000, 1999 and 1998 consisted of the following (in thousands):

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Federal:			
Current.....	\$24,924	\$14,403	\$ 4,265
Deferred tax.....	921	(1,417)	14,469
Reduction of valuation allowances.....	(3,000)	(6,347)	--
	-----	-----	-----
	22,845	6,639	18,734
State:			
Current.....	6,895	5,627	3,470
Deferred tax.....	(1,243)	(1,411)	(75)
	-----	-----	-----
	5,652	4,216	3,395
Foreign:			
Current.....	7,015	8,837	3,797
Deferred tax.....	(761)	(3,513)	--
	-----	-----	-----
	6,254	5,324	3,797
	-----	-----	-----
	\$34,751	\$16,179	\$25,926
	=====	=====	=====

</TABLE>

The following is a reconciliation, stated as a percentage of pre-tax income, of the US statutory federal income tax rate to the Company's effective tax rate on income from operations:

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Federal statutory tax rate.....	35%	35%	35%
Permanent differences, including goodwill, meals, entertainment and other.....	11	15	8
State taxes, net of federal benefit.....	6	9	4
Foreign income taxes.....	4	4	4
Reduction of valuation allowances.....	(5)	(22)	--
	-----	-----	-----
Effective tax rate.....	51%	41%	51%
	=====	=====	=====

</TABLE>

The domestic component of income before provision for income tax included in the consolidated statement of operations was \$63.2 million, \$32.0 million and \$45.6 million, for 2000, 1999 and 1998, respectively. The international component of income before provision for income tax was \$4.9 million, \$7.4 million and \$4.9 million, for 2000, 1999 and 1998, respectively.

## CB RICHARD ELLIS SERVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Cumulative tax effects of temporary differences are shown below at December 31, 2000 and 1999 (in thousands):

<TABLE>  
<CAPTION>

	December 31	
	2000	1999
<S>	<C>	<C>
Asset (Liability)		
Property and equipment.....	\$ 11,910	\$ 5,820
Bad debts and other reserves.....	12,832	15,940
Intangible amortization.....	(15,736)	(16,533)
Bonus, unexercised restricted stock, deferred compensation.....	35,343	23,990
Partnership income.....	6,950	7,092
Net operating loss (NOL) and alternative minimum tax credit carryforwards.....	6,134	23,086
Unconsolidated affiliates.....	1,010	(1,167)
All other, net.....	1,853	2,040
	-----	-----
Net deferred tax asset before valuation allowances.....	60,296	60,268
Valuation allowances.....	(16,830)	(20,320)
	-----	-----
Net deferred tax asset.....	\$ 43,466	\$ 39,948
	=====	=====

</TABLE>

The Company had federal income tax NOLs of approximately \$16.3 million at December 31, 2000, corresponding to \$5.7 million of the Company's \$60.3 million in net deferred tax assets before valuation allowances.

The ability of the Company to utilize NOLs was limited in 1998 and will be in subsequent years as a result of the Company's 1996 public offering, the 1997 Koll acquisition and the 1998 repurchase of preferred stock which cumulatively caused a more than 50.0% change of ownership within a three year period. As a result of the limitation, the Company's ability to utilize its existing NOLs is limited to \$26.0 million on an annual basis. It is anticipated that the Company will utilize the remaining NOLs in 2001.

A deferred US tax liability has not been provided on the unremitted earnings of foreign subsidiaries because it is the intent of the Company to permanently reinvest these earnings. Undistributed earnings of foreign subsidiaries, which have been or are intended to be permanently invested in accordance with APB No. 23, Accounting for Income Taxes--Special Areas, aggregated \$27.7 million at December 31, 2000.

#### 9. Earnings Per Share Information

Basic earnings (loss) per share was computed by dividing net income (loss), less preferred dividend requirements as applicable, by the weighted average number of common shares outstanding during each period. The computation of diluted earnings (loss) per share further assumes the dilutive effect of stock options, stock warrants and other stock-based compensation programs, as well as the conversion of the preferred stock during periods when preferred stock was outstanding and was dilutive.

In January 1998, the Company repurchased all 4.0 million shares of its outstanding convertible preferred stock. The portion of the purchase price in excess of the carrying value represents the deemed dividend charge to net income applicable to common shareholders when computing basic and diluted earnings (loss) per share for the year ended December 31, 1998.

## CB RICHARD ELLIS SERVICES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The following is a calculation of earnings (loss) per share for the years ended December 31 (in thousands, except share and per share data):

<TABLE>  
<CAPTION>

	2000	1999	1998
--	------	------	------

	Income	Shares	Per-Share Amount	Income	Shares	Per-Share Amount	Income	Shares	Per-Share Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Basic earnings (loss) per share:									
Net income.....	\$33,388			\$23,282			\$ 24,557		
Deemed dividend on preferred stock repurchase.....	--			--			(32,273)		
Net income (loss) applicable to common stockholders.....	\$33,388	20,931,111	\$1.60	\$23,282	20,998,097	\$1.11	\$ (7,716)	20,136,117	\$(0.38)
Diluted earnings (loss) per share:									
Net income (loss) applicable to common stockholders.....	\$33,388	20,931,111		\$23,282	20,998,097		\$ (7,716)	20,136,117	
Diluted effect of exercise of options outstanding.....		35,594			74,339			--	
Diluted effect of stock-based compensation programs.....		130,535			--			--	
Net income (loss) applicable to common stockholders.....	\$33,388	21,097,240	\$1.58	\$23,282	21,072,436	\$1.10	\$ (7,716)	20,136,117	\$(0.38)

</TABLE>

The following items were not included in the computation of diluted earnings per share because their effect in the aggregate was anti-dilutive for the years ended December 31,

<TABLE>  
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Stock options			
Outstanding.....	2,574,029	2,008,659	2,337,118
Price ranges.....	\$11.81-\$36.75	\$16.38-\$36.75	\$0.30-\$37.31
Expiration ranges.....	6/8/04-8/31/10	6/8/04-5/31/09	4/18/99-7/22/08
Stock warrants			
Outstanding.....	598,387	599,967	599,967
Price.....	\$30.00	\$30.00	\$30.00
Expiration date.....	8/28/04	8/28/04	8/28/04

</TABLE>

#### 10. Disclosures About Fair Value of Financial Instruments

Long-term Debt. Based on dealer's quote, the estimated fair value of the Company's \$173.3 million Senior Subordinated Note, discussed in Note 6, is \$155.8 million.

Estimated fair values for the Revolving Credit Facilities and the remaining long-term debts are not presented because the Company believes that it is not materially different from book value, primarily because the majority of the Company's debt is based on variable rates.

#### 11. Industry Segments

In July 1999, the Company undertook a reorganization to streamline its US operations which resulted in a change in its segment reporting from four to three segments. The Company has a number of lines of business which are aggregated, reported and managed through these three segments: Transaction Management, Financial Services and Management Services. The Transaction Management segment is our largest generator of revenue and operating income and includes Brokerage Services, Corporate Services and Investment Property activities. Brokerage Services

source. Corporate Services focuses on building relationships with large corporate clients which generate recurring revenue. Investment Property activities provide brokerage services for commercial real property marketed for sale to institutional and private investors. The Financial Services segment provides commercial mortgage, valuation, investment management and consulting and research services. The Management Services segment provides facility management services to corporate real estate users and property management and related services to owners. The following table summarizes the revenue, cost and expenses, and operating income (loss) by operating segment for the year ended December 31, 2000, 1999 and 1998 (in thousands):

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
<S>	<C>	<C>	<C>
Revenue:			
Transaction Management			
Leases.....	\$ 510,287	\$ 426,108	\$ 352,811
Sales.....	378,486	383,726	330,206
Other consulting and referral fees(1).....	61,479	71,095	79,934
Total revenue.....	950,252	880,929	762,951
Financial Services			
Appraisal fees.....	72,861	69,007	48,090
Loan origination and servicing fees.....	58,188	45,938	39,402
Investment management fees.....	40,433	27,323	32,591
Other(1).....	42,622	35,059	25,167
Total revenue.....	214,104	177,327	145,250
Management Services			
Property management fees.....	83,251	79,994	67,300
Facilities management fees.....	23,069	25,597	17,219
Other(1).....	52,928	49,192	41,783
Total revenue.....	159,248	154,783	126,302
Consolidated revenues.....	\$1,323,604	\$1,213,039	\$1,034,503
Operating income (loss)			
Transaction Management.....	\$ 83,305	\$ 68,382	\$ 81,232
Financial Services.....	17,712	7,113	6,849
Management Services.....	6,268	1,404	6,980
Merger-related and other nonrecurring charges.....	--	--	(16,585)
	107,285	76,899	78,476
Interest income.....	2,554	1,930	3,054
Interest expense.....	41,700	39,368	31,047
Income before provision for income taxes....	\$ 68,139	\$ 39,461	\$ 50,483
Depreciation and amortization			
Transaction Management.....	\$ 21,342	\$ 20,676	\$ 13,722
Financial Services.....	12,001	10,719	11,025
Management Services.....	9,856	9,075	7,438
	\$ 43,199	\$ 40,470	\$ 32,185

</TABLE>

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

<TABLE>  
<CAPTION>

	Year Ended December 31		
	2000	1999	1998
<S>	<C>	<C>	<C>
Capital expenditures			
Transaction Management.....	\$15,435	\$15,830	\$12,669
Financial Services.....	6,674	11,030	10,179
Management Services.....	4,812	8,270	6,867
	\$26,921	\$35,130	\$29,715

Equity interest in earnings of unconsolidated subsidi-

aries			
Transaction Management.....	\$ 3,930	\$ 2,542	\$ 315
Financial Services.....	1,162	4,030	706
Management Services.....	2,020	956	2,422
	-----	-----	-----
	\$ 7,112	\$ 7,528	\$ 3,443
	=====	=====	=====

</TABLE>

- - - - -

(1) Revenue is allocated by material line of business specific to each segment. "Other" includes types of revenue that have not been broken out separately due to their immaterial balances and/or nonrecurring nature within each segment. Certain revenue types disclosed on the consolidated statements of operations may not be derived directly from amounts shown in this table.

<TABLE>

<CAPTION>

	December 31	
	-----	-----
	2000	1999
	-----	-----
<S>	<C>	<C>
Identifiable assets		
Transaction Management.....	\$477,268	\$444,422
Financial Services.....	261,682	246,151
Management Services.....	159,835	171,118
Corporate.....	64,320	67,792
	-----	-----
	\$963,105	\$929,483
	=====	=====

Identifiable assets by industry segment are those assets used in the Company operations in each segment. Corporate identified assets are principally made up of cash and cash equivalents and deferred taxes.

<CAPTION>

	December 31	
	-----	-----
	2000	1999
	-----	-----
<S>	<C>	<C>
Investment in and advances to unconsolidated subsidiaries		
Transaction Management.....	\$ 14,208	\$ 11,352
Financial Services.....	15,199	18,587
Management Services.....	11,918	8,575
	-----	-----
	\$41,325	\$ 38,514
	=====	=====

</TABLE>

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CB RICHARD ELLIS SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Geographic Information:

<TABLE>

<CAPTION>

	Year Ended December 31		
	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue			
Americas			
United States.....	\$1,027,359	\$ 940,341	\$ 884,304
Canada, South and Central America.....	46,721	42,112	16,473
	-----	-----	-----
	1,074,080	982,453	900,777
Asia Pacific.....	84,985	79,420	46,528
Europe, Middle East and Africa.....	164,539	151,166	87,198
	-----	-----	-----
	\$1,323,604	\$1,213,039	\$1,034,503
	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

	December 31	
	-----	-----
	2000	1999
	-----	-----

<S>	<C>	<C>
Long-Lived assets		
United States.....	\$55,100	\$51,064
All other countries.....	20,892	19,085
	-----	-----
	\$75,992	\$70,149
	=====	=====

</TABLE>

Long lived assets include property, plant and equipment.

12. Subsequent Event

On February 24, 2001, the Company announced that it had entered into a merger agreement providing for the acquisition of the Company by Blum CB Corporation (Blum CB) for \$16.00 per share in cash. Blum CB is an affiliate of Blum Capital Partners, Freeman Spogli & Co. and certain directors and executive officers of the Company.

The agreement provides that the Company employees will have the option to roll over their existing shares in the Company's deferred compensation plan and a portion of the Company shares held in their 401(k) accounts. Employees will also be provided the opportunity to make a direct equity investment in the surviving company.

The acquisition, which is expected to close early in the third quarter, remains subject to certain conditions, including the receipt of Blum CB's debt financing, the approval of the merger by the holders of two-thirds of the outstanding shares of the Company not owned by the buying group, the expiration or termination of waiting periods under applicable antitrust laws and a successful tender offer for at least 51% of the Company's outstanding 8 7/8% Senior Subordinated Notes. The Company will pay a termination fee of \$7.5 million and reimburse up to \$3.0 million of the buying group's expenses if the Company wishes to accept a superior acquisition proposal.

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CB RICHARD ELLIS SERVICES, INC.

QUARTERLY RESULTS OF OPERATIONS AND OTHER FINANCIAL DATA  
(Unaudited)

The following table sets forth the Company's unaudited quarterly results of operations. The unaudited quarterly information should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto. The operating results for any quarter are not necessarily indicative of the results for any future period.

<TABLE>								
<CAPTION>								
	2000				1999			
	-----							
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March
31	-----	-----	-----	-----	-----	-----	-----	----
	-----							
	(Dollars in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Results of Operation:								
Revenue.....	\$ 418,280	\$ 326,521	\$ 317,884	\$ 260,919	\$ 395,653	\$ 307,018	\$ 277,167	\$ 233,201
Operating income.....	\$ 50,617	\$ 24,884	\$ 22,545	\$ 9,239	\$ 35,197	\$ 20,046	\$ 16,580	\$ 5,076
Interest expense, net...	\$ 9,018	\$ 10,039	\$ 10,893	\$ 9,196	\$ 9,629	\$ 9,503	\$ 9,667	\$ 8,639
Net income (loss).....	\$ 20,914	\$ 6,977	\$ 5,477	\$ 20	\$ 17,031	\$ 4,648	\$ 3,356	\$ (1,753)
Basic EPS(1).....	\$ 0.99	\$ 0.34	\$ 0.26	\$ --	\$ 0.81	\$ 0.22	\$ 0.16	\$ (0.08)
Weighted average shares outstanding for basic EPS(1).....	21,217,685	20,086,651	20,879,218	20,819,268	20,928,615	21,098,757	21,032,324	20,640,438
Diluted EPS(1).....	\$ 0.97	\$ 0.33	\$ 0.26	\$ --	\$ 0.81	\$ 0.22	\$ 0.16	\$ (0.08)
Weighted average shares outstanding for diluted								



EPS (1).....	21,554,942	20,881,092	20,906,117	20,851,184	20,964,066	21,162,334	21,125,074
20,640,438							

Other Financial Data:

EBITDA, excluding merger-related and other nonrecurring charges.....	\$ 61,682	\$ 35,718	\$ 33,276	\$ 19,808	\$ 45,704	\$ 30,047	\$ 26,548
15,070							
Net cash provided by (used in) operating activities.....	\$ 86,601	\$ 48,528	\$ 16,505	\$ (67,522)	\$ 71,174	\$ 47,062	\$ 10,122
(54,347)							
Net cash (used in) provided by investing activities.....	\$ (7,350)	\$ (16,255)	\$ (18,431)	\$ 6,314	\$ (5,417)	\$ (6,863)	\$ (16,327)
1,840							
Net cash (used in) provided by financing activities.....	\$ (80,037)	\$ (28,824)	\$ (3,456)	\$ 58,794	\$ (62,330)	\$ (27,820)	\$ 2,389
50,040							

Balance Sheet Data:

Cash and cash equivalents.....	\$ 20,854	\$ 20,724	\$ 19,195	\$ 24,791	\$ 27,844	\$ 25,122	\$ 12,553
17,425							
Total assets.....	\$ 963,105	\$ 930,029	\$ 904,925	\$ 897,756	\$ 929,483	\$ 871,159	\$ 841,311
824,757							
Total long-term debt....	\$ 303,571	\$ 390,624	\$ 418,231	\$ 416,531	\$ 357,872	\$ 413,227	\$ 435,419
431,135							
Total liabilities.....	\$ 724,018	\$ 717,618	\$ 693,416	\$ 687,765	\$ 715,874	\$ 670,685	\$ 648,801
634,707							
Total stockholders equity.....	\$ 235,339	\$ 209,569	\$ 208,276	\$ 206,711	\$ 209,737	\$ 196,324	\$ 187,819
185,259							
Number of shares outstanding.....	20,605,023	20,246,122	20,270,560	20,408,692	20,435,692	20,686,995	20,794,165
20,640,865							

Ratios:

Debt/equity.....	1.33	1.88	2.03	2.04	1.74	2.13	2.35
2.37							

EBITDA, excluding merger-related and other nonrecurring charges net interest expense.....	6.84	3.56	3.05	2.15	4.75	3.16	2.75
1.74							

EBITDA, excluding merger-related and other nonrecurring charges as a percentage of revenue.....	14.7%	10.9%	10.5%	7.6%	11.6%	9.8%	9.6%
6.5 %							

Net income as a percentage of revenue..	5.0%	2.1%	1.7%	--	4.3%	1.5%	1.2%
(0.8)%							

International revenue as a percentage of consolidated revenue...	21.6%	21.8%	22.7%	23.9%	22.5%	22.5%	22.3%
22.6 %							

- - - - -

(1) EPS is defined as earnings (loss) per share

<TABLE>  
<CAPTION>

	Above Market Lease Reserve	Allowance for Bad Debts	Legal Reserve	Other Reserves
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 1997...	\$ --	\$ 8,980	\$ 9,807	\$ 9,108
CB Canada balances at the date of acquisition.....	--	606	--	--
REI balances at the date of acquisition.....	--	2,211	--	256
Hillier Parker balances at the date of acquisition...	13,360	895	72	421
Charges to expense.....	--	2,978	1,843	364
Write-offs, payments and other.....	(54)	(2,322)	(1,623)	(6,004)
Balance, December 31, 1998...	13,306	13,348	10,099	4,145
Charges to expense.....	--	2,560	2,164	26
Write-offs, payments and other.....	(384)	(348)	(4,000)	(2,526)
Balance, December 31, 1999...	12,922	15,560	8,263	1,645
Charges to expense.....	--	3,061	2,015	49
Write-offs, payments and other.....	(1,568)	(5,990)	(5,139)	(291)
Balance, December 31, 2000...	\$11,354	\$12,631	\$ 5,139	\$ 1,403

</TABLE>

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-----  
-----  
3,236,639 Shares of Class A Common Stock

1,820,397 Options to Acquire Class A Common Stock

CBRE Holding, Inc.  
-----

@finact:[78339.eft]78339a.eft  
-----

-----  
-----  
PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, all of which will be paid by CBRE Holding, Inc. All amounts are estimates other than the registration fee.

<S>	<C>
SEC registration fee.....	\$ 20,235
Accounting fees and expenses.....	500,000
Legal fees and expenses.....	1,000,000
Printing and engraving expenses.....	500,000
Transfer agent fees and expenses.....	10,000
Blue sky fees and expenses.....	7,000
Miscellaneous fees and expenses.....	62,765
Total.....	\$2,100,000

</TABLE>

Item 14. Indemnification of Directors and Officers.

Section 102 of the Delaware General Corporation Law, or the DGCL, as amended, allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a

dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL provides, among other things, that we may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of CBRE Holding) by reason of the fact that the person is or was a director, officer, agent or employee of CBRE Holding or is or was serving at our request as a director, officer, agent, or employee of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, judgment, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding. The power to indemnify applies (a) if the person is successful on the merits or otherwise in defense of any action, suit or proceeding or (b) if the person acted in good faith and in a manner he reasonably believed to be in the best interest, or not opposed to the best interest, of CBRE Holding, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The power to indemnify applies to actions brought by or in the right of CBRE Holding as well, but only to the extent of defense expenses (including attorneys' fees but excluding amounts paid in settlement) actually and reasonably incurred and not to any satisfaction of judgment or settlement of the claim itself, and with the further limitation that in these actions no indemnification shall be made in the event of any adjudication of negligence or misconduct in the performance of his duties to CBRE Holding, unless the court believes that in light of all the circumstances indemnification should apply.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for these actions. A director who was either absent when the unlawful actions were approved or dissented at the time, may avoid liability by causing his or her dissent to these actions to be entered in the books containing the minutes of the meetings of the board of directors at the time the action occurred or immediately after the absent director receives notice of the unlawful acts.

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Our restated certificate of incorporation includes a provision that limits the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except to the extent such limitation is not permitted under the Delaware General Corporation Law.

Our restated bylaws provide that:

- . we must indemnify our directors and officers to the fullest extent permitted by Delaware law;
- . we may indemnify our other employees and agents to the same extent that we indemnified our directors and officers unless otherwise determined by our board of directors; and
- . we must advance expenses, as incurred, to our directors and executive officers in connection with a legal proceeding to the fullest extent permitted by Delaware Law.

The indemnification provisions contained in our certificate of incorporation and bylaws are not exclusive of any other rights to which a person may be entitled by law, agreement, vote of stockholders or disinterested directors or otherwise. In addition, we maintain insurance on behalf of our directors and executive officers insuring them against any liability asserted against them in their capacities as directors or officers or arising out of this status.

#### Item 15. Recent Sales of Unregistered Securities.

Since inception, we have issued or will issue unregistered securities without registration under the Securities Act of 1933, as amended as follows:

On February 22, 2001, we sold and issued 10 shares of our Class B common stock to RCBA Strategic Partners, L.P., which is one of the BLUM Funds, for an aggregate cash consideration of \$160.00. RCBA Strategic Partners will sign the securityholders' agreement described in the prospectus that is included in this registration statement, and these shares will become subject to the terms of such agreement, only upon completion of the merger.

On June 7, 2001, we sold and issued 241,875 shares of our Class B common stock to RCBA Strategic Partners, L.P., which is one of the BLUM Funds, for an aggregate cash consideration of \$3,870,000. These shares were purchased in connection with the closing of the sale of 11 1/4% senior subordinated notes by BLUM CB Corp. The proceeds from the sale of those shares to the BLUM Funds were contributed to BLUM CB Corp., which deposited the proceeds in an escrow account for release when the merger between BLUM CB Corp. and CB Richard Ellis Services is completed.

Immediately prior to the merger, the members of the buying group will

contribute 8,052,087 shares of CB Richard Ellis Services' common stock to us. Each of the shares of CB Richard Ellis Services' common stock that the members of the buying group contribute to us will be cancelled as a result of the merger. As a result of the contributions of CB Richard Ellis Services' common stock, we will issue an aggregate of 8,052,087 shares of our Class B common stock to the members of the buying group.

Also pursuant to the contribution and voting agreement, immediately prior to the merger, the BLUM Funds have agreed to purchase for cash a minimum of 2,553,879 shares of our Class B common stock at \$16.00 per share. In addition, the BLUM Funds have agreed to purchase for cash an additional number of shares of our Class B common stock for \$16.00 per share equal to (1) 3,236,639 shares minus (2) the number of shares of our Class A common stock and stock fund units subscribed for in the offering made by this prospectus plus (3) the aggregate amount of full-recourse notes delivered by designated managers in the offerings divided by \$16.00. The number of shares purchased by the BLUM Funds will be reduced by 241,885 shares, as a result of the prior purchase on February 22, 2001 and June 7, 2001 described above. After the offerings are completed depending on the amount to which the offerings are fully subscribed, the shares of our Class A and Class B common stock owned by the buying group will be equal to between approximately 80% and 96% of our outstanding Class A and Class B common stock, taken together.

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Upon consummation of the merger, the warrants to acquire 364,884 shares of CB Richard Ellis Services common stock owned by FSEP Equity Partners III, L.P. and FSEP International will be cancelled and we will issue new warrants to each of them to purchase up to an aggregate number of shares of our Class B common stock, immediately after consummation of the merger which Freeman Spogli is entitled to acquire under existing warrants, represent . of the total outstanding shares of CB Richard Ellis Services common stock.

The sales of the above securities will be deemed to be exempt from registration in reliance on Section 4(2) of the Securities Act and/or Regulation D promulgated under the Securities Act. These sales will be made without general solicitation or advertising. The recipients in each such transaction will represent their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends will be affixed to the share certificates and warrants issued in such transactions. All recipients will have adequate access, through their relationship with us, to information about us.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

<TABLE>

<CAPTION>

Exhibit	Description
-----	-----
<C>	<S>
2.1	Amended and Restated Agreement and Plan of Merger dated as of May 31, 2001 by and among CB Richard Ellis Services, Inc., CBRE Holding, Inc. (the "Company" and formerly BLUM CB Holding Corp.), and BLUM CB Corp.
3.1	Form of Restated Certificate of Incorporation of the Company
3.2	Form of Restated By-Laws of the Company
4.1*	Specimen Class A Common Stock Certificate
4.2(a)	Amended and Restated Contribution and Voting Agreement dated as of May 31, 2001 by and among the Company, BLUM CB Corp., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Donald Koll, Frederic V. Malek, Raymond E. Wirta and Brett White
4.2(b)	Form of Securityholders' Agreement (Exhibit A to the Contribution and Voting Agreement set forth in Exhibit 4.2(a) hereto)
4.2(c)	Form of Warrant Agreement (Exhibit B to the Contribution and Voting Agreement set forth in Exhibit 4.2(a) hereto)
4.3*	Form of Designated Manager Subscription Agreement
4.4*	Form of Non-Management Employee Subscription Agreement
4.5*	Purchase Agreement between the Company and DLJ Investment Partners II, L.P. and its affiliates
4.6*	Indenture between the Company and the Trustee for the Company's 16% Senior Notes due 2011

- 4.7\* Indenture between CB Commercial Real Estate Services Group, Inc. and State Street Bank and Trust Company of California, N.A., as Trustee, dated as of May 26, 1998 for 8 7/8% Senior Subordinated Notes due 2008
- 4.8\* First Supplemental Indenture between CB Richard Ellis Services, Inc. and State Street Bank and Trust Company of California, N.A., as Trustee, dated as of May 26, 1998 for 8 7/8% Senior Subordinated Notes due 2008
- 4.9\* Purchase Agreement among BLUM CB Corp., Credit Suisse First Boston and the other parties thereto for BLUM CB Corp.'s 11 1/4% Senior Subordinated Notes due 2011
- 4.10\* Indenture between CB Richard Ellis Services, Inc., BLUM CB Corp. and State Street Bank and Trust Company of California, N.A., as Trustee, dated as of \_\_\_\_\_, 2001 for 11 1/4% Senior Subordinated Notes due 2011
- 5.1\* Form of Opinion of Simpson Thacher & Bartlett

</TABLE>

II-3

<TABLE>

<CAPTION>

Exhibit	Description
-----	-----
<C>	<S>
10.1*	2001 CBRE Holding, Inc. Stock Incentive Plan
10.2*	Form of Non-Recourse Note
10.3*	Form of Pledge Agreement
10.4*	Form of Stock Option Agreement
10.5*	CB Richard Ellis Services, Inc. Amended and Restated Deferred Compensation Plan
10.6*	CB Richard Ellis Services, Inc. Amended and Restated Capital Accumulation Plan
10.7*	Raymond Wirta Employment Agreement
10.8*	Brett White Employment Agreement
10.9*	Credit Agreement by and among the Company, Credit Suisse First Boston, and the other lenders named therein
10.10*	CB Richard Ellis Services, Inc. Capital Accumulation Plan Instruction Form
10.11*	CB Richard Ellis Services, Inc. Deferred Compensation Plan Election Forms
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends
21.1	Significant Subsidiaries of the Company
23.1	Consent of Arthur Andersen LLP
23.2*	Consent of Simpson Thacher & Bartlett (included in Exhibit 5.1)

</TABLE>

- -----

\* To be filed by amendment.

(b) Schedules

- i) Schedule II--Valuation and Qualifying Accounts
- ii) Report of Independent Accountants on Financial Statement Schedule

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by the registrant against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any

action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by itself is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on June 12, 2001.

CBRE Holding, Inc.

/s/ Claus Moller

By: \_\_\_\_\_  
 Claus Moller  
 President and Sole Director

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed on June 12, 2001 by the following persons in the capacities indicated.

<TABLE>  
 <CAPTION>

Name ----	Title -----
<C> /s/ Claus Moller _____ Claus Moller	<S> President and Sole Director (Principal Executive Officer)
/s/ Murray Indick _____ Murray Indick	Treasurer (Principal Financial Officer)

</TABLE>

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EXHIBIT INDEX

<TABLE>  
 <CAPTION>

Exhibit -----	Description -----
<C>    <S> 2.1    Amended and Restated Agreement and Plan of Merger dated as of May 31, 2001 by and among CB Richard Ellis Services, Inc., CBRE Holding, Inc. (the "Company" and formerly BLUM CB Holding Corp.), and BLUM CB Corp.	
3.1    Form of Restated Certificate of Incorporation of the Company	
3.2    Form of Restated By-Laws of the Company	
4.2(a) Amended and Restated Contribution and Voting Agreement dated of May 31, 2001 by and among the Company, BLUM CB Corp., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Donald Koll, Frederic V. Malek, Raymond E. Wirta and Brett White	
4.2(b) Form of Securityholders' Agreement (Exhibit A to the Contribution and Voting Agreement set forth in Exhibit 4.2(a) hereto)	

- 4.2(c) Form of Warrant Agreement (Exhibit B to the Contribution and Voting Agreement set forth in Exhibit 4.2(c) hereto)
  - 12.1 Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends
  - 21.1 Significant Subsidiaries of the Company
  - 23.1 Consent of Arthur Andersen LLP
- </TABLE>

AMENDED AND RESTATED  
 AGREEMENT AND  
 PLAN OF MERGER  
 by and among  
 CB RICHARD ELLIS SERVICES, INC.,  
 CBRE HOLDING, INC.  
 and  
 BLUM CB CORP.

May 31, 2001

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AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER

This AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into this 31st day of May 2001, by and among CB Richard Ellis Services, Inc., a Delaware corporation (the "Company"), CBRE Holding, Inc. a Delaware corporation formerly known as BLUM CB Holding Corp. ("Holding"), and BLUM CB Corp., a Delaware corporation wholly owned by Holding ("Acquiror").

WHEREAS, a Special Committee of the Board of Directors of the Company has (i) determined that the Merger (as defined herein) is advisable and in the best interest of the Company's stockholders (other than the members of the Buying Group (as defined herein)), and (ii) approved the Merger and recommended approval of the Merger by the Board of Directors of the Company;

WHEREAS, the Board of Directors of the Company, subsequent to the recommendation of the Special Committee, has (i) determined that the Merger is advisable and in the best interest of the Company's stockholders (other than the members of the Buying Group), and (ii) approved the Merger;

WHEREAS, the Board of Directors of each of Holding and Acquiror has determined that the Merger is advisable and in the best interest of its stockholders;

WHEREAS, Holding, Acquiror and certain stockholders of the Company (the "Buying Group") have entered into an amended and restated contribution and voting agreement, a copy of which is attached hereto as Exhibit A (the "Contribution and Voting Agreement"), pursuant to which, among other things, those stockholders have agreed to vote their Company Shares in favor of adopting and approving this Agreement and the Merger;

WHEREAS, by resolutions duly adopted, the respective Boards of Directors of the Company, Holding and Acquiror have approved and adopted this Agreement and the transactions and other agreements contemplated hereby; and

WHEREAS, the parties to this Agreement previously entered into an Agreement and Plan of Merger, dated as of February 23, 2001 (the "Original Agreement"), and an Amended and Restated Plan and Agreement of Merger, dated as of April 24, 2001 (the "First Amended and Restated Agreement"), and this Agreement constitutes an amendment and restatement of the First Amended and Restated Agreement.

NOW, THEREFORE, in consideration of the premises and promises contained herein, and intending to be legally bound, the parties hereto agree as set forth below.

#### ARTICLE 1

##### DEFINITIONS

1.1. Definitions (a) As used herein, the following terms have the meanings set forth below:

"Acquiror Common Share" means one share of Common Stock of Acquiror, \$0.01 par value per share.

"Acquiror Preferred Share" means one share of Participating Preferred Stock of Acquiror, \$0.01 par value per share.

"Acquisition Proposal" means any offer or proposal (whether or not in writing) from any Third Party regarding any of the following: (a) a transaction pursuant to which a Third Party acquires or would acquire beneficial ownership of more than fifteen percent (15%) of the outstanding shares of any class of Equity Interests of the Company, whether from the Company or pursuant to a tender offer or exchange offer or otherwise, (b) a merger, consolidation, business combination, reorganization, sale of substantially all assets, recapitalization, liquidation, dissolution or similar transaction involving the Company, or (c) any transaction which would result in a Third Party acquiring 15% or more of the fair market value on a consolidated basis of the assets (including, without limitation, the capital stock of Subsidiaries) of the Company and its Subsidiaries immediately prior to such transaction (whether by purchase of assets, acquisition of stock of a Subsidiary or otherwise).

"Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by, or under common control with, such Person. For purposes of this definition, the term "control" (including the correlative terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Business Day" means any day, other than a Saturday, Sunday or one on which banks are authorized by Law to close in New York, New York.

"Capital Accumulation Plan" means the Capital Accumulation Plan of the Company as amended through the date of this Agreement.

"Code" means the U.S. Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

"Company Balance Sheet" means the Company's consolidated balance sheet included in the Company 10-K relating to its year ended on December 31, 1999.

"Company Material Adverse Effect" means any material adverse effect on (a) the business, assets, liabilities, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, or (b) the ability of the Company to perform its obligations under

this Agreement or the other agreements and transactions contemplated hereby; provided, however, that this definition shall exclude any material adverse effect arising out of any change or development resulting from (v) U.S. or global general economic or political conditions, (w) conditions generally affecting the industry in which the Company and its Subsidiaries operate, (x) changes in U.S. or global financial markets or conditions, (y) any generally applicable change in Law or GAAP or interpretation of any thereof and/or (z) the announcement of this Agreement or the transactions contemplated hereby or the Company's performance of its obligations under this Agreement and compliance with the covenants set forth herein.

"Company Share" means one share of common stock of the Company, \$0.01 par value per share.

"Company SEC Documents" means (a) the annual report on Form 10-K of the Company (the "Company 10-K"), for the years ended December 31, 1998 and 1999, (b) the quarterly reports on Form 10-Q of the Company for the quarters ended March 31, June 30 and September 30, 1999 and 2000, (c) the Company's proxy statements relating to meetings of, or actions taken without a meeting by, the Company Stockholders, since January 1, 1999, and (d) all other reports, filings, registration statements and other documents filed by the Company with the SEC since January 1, 1999; in each case including all exhibits, appendices and attachments thereto, whether filed therewith or incorporated by reference therein.

"Company Stockholders" or "Stockholders" means the stockholders of the Company as of the date hereof, as of the record date for the Company Stockholder Meeting and as of the Closing Date, as applicable.

"Deferred Compensation Plan" means the Deferred Compensation Plan of the Company, as amended and restated as of November 1, 1999, and as further amended through the date of this Agreement.

"Equity Interest" means with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of, such Person's capital stock or other equity interests (including, without limitation, partnership or membership interests in a partnership or limited liability company or any other interest or participation that confers on a Person the right to receive a share of the profits and losses, or distributions of assets, of the issuing Person) whether outstanding on the date hereof or issued after the date hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Governmental Entity" means any federal, state or local governmental authority, any transgovernmental authority or any court, administrative or regulatory agency or commission or other governmental authority or agency, domestic or foreign.

"Holding Material Adverse Effect" means any change or effect that would prevent or materially impair the ability of Holding or Acquiror to consummate the Merger and the other transactions contemplated by this Agreement.

"Joint Venture" means, with respect to any Person, any corporation or other entity (including a division or line of business of such corporation or other entity) (a) of which such Person and/or any of its Subsidiaries beneficially owns a portion of the Equity Interests that is insufficient to make such corporation or other entity a Subsidiary of such Person, and (b) that is engaged in the same business as such Person or its Subsidiaries or in a related or complementary business. "Company Joint Venture" means a Joint Venture of the Company.

"Knowledge" means, with respect to the matter in question, if any of the executive officers of the Company listed in Section 1.1 of the Company Disclosure Schedule has actual knowledge of the matter.

"Law" means any federal, state, local or foreign law, rule, regulation, judgment, code, ruling, statute, order, decree, injunction or ordinance or other legal requirement.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of an asset; provided, however, that the term "Lien" shall not include (a) liens for utilities and current Taxes not yet due and payable, (b) mechanics', carriers', workers', repairers', materialmen's, warehousemen's and other similar liens arising or incurred in the ordinary course of business or (c) liens for Taxes being contested in good faith.

"Material Joint Venture" means a Company Joint Venture in which the

Company and the Company Subsidiaries, collectively, have invested, or committed to invest, at least \$3.0 million.

"Material Subsidiary" means a Company Subsidiary with more than \$25.0 million in consolidated revenue during the Company's fiscal year ended December 31, 2000.

"Non-U.S. Competition Laws" means all (a) non-U.S. Laws intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade, (b) antitrust Laws by antitrust authorities outside of the United States and (c) takeover Laws of jurisdictions outside of the United States.

"Person" means an individual, corporation, limited liability company, partnership, association, trust or any other entity or organization, including any Governmental Entity.

"Prospectus" means the prospectus included in the Registration Statement, together with any amendments or supplements thereto.

"Proxy Statement" means the proxy statement relating to the Company Stockholder Meeting, together with any amendments or supplements thereto.

"RCBA" means RCBA Strategic Partners, L.P., a Delaware limited partnership and the sole stockholder of Holding as of the date hereof.

"Registration Statement" means the Registration Statement on Form S-1 or comparable form, together with any supplements thereto, registering shares of common stock of Holding for issuance to employees of the Company under the Securities Act.

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"Schedule 13E-3" means the Statement on Schedule 13E-3 to be filed by the Company and Holding concurrently with the filing of the Proxy Statement pursuant to the Exchange Act, together with any amendments or supplements thereto.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Special Committee" means the Special Committee of the Board of Directors appointed by resolution of the Company's Board of Directors adopted on November 10, 2000.

"Subsidiary" means, with respect to any Person, any corporation or other entity (including joint ventures) of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are directly or indirectly owned, by such Person. "Company Subsidiary" means a Subsidiary of the Company.

"Superior Proposal" means any of the transactions described in the definition of Acquisition Proposal (with all of the percentages included in the definition of Acquisition Proposal increased to 51% for purposes of this definition) that is on terms which a majority of the disinterested members of the Company's Board of Directors or the Special Committee determines in good faith, after considering the advice of outside legal counsel and financial advisors (a) represents a financially superior transaction for the Company's Stockholders (other than Holding, Acquiror and the members of the Buying Group and each of their respective Affiliates) to the transactions contemplated hereby; (b) would result in a transaction, if consummated, that would be more favorable to the Company's Stockholders (other than Holding, Acquiror and the members of the Buying Group and each of their respective Affiliates) (taking into account all facts and circumstances, including all legal, financial, regulatory and other aspects of the proposal and the identity of the offeror) than the transactions contemplated hereby; and (c) is reasonably capable of being consummated (including, without limitation, the availability of committed financing).

"Taxes" means all United States federal, state, local or foreign income, profits, estimated gross receipts, windfall profits, environmental (including taxes under Section 59A of the Code), severance, property, intangible property, occupation, production, sales, use, license, excise, emergency excise, franchise, capital gains, capital stock, employment, withholding, social security (or similar), disability, transfer, registration, stamp, payroll, goods and services, value added, alternative or add-on minimum tax, estimated, or any other tax, custom, duty or governmental fee, or other like assessment or charge of any kind whatsoever, together with any interest, penalties, fines, related liabilities or additions to tax that may become payable in respect therefore imposed by any Governmental Entity, whether disputed or not.

"Third Party" means a Person (or group of Persons) other than Holding,

(b) Each of the following terms is defined in the Section set forth opposite such term:

Terms -----	Section -----
Acquiror	Preamble
Acquiror Senior Subordinated Notes Agreement	5.5(b) Preamble
Buying Group	Preamble
Certificate of Merger	2.1(b)
Certificates	3.4(a)
Claim	7.1(b)
Closing	2.1(d)
Closing Date	2.1(d)
Commitment Letter Financing	5.5(a)
Commitment Letters	5.5(a)
Company	Preamble
Company Employee Plans	4.12(a)
Company Intellectual Property	4.15
Company Option	3.5(a)
Company Preferred Stock	4.5(a)
Company Recommendation	6.2
Company Returns	4.11
Company Securities	4.5(b)
Company Stockholder Approval	4.19(a)
Company Stockholder Meeting	6.2
Confidentiality Agreement	8.4(a)
Contribution and Voting Agreement	Preamble
CSFB	5.5(a)
Debt Offer	8.10(a)
DGCL	2.1(a)
DLJ	5.5(a)
Dissenting Shares	3.8(a)
Effective Time	2.1(b)
End Date	10.1(b)(i)
ERISA	4.12(a)
ERISA Affiliate	4.12(a)
Exchange Agent	3.4(a)
Exchange Fund	3.4(a)
Financing	5.5(b)
Financing Agreements	7.7(a)
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GAAP	4.8(a)
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Note Purchase Agreement	5.5(b)
Notes	8.10(a)
Offer Documents	8.10(c)
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Permits	4.13(b)
Permitted Actions	6.3(a)
Phantom Shares	4.5(a)
Plan Proceeds	3.7(a)
Purchase Agreement Financing	5.5(b)
Retirement Plan	4.12(b)
Secretary of State	2.1(b)
Senior Subordinated Notes Proceeds	5.5(b)
Share Limit	3.7(a)
Stock Fund Participant	3.7(a)
Surviving Corporation	2.1(a)
Termination Fee	10.2(b)
Transfer Taxes	7.5
Vested CBRE Stock Fund Units	3.6(a)

2.1. The Merger  
-----

(a) At the Effective Time, Acquiror shall be merged with and into the Company (the "Merger") in accordance with the terms and conditions of this Agreement and the Delaware General Corporation Law (the "DGCL"), at which time the separate corporate existence of Acquiror shall cease and the Company shall continue its existence. In its capacity as the corporation surviving the Merger, this Agreement sometimes refers to the Company as the "Surviving Corporation".

(b) As soon as practicable on or after the Closing Date, the Company and Acquiror will file a certificate of merger or other appropriate documents (the "Certificate of Merger") with the Delaware Secretary of State (the "Secretary of State") and make all other filings or recordings required by the DGCL in connection with the Merger. The Merger shall become effective at the time when the Certificate of Merger is duly filed with and accepted by the Secretary of State, or at such later time as is agreed upon by the parties and specified in the Certificate of Merger (such time as the Merger becomes effective is referred to herein as the "Effective Time").

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(c) From and after the Effective Time, the Merger shall have the effects set forth in Section 259 of the DGCL.

(d) The closing of the Merger (the "Closing") shall be held at the offices of Simpson Thacher & Bartlett, 3330 Hillview Avenue, Palo Alto, California 94304 (or such other place as agreed by the parties) on the later of (a) the date of the Company Stockholder Meeting, or (b) the day on which all of the conditions set forth in Article 9 are satisfied or waived, unless the parties hereto agree to another date. The date upon which the Closing occurs is hereinafter referred to as the "Closing Date".

2.2. Organizational Documents. The Certificate of Merger shall provide  
-----

that at the Effective Time, by virtue of the Merger and without any action on the part of the holder of any Company Share, (a) the Company's certificate of incorporation in effect immediately prior to the Effective Time shall be the Surviving Corporation's certificate of incorporation and Article FOURTH of the Surviving Corporation's certificate of incorporation shall be amended and restated as set forth in Exhibit B hereto, and (b) the Company's by-laws in

-----  
effect immediately prior to the Effective Time shall be the Surviving Corporation's by-laws, in each case until amended in accordance with applicable Law.

2.3. Directors and Officers. From and after the Effective Time (until  
-----

successors are duly elected or appointed and qualified), (a) Acquiror's directors at the Effective Time shall be the Surviving Corporation's directors and (b) the Company's officers immediately prior to the Effective Time shall be the Surviving Corporation's officers

ARTICLE 3

CONVERSION OF SECURITIES AND RELATED MATTERS

3.1. Capital Stock of Acquiror. As of the Effective Time, by virtue of  
-----

the Merger and without any action on the part of the holder of any Company Share or Acquiror Common Share or Acquiror Preferred Share:

(a) each Acquiror Common Share issued and outstanding immediately prior to the Effective Time shall be converted into one share of Common Stock, \$0.01 par value per share, of the Surviving Corporation; and

(b) each Acquiror Preferred Share issued and outstanding immediately prior to the Effective Time shall be converted into one share of Series A Convertible Participating Preferred Stock, \$0.01 par value per share, of the Surviving Corporation.

3.2. Cancellation of Treasury Stock and Acquiror Owned Shares. As of the  
-----

Effective Time, by virtue of the Merger and without any action on the part of the holder of any Company Share or Acquiror Share, each Company Share held by the Company as treasury stock or owned by Holding, Acquiror or any Company Subsidiary immediately prior to the Effective Time shall be canceled and retired, and no payment shall be made or consideration delivered in respect thereof.

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3.3. Conversion of Company Shares. As of the Effective Time, by virtue of  
-----

the Merger and without any action on the part of the holder of any Company Share or Acquiror Share, each Company Share issued and outstanding immediately prior to the Effective Time (other than (a) shares to be cancelled in accordance with Section 3.2 and (b) Dissenting Shares) shall be converted into the right to receive in cash from Acquiror, without interest, an amount equal to \$16.00 (the "Merger Consideration").

3.4. Exchange of Certificates.  
-----

(a) Exchange Agent. Promptly after the date hereof, Acquiror shall  
-----

appoint a bank or trust company reasonably acceptable to the Company as an agent (the "Exchange Agent") for the benefit of holders of Company Shares for the purpose of exchanging, pursuant to this Article 3, certificates representing the Company Shares (the "Certificates"). Acquiror will make available to the Exchange Agent, as needed, the Merger Consideration to be paid in respect of Company Shares pursuant to this Article 3 (the "Exchange Fund"), and except as contemplated by Section 3.4(f) or Section 3.4(g) hereof, the Exchange Fund shall not be used for any other purpose. The Exchange Agent shall invest the Merger Consideration as directed by the Acquiror or the Surviving Corporation, as the case may be, on a daily basis. Any interest and other income resulting from such investments shall be paid to the Surviving Corporation.

(b) Exchange Procedures. As promptly as practicable after the Effective  
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Time, the Surviving Corporation shall send, or shall cause the Exchange Agent to send, to each record holder of Certificates a letter of transmittal and instructions (which shall be in customary form and specify that delivery shall be effected, and risk of loss and title shall pass, only upon delivery of the Certificates to the Exchange Agent), for use in the exchange contemplated by this Section 3.4. Upon surrender of a Certificate to the Exchange Agent, together with a duly executed letter of transmittal, the holder shall be entitled to receive in exchange therefor the Merger Consideration as provided in this Article 3 in respect of the Company Shares represented by the Certificate (after giving effect to any required withholding Tax). Until surrendered as contemplated by this Section 3.4, each Certificate shall be deemed after the Effective Time to represent only the right to receive the Merger Consideration.

(c) No Further Rights in Company Shares. All cash paid upon surrender of  
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Certificates in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to Company Shares represented thereby. From and after the Effective Time, the holders of Certificates shall cease to have any rights with respect to Company Shares, except as otherwise provided herein or by Law. As of the Effective Time, the stock transfer books of the Company shall be closed and there shall be no further registration of transfers on the Company's stock transfer books of any Company Shares, other than transfers that occurred before the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Section 3.4.

(d) Alternate Endorsement. If payment of the Merger Consideration in  
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respect of Company Shares is to be made to a Person other than the Person in whose name a surrendered Certificate is registered, it shall be a condition to such payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the Person requesting such payment shall have paid any transfer and other Taxes required by

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reason of such payment in a name other than that of the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Surviving Corporation or the Exchange Agent that such Tax either has been paid or is not payable.

(e) Return of Merger Consideration. Upon demand by the Surviving  
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Corporation, the Exchange Agent shall deliver to the Surviving Corporation any portion of the Merger Consideration made available to the Exchange Agent pursuant to this Section 3.4 that remains undistributed to holders of Company Shares six (6) months after the Effective Time. Holders of Certificates who have not complied with this Section 3.4 prior to the demand by the Surviving Corporation shall thereafter look only to the Surviving Corporation for payment of any claim to the Merger Consideration.

(f) No Liability. None of Holding, the Surviving Corporation or the  
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Exchange Agent shall be liable to any Person in respect of any Company Shares (or dividends or distributions with respect thereto) for any amounts paid to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(g) Withholding Rights. Each of the Surviving Corporation and Acquiror  
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shall be entitled to deduct and withhold from the Merger Consideration otherwise payable hereunder to any Person any amounts which it is required to deduct and withhold with respect to payment under any provision of federal, state or local income tax Law. To the extent that the Surviving Corporation or Acquiror withholds those amounts, the withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of Company Shares in respect of which deduction and withholding was made by the Surviving Corporation or Acquiror, as the case may be.

(h) Lost Certificates. If any Certificate has been or is claimed to have  
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been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming that a Certificate has been lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as the Surviving Corporation may direct, as indemnity against any claim that may be made against it with respect to that Certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed Certificate, the proper amount of the Merger Consideration.

3.5. Company Stock Options.  
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(a) At the Effective Time, each option to purchase Company Shares (each, a "Company Option") outstanding under any stock option or compensation plan or arrangement of the Company, whether or not vested, shall be canceled and in consideration of such cancellation, the Surviving Corporation shall pay to each holder of a canceled Company Option, as soon as practicable following the Effective Time, an amount per Company Share subject to such canceled Company Option equal to the greater of (i) the excess, if any, of (A) the Merger Consideration over (B) the exercise price per Company Share subject to such canceled Company Option and (ii) \$1.00.

(b) Prior to the Effective Time, the Company, Holding and Acquiror shall take all commercially reasonable actions to (i) obtain all necessary consents from the holders of

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Company Options and (ii) take such other actions (including, without limitation, amending the terms of any Company stock option or compensation plan or arrangement), necessary to give effect to the transactions contemplated by Section 3.5(a).

3.6. Deferred Compensation Plan.  
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(a) At the Effective Time, the Deferred Compensation Plan shall be amended so that each CBRE Stock Fund Unit (as defined in the Deferred Compensation Plan) shall thereafter represent the right to receive a share of the common stock of Holding in accordance with the terms and conditions set forth in the Deferred Compensation Plan. Each participant in the Deferred Compensation Plan who has CBRE Stock Fund Units that are vested as of the Effective Time and are credited to his or her account as of the Effective Time ("Vested CBRE Stock Fund Units") will be required, prior to the Effective Time, to make one of the following elections with respect to such Vested CBRE Stock Fund Units: (i) convert the value of his or her Vested CBRE Stock Fund Units (based upon the Merger Consideration) into any of the insurance mutual fund or interest index fund alternatives provided under the Deferred Compensation Plan as of the Effective Time, or (ii) continue to hold the Vested CBRE Stock Fund Units in his or her account under the Deferred Compensation Plan; provided, however, that the election set forth in the foregoing clause (ii) shall only be available to participants in the Deferred Compensation Plan who have Vested CBRE Stock Fund Units and are United States employees of the Company or any of its Subsidiaries or independent contractors of the Company or its Subsidiaries in the states of California, New York, Illinois or Washington, in each of the foregoing cases as of the Effective Time.

(b) Prior to the Effective Time, the Company, Holding and Acquiror shall take all commercially reasonable actions (including, without limitation, amending the terms of the Deferred Compensation Plan) necessary to give effect to the transactions contemplated by Section 3.6(a).

3.7. Capital Accumulation Plan.  
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(a) In accordance with Section 3.3, at the Effective Time, each participant in the Company's Capital Accumulation Plan with an account balance invested in the Company Stock Fund (as defined in the Company's Capital Accumulation Plan) (a "Stock Fund Participant") shall receive, in consideration for such participant's Company Shares in the Company Stock Fund, the product of (i) the number of Company Shares held in the Company Stock Fund at such time multiplied by (ii) the Merger Consideration (the "Plan Proceeds"). As of the Effective Time, provided that the Registration Statement shall have been declared effective by the SEC prior thereto, each participant in the Company's



Capital Accumulation Plan who is a United States employee of the Company or any of its Subsidiaries as of the Effective Time (the "Eligible Participants"), may invest, pursuant to the terms of the Capital Accumulation Plan, in shares of the Class A Common Stock of Holding, par value \$0.01 per share (the "Holding Shares"), based on a per share price equal to the Merger Consideration; provided, however, that the aggregate number of Holding Shares that all Eligible Participants will be entitled to purchase shall not exceed fifty percent of the total number of Company Shares held in the Company Stock Fund by all Stock Fund Participants as of April 1, 2001 (the "Share Limit"); provided, further,

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that Holding may increase the Share Limit in its sole discretion. In the event that the Eligible Participants request to purchase an aggregate number of Holding Shares in excess of the Share Limit, the amount subscribed to by each Eligible Participant shall be reduced pro rata based on the number of shares of Holding each Eligible Participant initially requested to purchase. Notwithstanding anything to the contrary stated herein, no Eligible Participant will be entitled to have greater than 50% of his or her total account balance in the Capital Accumulation Plan invested in Holding Shares as of the Effective Time (with all other investments in the Capital Accumulation Plan account of such Eligible Participant being valued as of the month end immediately preceding the effectiveness of the Registration Statement).

(b) Prior to the Effective Time, the Company and Holding shall take all commercially reasonable actions (including, without limitation, amending the terms of the Capital Accumulation Plan) necessary to give effect to the transactions contemplated by Section 3.7(a).

### 3.8. Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary, Company Shares that are outstanding immediately prior to the Effective Time and which are held by Persons who shall have properly demanded in writing appraisal for such shares in accordance with Section 262 (or any successor provision) of the DGCL (the "Dissenting Shares") shall not be converted into or represent the right to receive the Merger Consideration as provided hereunder and shall only be entitled to such rights and consideration as are granted by Section 262 (or any successor provision) of the DGCL. Such Persons shall be entitled to receive payment of the appraised value of such Company Shares in accordance with the provisions of Section 262 (or any successor provision) of the DGCL, except that all Dissenting Shares held by Persons who shall have failed to perfect or who effectively shall have withdrawn or lost their right to appraisal of such shares under Section 262 (or any successor provision) of the DGCL shall thereupon be deemed to have been converted into the Merger Consideration pursuant to Section 3.3 hereto as of the Effective Time or the occurrence of such event, whichever occurs later.

(b) The Company shall give Acquiror (i) prompt notice of any demands for appraisal received by the Company, withdrawals of such demands and any other instruments served pursuant to the DGCL and received by the Company and (ii) the opportunity to participate in all negotiations and proceedings with respect to demands for appraisal or the payment of the fair cash value of any such shares under the DGCL. The Company shall not, except with the prior written consent of Acquiror, make any payment with respect to any demands for appraisal or the payment of the fair cash value of any such shares or offer to settle or settle any such demands.

## ARTICLE 4

### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as disclosed in (i) the Company Disclosure Schedule attached hereto or (ii) the Company SEC Documents filed prior to the date hereof or except as specifically contemplated by this Agreement, the Company represents and warrants to Acquiror as set forth below.

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#### 4.1. Corporate Existence and Power. The Company is a corporation, duly

incorporated, validly existing and in good standing under the Laws of the State of Delaware, and has all corporate powers and authority required to own, lease and operate its properties and to carry on its business as now conducted. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes qualification necessary, except where the failure to be qualified would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

#### 4.2. Corporate Authorization. The execution, delivery and performance by

the Company of this Agreement and the consummation by the Company of the Merger and the other transactions contemplated hereby are within the Company's

corporate powers and, except for the Company Stockholder Approval, have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby (other than the Company Stockholder Approval and the filing and recordation of the appropriate documents with respect to the Merger in accordance with the DGCL). The Board of Directors of the Company has approved this Agreement and has resolved to recommend that its stockholders vote their shares in favor of the adoption of this Agreement and the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company, and assuming that this Agreement constitutes the valid and binding obligation of Holding and Acquiror, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

#### 4.3. Governmental Authorization. The execution, delivery and performance

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by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby will not require any consent, approval, action, order, authorization, or permit of, or registration or filing with, any Governmental Entity, other than (a) the filing of (i) the Certificate of Merger in accordance with the DGCL and (ii) the appropriate documents with respect to the Company's qualification to do business with the relevant authorities of other states or jurisdictions in which the Company is qualified to do business; (b) compliance with any applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and any Non-U.S. Competition Laws; (c) compliance with any applicable requirements of the Securities Act and the Exchange Act; (d) such as may be required under any applicable state securities or blue sky Laws; and (e) other consents, approvals, actions, orders, authorizations, registrations, declarations, filings and permits which, if not obtained or made, would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect. The consummation of the Merger and the other transactions contemplated hereby will not result in the lapse of any Permit of the Company or its Subsidiaries or the breach of any authorization or right to use any Permit of the Company or its Subsidiaries or other right that the Company or any of its Subsidiaries has from a Third Party, except where such lapses or breaches would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

#### 4.4. Non-Contravention. The execution, delivery and performance by the

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Company of this Agreement and the consummation by the Company of the Merger and the other transactions contemplated hereby do not and will not (a) contravene or conflict with the Company's certificate

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of incorporation or by-laws, (b) assuming compliance with the matters referred to in Section 4.3, contravene or conflict with or constitute a violation of any provision of any Law binding upon or applicable to the Company or its Subsidiaries or by which any of their respective properties is bound or affected, (c) constitute a default under (or an event that with notice or lapse of time or both could reasonably be expected to become a default) or give rise (with or without notice or lapse of time or both) to a right of termination, amendment, cancellation or acceleration under any agreement, contract, note, bond, mortgage, indenture, lease, franchise, Permit or other similar authorization or joint venture, limited liability or partnership agreement or other instrument binding upon the Company or any Company Subsidiary, or (d) result in the creation or imposition of any Lien on any asset of the Company or any Company Subsidiary, other than, in the case of clauses (b), (c) and (d), any items that would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

#### 4.5. Capitalization.

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(a) The authorized capital stock of the Company consists of 100,000,000 Company Shares and 8,000,000 shares of preferred stock, \$0.01 par value per share ("Company Preferred Stock"). As of February 19, 2001, (i) 21,678,125 Company Shares were issued and outstanding (1,380,094 Company Shares were held in treasury), all of which have been duly authorized and validly issued and are fully paid and nonassessable and were issued free of preemptive or similar rights, including (x) 804,911 shares issued pursuant to the Company's 1999 Equity Incentive Plan and 1996 Equity Incentive Plan (the "Loan Shares") and (y) 1,781,837 shares held by the Company's Capital Accumulation Plan, (ii) no Company Shares were held by Subsidiaries of the Company, (iii) 2,679,893 Company Shares were issuable upon the exercise of Company Options then outstanding, (iv) 1,841,233 Company Shares were issuable as a result of elections made under the Company's Deferred Compensation Plan (the "Phantom Shares"), of which 996,338 were vested, (v) 598,147 Company Shares were issuable upon the exercise of Company Warrants then outstanding and (vi) no shares of Company Preferred Stock were issued and outstanding. Since September 30, 2000, the Company has not declared or paid any dividend or distribution in respect of any of its Equity Interests and has not repurchased or redeemed any shares of its Equity Interests, and its Board of Directors has not resolved to do any of the foregoing.

(b) As of the date hereof, except (i) as set forth in this Section 4.5 and (ii) for changes since February 19, 2001, resulting from the exercise of stock options outstanding on that date, the Company has not issued, or reserved for issuance, any (x) Equity Interests of the Company, (y) securities of the Company convertible into or exchangeable for Equity Interests of the Company or (z) options, warrants or other rights to acquire from the Company, or obligations of the Company to issue, any Equity Interests of the Company or securities convertible into or exchangeable for Equity Interests of the Company (the items in clauses (x), (y) and (z) being referred to collectively as the "Company Securities"). There are no outstanding agreements or other obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any Company Securities.

(c) Section 4.5(c) of the Company Disclosure Schedule sets forth a complete and accurate list of all outstanding Company Options, Company Warrants and Loan Shares as of February 19, 2001, which list sets forth the name of the holders thereof and, to the extent

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applicable, the exercise price or purchase price thereof, the number of Company Shares subject thereto, the governing Company Employee Plan with respect thereto and the expiration date thereof.

#### 4.6. Subsidiaries.

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(a) Each Subsidiary of the Company (i) is a corporation duly incorporated or an entity duly organized, and is validly existing and in good standing under the Laws of its jurisdiction of incorporation or organization, and has all powers and authority required to own, lease or operate its properties and to carry on its business as now conducted, and (ii) has all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted and is duly qualified to do business as a foreign corporation or entity and is in good standing in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities makes such qualification necessary, in each case with exceptions which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) All of the outstanding Equity Interests in each Material Subsidiary have been duly authorized and validly issued and are fully paid and nonassessable and free of preemptive or similar rights. All of the Equity Interests in each of its Material Subsidiaries are beneficially owned, directly or indirectly, by the Company. Such Equity Interests are owned free and clear of any Lien and free of any other limitation or restriction (including any limitation or restriction on the right to vote, sell or otherwise dispose of the stock or other ownership interests) and were issued in compliance with Federal and state securities laws, in each case with exceptions which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect. There are no outstanding (i) securities of the Company or any of its Material Subsidiaries convertible into or exchangeable or exercisable for Equity Interests in any of its Material Subsidiaries, (ii) options, warrants or other rights to acquire from the Company or any of its Material Subsidiaries, or obligations of the Company or any of its Material Subsidiaries to issue, any Equity Interests in, or any securities convertible into or exchangeable or exercisable for any Equity Interests in, any of its Material Subsidiaries or (iii) agreements, obligations or arrangements of the Company or any of its Material Subsidiaries to issue, sell, repurchase, redeem or otherwise acquire any Equity Interests of any of its Material Subsidiaries.

(c) Neither the Company, any of its Material Subsidiaries nor, to the knowledge of the Company, any Material Joint Venture is in violation of any provision of its articles or certificate of incorporation or bylaws or equivalent organizational documents, in each case with exceptions which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

#### 4.7. Company SEC Documents.

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(a) The Company has made available to Acquiror the Company SEC Documents. The Company has filed all reports, filings, registration statements and other documents required to be filed by it with the SEC since January 1, 1999. No Company Subsidiary is required to file any form, report, registration statement or prospectus or other document with the SEC.

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(b) As of its filing date, each Company SEC Document complied as to form in all material respects with the applicable requirements of the Securities Act and/or the Exchange Act, as the case may be.

(c) No Company SEC Document filed since January 1, 1999 pursuant to the Exchange Act contained, as of its filing date, any untrue statement of a

material fact or omitted to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No Company SEC Document, as amended or supplemented, if applicable, filed since January 1, 1999 pursuant to the Securities Act contained, as of the date on which the document or amendment became effective, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

4.8. Financial Statements; No Material Undisclosed Liabilities.  
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(a) Each of the audited consolidated financial statements and unaudited consolidated interim financial statements of the Company included in the Company SEC Documents were prepared in conformity with generally accepted accounting principles applied on a consistent basis ("GAAP") (except as may be indicated in the notes thereto) throughout the periods involved, and each fairly presents, in all material respects, the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and changes in financial position for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements).

(b) There are no liabilities or obligations of the Company or any Company Subsidiary, which, individually or in the aggregate, would be material to the Company and its Subsidiaries, taken as a whole, of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise and, in each case, that are required by GAAP to be set forth on a consolidated balance sheet of the Company, other than:

(i) liabilities or obligations disclosed or provided for (A) in the Company Balance Sheet or disclosed in the notes thereto or (B) in the Company's consolidated balance sheet or disclosed in the notes thereto included in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2000;

(ii) liabilities or obligations incurred after September 30, 2000 in the ordinary course of business consistent with past practice; and

(iii) liabilities or obligations under this Agreement or incurred in connection with the transactions contemplated hereby.

4.9. Absence of Certain Changes. Since September 30, 2000, except as  
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otherwise expressly contemplated by this Agreement, the Company and each of its Subsidiaries have conducted their business in the ordinary course consistent with past practice and there has not been (a) any damage, destruction or other casualty loss (whether or not covered by insurance) affecting the business or assets of the Company or any of its Subsidiaries that has had or would be reasonably likely to have a Company Material Adverse Effect; (b) any amendment or change in the Company's certificate of incorporation or by-laws; (c) any material change by the

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Company in its accounting methods, principles or practices (other than changes required by GAAP after the date of this Agreement); (d) other than in the ordinary course of business, any sale of a material amount of assets of the Company and its Subsidiaries; (e) any material Tax election, any material change in method of accounting with respect to Taxes or any compromise or settlement of any proceeding with respect to any material Tax liability or (f) any action, event, occurrence, development or state of circumstances or facts that has had or would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

4.10. Litigation. There is no action, suit, claim, investigation,  
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arbitration or proceeding pending, or to the Knowledge of the Company threatened, against the Company or any of its Subsidiaries or any of their respective assets or properties before any arbitrator or Governmental Entity that would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect (it being understood that the mere filing of litigation, or mere existence of litigation, by or on behalf of Company Stockholders or any other Person, that challenges or otherwise seeks damages with respect to the transactions contemplated hereby shall not in and of itself be deemed to have such effect). Neither the Company nor any of its Subsidiaries nor any of their respective properties is or are subject to any order, writ, judgment, injunction, decree, determination or award having, or which would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

4.11. Taxes. Except for matters which would not have or would not be  
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reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (a) all material Tax returns, statements, reports and forms

(collectively, the "Company Returns") required to be filed with any taxing authority by, or with respect to, the Company and the Company Subsidiaries have been filed in accordance with all applicable Laws; (b) the Company and the Company Subsidiaries have timely paid all Taxes due and payable whether or not shown as being due on any Company Return (other than Taxes which are being contested in good faith and for which reserves are reflected on the Company Balance Sheet), and, as of the time of filing, the Company Returns correctly reflected the facts regarding the income, business, assets, operations, activities and status of the Company and the Company Subsidiaries; (c) the charges, accruals and reserves for Taxes with respect to the Company and the Company Subsidiaries reflected on the Company Balance Sheet are adequate under GAAP to cover the Tax liabilities accruing through the date thereof; (d) there is no action, suit, proceeding, audit or claim now proposed or pending against the Company or any Company Subsidiary in respect of any Taxes; (e) neither the Company nor the Company Subsidiaries are party to, bound by or have any obligation under, any tax sharing agreement or similar contract or arrangement or any agreement that obligates them to make any payment computed by reference to the Taxes, taxable income or taxable losses of any other Person; (f) there are no Liens with respect to Taxes on any of the assets or properties of the Company or the Company Subsidiaries other than with respect to Taxes not due and payable; (g) neither the Company nor any of the Company Subsidiaries (i) is, or has been a member of an affiliated, consolidated, combined or unitary group, other than one of which the Company was the common parent and (ii) has any liability for the Taxes of any Person (other than the Company and the Company Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), or as a transferee or successor, by contract or otherwise; (h) no consent under Section 341(f) of the Code has been filed with respect to the Company or any of the Company Subsidiaries; (i) neither the Company nor any of the Company Subsidiaries has ever entered into a closing agreement pursuant to Section 7121 of the Code; and

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(j) neither the Company nor the Company Subsidiaries has agreed to make or is required to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

#### 4.12. Employee Benefits.

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(a) Except as set forth on the Company Disclosure Schedule and except for any Foreign Plans, neither the Company nor any ERISA Affiliate (as defined below) maintains, administers or contributes to any material "employee benefit plan", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), or any material employment, severance or similar contract, plan, arrangement or policy or any other material plan or arrangement (written or oral) providing for compensation, bonuses, profit-sharing, stock option or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including any self-insured arrangements), health or medical benefits, disability benefits, workers' compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance benefits) which covers any employee or former employee or director of the Company or any Company Subsidiary. The Company has delivered or made available (i) current, accurate and complete copies (or to the extent no such copy exists, an accurate description) of each Company Employee Plan (as defined below and, if applicable, related trust agreements), (ii) all amendments thereto and written interpretations and (iii) for the two most recent years (A) the Form 5500 and attached schedules, (B) audited financial statements and (C) actuarial valuation reports. The material plans (other than the Foreign Plans) listed on Section 4.12 of the Company Disclosure Schedule are referred to collectively herein as the "Company Employee Plans." An "ERISA Affiliate" of any Person means any other Person which, together with such Person, would be treated as a single employer under Section 414 of the Code.

(b) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (i) with respect to each Company Employee Plan (other than a plan that constitutes a "multiemployer plan", as defined in Section 3(37) of ERISA (a "Multiemployer Plan")), subject to Title IV of ERISA (a "Retirement Plan"), no "accumulated funding deficiency", as defined in Section 412 of the Code (whether or not waived and no "reportable event", as defined in Section 4043 of ERISA, has been incurred with respect to any Company Employee Plan which is a Retirement Plan, whether or not waived, (ii) no condition exists and no event has occurred that would constitute grounds for termination of any Company Employee Plan which is a Retirement Plan or, with respect to any Company Employee Plan which is a Multiemployer Plan, presents a risk of a complete or partial withdrawal under Title IV of ERISA, (iii) neither the Company nor any of its ERISA Affiliates has incurred any liability under Title IV of ERISA arising in connection with the termination of, or complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA and neither the Company nor any ERISA Affiliate would be subject to any withdrawal liability if, as of the Effective Time, the Company, the Company Subsidiaries or any ERISA Affiliate were to engage in a complete withdrawal (as defined in ERISA section 4203) or partial withdrawal (as defined in ERISA section 4205) from any such Multiemployer Plan,

(iv) nothing has been done or omitted to be done and no transaction or holding of any asset under or in connection with any Company Employee Plan has occurred that will make the Company or any

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Subsidiary, or any officer or director of the Company or any Subsidiary, subject to any liability under Title I of ERISA or liable for any Tax pursuant to Section 4975 of the Code (assuming the taxable period of any such transaction expired as of the date hereof) and (v) neither the Company nor any ERISA Affiliate has engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Section 4069 or 4212(c) of ERISA.

(c) Each Company Employee Plan which is intended to be qualified under Section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to date, and each trust forming a part thereof is exempt from Tax pursuant to Section 501(a) of the Code, except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect. The Company has furnished to Acquiror copies of the most recent Internal Revenue Service determination letters with respect to each Company Employee Plan. Each Company Employee Plan has been maintained in compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations, including ERISA and the Code, which are applicable to such Company Employee Plan, except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (i) no Company Employee Plan exists that could result in the payment to any present or former employee of the Company Subsidiaries of any money or other property or accelerate or provide any other rights or benefits to any present or former employee of the Company or any Company Subsidiaries as a result of the transaction contemplated by this Agreement and (ii) there is no contract, agreement, plan or arrangement covering any employee or former employee of the Company that, individually or collectively, would be reasonably likely to give rise to the payment of any amount that would not be deductible pursuant to the terms of Sections 162(m) or 280G of the Code.

(e) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, there has been no amendment to, written interpretation or announcement (whether or not written) relating to, or change in employee participation or coverage under, any Company Employee Plan which would increase the expense of maintaining such Company Employee Plan above the level of the expense incurred in respect thereof for the year ended December 31, 1999.

(f) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, neither the Company nor any Company Subsidiary has any obligations to provide retiree health and life insurance or other retiree death benefits under any Company Employee Plan, other than benefits mandated by Section 4980B of the Code or under applicable Law, and each such Company Employee Plan may be amended or terminated without incurring any material liability thereunder.

(g) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (i) no Company Employee Plan is under audit or is the subject of an audit or investigation by the Internal Revenue Service, the Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity, nor, to the Knowledge of the Company, is any such audit or investigation threatened or

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pending and (ii) with respect to any Company Employee Plan, (A) no actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the Knowledge of the Company, threatened and (B) no facts or circumstances exist that could reasonably be expected to give rise to any such actions, suits or claims.

(h) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, with respect to each Retirement Plan, as of the Effective Time, the assets of each such Retirement Plan are at least equal in value to the present value of the accrued benefits (vested and unvested) of the participants in such Retirement Plan on a termination and projected benefit obligation basis, based on the actuarial methods and assumptions indicated in the most recent actuarial valuation reports.

(i) Except as would not have or would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (i) all contributions required to be made by the Company or any Material Subsidiary with respect to a Foreign Plan have been timely made, (ii) each Foreign Plan has been maintained in substantial compliance with its terms and with the requirements of any and all

applicable Laws and has been maintained, where required, in good standing with the applicable Governmental Entity and (iii) neither the Company nor any Material Subsidiary has incurred any obligation in connection with the termination or withdrawal from any Foreign Plan. For purposes hereof, the term "Foreign Plan" shall mean any plan, program, policy, arrangement or agreement maintained or contributed to by, or entered into with, the Company or any Material Subsidiary with respect to employees (or former employees) employed outside the United States.

4.13. Compliance with Laws; Licenses, Permits and Registrations.  
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(a) Neither the Company nor any of its Subsidiaries is in violation of, or has violated, any applicable provisions of any Laws, except for violations which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) The Company and each of its Subsidiaries has all permits, licenses, easements, variances, exemptions, consents, certificates, approvals, authorizations of and registrations (collectively, "Permits") with and under all federal, state, local and foreign Laws, and from all Governmental Entities required by the Company and each of its Material Subsidiaries to carry on their respective businesses as currently conducted, except where the failure to have the Permits would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

4.14. Title to Properties.  
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(a) The Company and each of its Subsidiaries have good title to, or valid leasehold interests in, all their properties and assets, except for (i) those which are no longer used or useful in the conduct of their businesses and (ii) defects in title, easements, restrictive covenants and similar Liens, encumbrances or impediments that, in the aggregate, would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect. All of these assets and properties, other than assets and properties in which the Company or any of its Subsidiaries has leasehold interests, are free and clear of all Liens, except for Liens that would

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not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Except as would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (i) the Company and each of its Material Subsidiaries are in substantial compliance with the terms of all leases of their properties or assets to which they are a party, and all such leases are in full force and effect and (ii) the Company and each of its Material Subsidiaries enjoy peaceful and undisturbed possession under all such leases.

4.15. Intellectual Property. Except as would not be reasonably likely to  
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have, individually or in the aggregate, a Company Material Adverse Effect, the Company and each of its Subsidiaries own or have a valid license or other right to use each trademark, service mark, trade name, domain name, mask work, invention, patent, trade secret, copyright, know-how (including any registrations or applications for registration of any of the foregoing) or any other similar type of proprietary intellectual property right (collectively, the "Company Intellectual Property") necessary to carry on the business of the Company and its Subsidiaries, taken as a whole, as currently conducted. To the Knowledge of the Company, neither the Company nor any of its Subsidiaries has received any written notice of infringement of or challenge to, and there are no claims pending with respect to the rights of others to the use of, any Company Intellectual Property that, in any such case would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

4.16. Finders' Fees; Opinions of Financial Advisor.  
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(a) Except for Morgan Stanley & Co. Incorporated, whose fees and expenses will be borne by the Company, there is no investment banker, financial advisor, broker, finder or other intermediary which has been retained by, or is authorized to act on behalf of, the Company or any of its Subsidiaries which might be entitled to any fee or commission from the Company, Holding, Acquiror or any of their respective Affiliates upon consummation of the Merger or the other transactions contemplated by this Agreement. The Company has heretofore furnished to the Acquiror complete and correct copies of all agreements between the Company or its Subsidiaries and Morgan Stanley & Co. Incorporated pursuant to which such firm would be entitled to any payment relating to the Merger and the other transactions contemplated by this Agreement.

(b) The Special Committee has received the opinion of Morgan Stanley & Co. Incorporated, dated as of the date hereof, to the effect that, as of such date,

and subject to the qualifications stated therein, the Merger Consideration is fair to the holders of Company Shares (other than Acquiror and the members of the Buying Group and each of their respective Affiliates) from a financial point of view.

4.17. Labor Matters. There are no strikes, slowdowns, work stoppages,  
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lockouts or other material labor controversies pending or, to the Knowledge of the Company, threatened by or between the Company or any of its Material Subsidiaries and any of their respective employees that would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to, or bound by, any collective bargaining agreement, contract or other agreement or understanding with a

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labor union or labor organization. The Company and each of its Material Subsidiaries is in compliance with all applicable Laws, agreements, contracts, and policies relating to employment, employment practices, wages, hours, and terms and conditions of employment except for failures so to comply, if any, that would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

4.18. Material Contract Defaults. To the Knowledge of the Company, neither  
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the Company nor any of its Material Subsidiaries is, or has received any notice that any other party is, in default or unable to perform in any respect under any material contracts, agreements, commitments, arrangements, leases, licenses, policies or other instruments to which it or any of its Material Subsidiaries is a party or by which it or any of its Material Subsidiaries is bound ("Material Contracts"), except for those defaults which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, and there has not occurred any event that with the lapse of time or the giving of notice or both would constitute such a default, except for those defaults which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect. The Company has not received written notice of the termination of, or intent to terminate any Material Contract, except for such notices or terminations which would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

4.19. Required Vote; Board Approval.  
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(a) Under the DGCL (including, without limitation, Section 203 thereof), the Company's certificate of incorporation and by-laws and any other applicable Law or stock exchange rules, the only votes required of the holders of any class or series of the Company's Equity Interests necessary to adopt this Agreement and to approve the Merger and the other transactions contemplated hereby are the following: (i) the approval, assuming a quorum is present, of a majority of the Company Shares voting in person or by proxy at such meeting, and (ii) the approval, and not the written consent, of at least 66 2/3% of the outstanding Company Shares which are not owned by any "interested stockholder" (as defined in Section 203 of the DGCL) (collectively, "Company Stockholder Approval").

(b) The Special Committee and the Company's Board of Directors has (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, are in the best interests of the Company and its Stockholders (other than Holding, Acquiror and the members of the Buying Group and each of their respective Affiliates), (ii) approved this Agreement and the transactions contemplated hereby, including the Merger and (iii) resolved to recommend to the Company Stockholders that they vote in favor of adopting and approving this Agreement and the Merger in accordance with the terms hereof.

4.20. Information to Be Supplied.  
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(a) The information supplied or to be supplied by the Company for inclusion or incorporation by reference in (i) the Registration Statement will, at the time the Registration Statement is filed with the SEC and at the time it becomes effective under the Securities Act, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading and (ii) the

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Schedule 13E-3 will, at the time it is first filed with the SEC and at any time it is amended or supplemented, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(b) The Proxy Statement will, at the time of the mailing thereof and at the time of the Company Stockholder Meeting, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the



circumstances under which they are made, not misleading or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Stockholder Meeting which has become untrue or misleading.

(c) The Registration Statement and the Schedule 13E-3 (in each case with respect to information provided by or incorporated by reference from, the Company) and the Proxy Statement will comply as to form in all material respects with the provisions of the Securities Act and the Exchange Act.

(d) Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any statements made or incorporated by reference in the Registration Statement, the Proxy Statement or the Schedule 13E-3 based on information supplied by Holding or Acquiror for inclusion or incorporation by reference therein.

4.21. Disclaimer of Other Representations and Warranties. The Company

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does not make, and has not made, any representations or warranties in connection with the Merger and the transactions contemplated hereby other than those expressly set forth herein. It is understood that any data, any financial information or any memoranda or other materials or presentations are not and shall not be deemed to be or to include representations and warranties of the Company. Except as expressly set forth herein, no Person has been authorized by the Company to make any representation or warranty relating to the Company or any Company Subsidiary or their respective businesses, or otherwise in connection with the Merger and the transactions contemplated hereby and, if made, such representation or warranty may not be relied upon as having been authorized by the Company.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF HOLDING AND ACQUIROR

Except as disclosed in the Holding and Acquiror Disclosure Schedule attached hereto, Holding and Acquiror, jointly and severally, represent and warrant to the Company that:

5.1. Corporate Existence and Power. Each of Holding and Acquiror is a

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corporation duly incorporated, validly existing and in good standing under the Laws of its jurisdiction of incorporation and has all corporate powers and authority required to own, lease and operate its properties and carry on its business as now conducted. Each of Holding and Acquiror is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of the property owned, leased or operated by it or the nature of its activities

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makes qualification necessary, except where the failure to be qualified would not be reasonably likely to have, individually or in the aggregate, a Holding Material Adverse Effect. Each of Holding and Acquiror has heretofore made available to the Company true and complete copies of its certificate of incorporation and by-laws as currently in effect. Since the date of its incorporation, each of Holding and Acquiror has not engaged in any activities other than in connection with or as contemplated by this Agreement.

5.2. Corporate Authorization.

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(a) The execution, delivery and performance by each of Holding and Acquiror of this Agreement and the consummation by each of Holding and Acquiror of the Merger and the other transactions contemplated hereby are within the corporate powers of each of Holding and Acquiror and have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of Holding or Acquiror are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Holding and Acquiror and assuming that this Agreement constitutes the valid and binding obligation of the Company, this Agreement constitutes a valid and binding agreement of each of Holding and Acquiror, enforceable in accordance with its terms.

(b) The Board of Directors of each of Holding and Acquiror has (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, are in the best interests of such company and its stockholders, (ii) approved this Agreement and the transactions contemplated hereby and (iii) resolved to recommend and recommended to its stockholders that they vote in favor of adopting and approving this Agreement and the Merger in accordance with the terms hereof. Holding, in its capacity as the sole stockholder of Acquiror, has approved and adopted this Agreement and the transactions contemplated hereby, including the Merger. The stockholders of Holding have unanimously approved and adopted this Agreement and the transactions contemplated hereby, including the Merger.

5.3. Governmental Authorization. The execution, delivery and performance

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by each of Holding and Acquiror of this Agreement and the consummation by Holding and Acquiror of the transactions contemplated hereby will not require any consent, approval, action, order, authorization, or permit of, or regulation or filing with, any Governmental Entity by Holding or Acquiror other than (a) those set forth in clauses (a) through (d) of Section 4.3 and (b) other consents, approvals, actions, orders, authorizations, registrations, declarations, filings and permits which, if not obtained or made, would not prevent or materially impair the ability of Holding or Acquiror to consummate the Merger or the other transactions contemplated by this Agreement.

5.4. Non-Contravention. The execution, delivery and performance by

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Holding and Acquiror of this Agreement and the consummation by Holding and Acquiror of the Merger and the other transactions contemplated hereby do not and will not (a) contravene or conflict with the certificate of incorporation or by-laws of either of Holding or Acquiror, (b) assuming compliance with the matters referred to in Section 5.3, contravene or conflict with any provision of Law, binding upon or applicable to either of Holding and Acquiror or by which any of their respective

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properties is bound or affected, (c) constitute a default under (or an event that with notice or lapse of time or both could reasonably become a default) or give rise (with or without notice or lapse of time or both) to a right of termination, amendment, cancellation or acceleration under any agreement, contract, note, bond, mortgage, indenture, lease, license, franchise, joint venture, limited liability or partnership agreement or other instrument binding upon, either of Holding or Acquiror, or (d) result in the creation or imposition of any Lien on any asset of either of Holding or Acquiror other than, in the case of clauses (b), (c) and (d), any such items that would not prevent or materially impair the ability of Holding or Acquiror to consummate the Merger or the other transactions contemplated by this Agreement.

5.5. Financing.

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(a) Acquiror has received and executed commitment letters dated February 23, 2001 from Credit Suisse First Boston ("CSFB") and DLJ Investment Funding, Inc. ("DLJ") as amended on May 31, 2001 (collectively, the "Commitment Letters"), pursuant to which CSFB and DLJ have committed, subject to the terms and conditions set forth therein, to provide to the Company the amount of financing set forth in the Commitment Letters (the "Commitment Letter Financing"), to complete the transactions contemplated hereby and for working capital and general corporate purposes following the Effective Time. A true and complete copy of each of the Commitment Letters is attached hereto as Exhibit C.

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The Commitment Letters have not been amended or modified since the amendments of May 31, 2001. Acquiror has fully paid any and all commitment fees or other fees required by such Commitment Letters to be paid as of the date hereof (and will duly pay any such fees after the date hereof). The Commitment Letters are valid and in full force and effect and no event has occurred which (with or without notice, lapse of time or both) would constitute a default thereunder on the part of Holding or Acquiror.

(b) Acquiror has entered into a purchase agreement, dated as of May 31, 2001 (the "Note Purchase Agreement") with a group of initial purchasers, including CSFB, providing for Acquiror to issue and sell, and such initial purchasers to purchase, \$229,000,000 aggregate principal amount of 11 1/4% Senior Subordinated Notes due 2011 of Acquiror (the "Acquiror Senior Subordinated Notes"), subject to the terms and conditions set forth in the Note Purchase Agreement (the "Purchase Agreement Financing" and, together with the Commitment Letter Financing, the "Financing"). The proceeds of the Acquiror Senior Subordinated Notes are referred to herein as the "Senior Subordinated Notes Proceeds." A true and complete copy of the Note Purchase Agreement is attached hereto as Exhibit D. Acquiror has fully paid all commitment fees or

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other fees required by the Note Purchase Agreement to be paid as of the date hereof (and will duly pay any such fees after the date hereof). The Note Purchase Agreement is valid and in full force and effect and no event of default has occurred which (with or without notice, lapse of time or both) would constitute a default thereunder on the part of Acquiror (other than any matter relating to the Company or any of its Subsidiaries).

(c) The Commitment Letters have been obtained and the Note Purchase Agreement has been entered into, subject to the terms and conditions thereof, to pay in part the aggregate Merger Consideration pursuant to the Merger, to refinance in part any indebtedness of the Company and its Subsidiaries that will become due as a result of the transactions contemplated by this Agreement, to pay all related fees and expenses, and to provide additional financing for future

working capital and general corporate needs of the Company and its Subsidiaries. The obligations to fund the commitments under the Commitment Letters and the Note Purchase Agreement are not subject to any conditions other than as set forth in the Commitment Letters and the Note Purchase Agreement, respectively. It is the good faith belief of Holding and Acquiror, as of the date hereof, that the Financing will be obtained. Each of Holding and Acquiror will use its reasonable best efforts to cause the Financing to be completed on the terms set forth in the Commitment Letters and the Note Purchase Agreement.

(d) The Financing, together with the other funds available to Acquiror, will provide sufficient funds to consummate the Merger and the other transactions contemplated hereby on the terms set forth in this Agreement.

(e) Immediately after the consummation of the Merger, the Surviving Corporation (i) will not be insolvent, (ii) will not be left with unreasonably small capital, and (iii) will not have debts beyond its ability to pay such debts as they mature.

5.6. Information to Be Supplied.  
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(a) The Registration Statement will, at the time the Registration Statement is filed with the SEC and at the time it becomes effective under the Securities Act, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

(b) The information supplied or to be supplied by Holding and Acquiror for inclusion or incorporation by reference in (i) the Schedule 13E-3 will, at the time it is first filed with the SEC and at any time it is amended or supplemented, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, and (ii) the Proxy Statement will, at the time of the mailing thereof and at the time of the Company Stockholder Meeting, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Stockholder Meeting which has become untrue or misleading.

(c) The Proxy Statement and the Schedule 13E-3 (in each case with respect to information relating to Holding and Acquiror) and the Registration Statement will comply as to form in all material respects with the provisions of the Securities Act and the Exchange Act.

(d) Notwithstanding the foregoing, neither Holding nor Acquiror makes any representation or warranty with respect to any statements made or incorporated by reference in the Proxy Statement, the Registration Statement or the Schedule 13E-3 based on information supplied by the Company for inclusion or incorporation by reference therein.

5.7. No Breach. Each Person affiliated with the Buying Group listed on  
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Section 5.7 of the Holding and Acquiror Disclosure Schedule has reviewed Article 4 of this Agreement and has no actual knowledge as of the date hereof of any breaches of the representations or warranties contained therein such that the condition in Section 9.3(a)(ii) would not be satisfied.

5.8. Disclaimer of Other Representations and Warranties. Holding and  
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Acquiror do not make, and have not made, any representations or warranties in connection with the Merger and the transactions contemplated hereby other than those expressly set forth herein. It is understood that any data, any financial information or any memoranda or other materials or presentations are not and shall not be deemed to be or to include representations and warranties of Holding and Acquiror. Except as expressly set forth herein, no Person has been authorized by Holding or Acquiror to make any representation or warranty relating to Holding or Acquiror or their respective businesses, or otherwise in connection with the Merger and the transactions contemplated hereby and, if made, such representation or warranty may not be relied upon as having been authorized by Holding or Acquiror.

ARTICLE 6

COVENANTS OF THE COMPANY

The Company agrees as set forth below.

6.1. Company Interim Operations. Except as set forth in the Company

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Disclosure Schedule or as otherwise expressly contemplated hereby, without the prior consent of Acquiror (which consent shall not be unreasonably withheld or delayed), from the date hereof until the Effective Time, the Company shall, and shall cause each of its Material Subsidiaries to, conduct their business in all material respects in the ordinary course consistent with past practice (with such changes as the Company determines in good faith are necessary or advisable with respect to (w) changes in U.S. or global economic, industry or political conditions, (x) changes in U.S. or global financial markets or conditions, (y) any generally applicable change in Law or interpretation of any thereof and/or (z) the announcement of this Agreement or the transactions contemplated hereby or the Company's performance of its obligations under this Agreement and compliance with the covenants set forth herein), and shall use commercially reasonable efforts to (i) preserve intact its present business organization, (ii) maintain in effect all material Permits that are required for the Company or such Material Subsidiary to carry on its business, (iii) keep available the services of its present key officers and employees, and (iv) preserve existing relationships with its material customers, lenders, suppliers and others having material business relationships with it. Without limiting the generality of the foregoing, except as set forth in the Company Disclosure Schedule or as otherwise expressly contemplated by this Agreement, from the date hereof until the Effective Time, without the prior consent of Acquiror, the Company shall not, nor shall it permit any of its Subsidiaries, directly or indirectly, to:

(a) amend the Company's or any Subsidiary's certificate of incorporation or by-laws (or equivalent organizational documents);

(b) (i) split, combine or reclassify any shares of capital stock of the Company or amend the terms of any rights, warrants or options to acquire its securities, (ii) declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination

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thereof) in respect of its Equity Interests, or (iii) redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any of its securities or any rights, warrants or options to acquire its securities, except for ordinary course dividends by Company Subsidiaries or, with respect to clause (iii) only, pursuant to the existing terms of any Company Employee Plan or Foreign Plan or any agreement executed pursuant thereto;

(c) issue, deliver, sell, or authorize the issuance, delivery or sale of, its Equity Interests or any securities convertible into or exercisable for, or any rights, warrants or options to acquire, its Equity Interests, other than, (i) in connection with directors' qualifying shares, (ii) the issuance of Company Shares upon the exercise of stock options granted prior to the date hereof or in accordance with their present terms, and (iii) the issuance of Company Shares in exchange for CBRE Stock Fund Units allocated under the Deferred Compensation Plan prior to the date hereof, in accordance with the terms of the Deferred Compensation Plan;

(d) acquire (whether pursuant to merger, stock or asset purchase or otherwise) in one transaction or series of related transactions any Person, any Equity Interests of any Person, any division or business of any Person or all or substantially all of the assets of any Person for consideration having a fair market value in excess of \$5.0 million in any single or series of related transactions or \$15.0 million in the aggregate;

(e) sell, lease, encumber or otherwise dispose of any assets which are material to the Company and its Subsidiaries, taken as a whole, other than (i) sales in the ordinary course of business consistent with past practice, (ii) equipment and property no longer used in the operation of the Company's business, (iii) assets related to discontinued operations, and (iv) contributions or other transfers of assets to any Joint Venture permitted by Section 6.1(d) hereof; provided, however, that the consent of Acquiror to do any of the foregoing shall not be unreasonably withheld;

(f) (i) (A) incur any indebtedness for borrowed money, except to fund working capital in the ordinary course consistent with past practice under the Company's existing credit facilities, (B) issue or sell any debt securities (except intercompany debt securities) or warrants or other rights to acquire any debt securities of the Company or any of its Subsidiaries, (C) make any loans, advances (other than to employees of and consultants to the Company in the ordinary course of business) or capital contributions to, or, except as permitted by 6.1(d), investments in, any other Person, other than to the Company or any Subsidiary of the Company or (D) assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any Person (other than obligations of Subsidiaries and the endorsements of negotiable instruments for collection in the ordinary course of business consistent with past practice), or (ii) enter into or materially amend any contract, agreement, commitment or arrangements to effect any of the transactions prohibited by this Section 6.1(f);

(g) except in the ordinary course of business consistent with past practice, (i) materially amend, modify or terminate any material contract,

agreement or arrangement of the Company or any of its Material Subsidiaries or (ii) otherwise waive, release or assign any material rights, claims or benefits of the Company or any of its Material Subsidiaries thereunder; provided, however, that the consent of Acquiror to do any of the forgoing shall not be unreasonably withheld;

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(h) (i) except as required by Law or any existing agreement, increase the amount of compensation of any director or executive officer of the Company, (ii) except as required by Law, an agreement existing on the date hereof or pursuant to a Company severance policy existing on the date hereof, grant any severance or termination pay to any director or senior officer of the Company or any Material Subsidiary, (iii) adopt any additional material employee benefit plan or (iv) except as may be required by Law or as necessary to comply with the terms of this Agreement, amend in any material respect any Company Employee Plan or Foreign Plan; provided, however, that the consent of Acquiror to do any of the forgoing shall not be unreasonably withheld;

(i) materially change the Company's methods of accounting in effect at September 30, 2000, except as required by changes in GAAP or by Regulation S-X of the Exchange Act, as concurred in by its independent public accountants; provided, however, that the consent of Acquiror to do any of the forgoing shall not be unreasonably withheld;

(j) (i) settle, pay or discharge, any litigation, investigation, arbitration, proceeding or other claim that is material to the business, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole or (ii) settle, pay or discharge any Claim against the Company with respect to or arising out of the transactions contemplated by this Agreement;

(k) other than in the ordinary course of business consistent with past practice, (i) make any material Tax election or take any position on any Company Return filed on or after the date of this Agreement or adopt any method therein that is materially inconsistent with elections made, positions taken or methods used in preparing or filing similar returns in prior periods, (ii) enter into any settlement or compromise of any material Tax liability that in either case is material to the business of the Company and its Subsidiaries, taken as a whole, (iii) file any amended Company Return with respect to any material Tax, (iv) change any annual Tax accounting period, (v) enter into any closing agreement relating to any material Tax or (vi) surrender any right to claim a material Tax refund;

(l) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries (other than the Merger); and

(m) agree or commit to do any of the foregoing; provided that the limitations set forth in Sections 6.1(b) through 6.1(g) and Section 6.1(l) shall not apply to any action, transaction or event occurring exclusively between the Company and any Company Subsidiary or exclusively between any Company Subsidiaries.

6.2. Stockholder Meeting. Subject to Section 6.3, the Company shall cause

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a meeting of its Stockholders (the "Company Stockholder Meeting") to be duly called and held as promptly as reasonably practicable after the date hereof for the purpose of obtaining the Company Stockholder Approval. Subject to Section 6.3 hereto, (i) the Company's Board of Directors shall recommend approval and adoption by its Stockholders of this Agreement and the transactions contemplated hereby, including the Merger (the "Company Recommendation") and (ii) the Company shall take all other reasonable lawful action to solicit and secure the Company Stockholder Approval. The Company Recommendation, together with a copy of the

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opinion referred to in Section 4.16(b), shall be included in the Proxy Statement. Holding and Acquiror or their agents shall have the right to solicit from the Company Stockholders proxies in favor of adoption of this Agreement and the transactions contemplated hereby.

6.3. Acquisition Proposals; Board Recommendation.

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(a) The Company agrees that it shall not, nor shall it permit any Company Subsidiary to, nor shall it authorize or knowingly permit any officer, director, employee, investment banker, attorney, accountant, agent or other advisor or representative of the Company or any Company Subsidiary, directly or indirectly, to (i) solicit or initiate the submission of any Acquisition Proposal, (ii) participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to, or take any other action knowingly to facilitate any inquiries or the making of any proposal that constitutes or that would reasonably be expected to lead to any Acquisition Proposal, (iii) grant any waiver or release under any standstill or similar agreement with respect to

any class of the Company's equity securities or (iv) enter into any agreement with respect to any Acquisition Proposal; provided, however, that if the Company receives an unsolicited Acquisition Proposal from a Third Party that the Company's Board of Directors or the Special Committee determines in good faith is or could reasonably be expected to lead to the delivery of a Superior Proposal from that Third Party, the Company may, subject to compliance with the other provisions of this Section 6.3, furnish information to, and engage in discussions and negotiations with, such Third Party with respect to its Acquisition Proposal ("Permitted Actions"). Notwithstanding the foregoing, the Board of Directors shall not take any Permitted Actions unless the Company provides Acquiror with reasonable advance notice thereof.

(b) Except as permitted by this Section 6.3(b), neither the Board of Directors of the Company, the Special Committee nor any committee thereof shall amend, withdraw, modify, change, condition or qualify in any manner adverse to Acquiror, the Company Recommendation (it being understood and agreed that a communication by the Board of Directors of the Company or the Special Committee to the Company Stockholders pursuant to Rule 14d-9(f) of the Exchange Act, or any similar communication to the Company Stockholders in connection with the making or amendment of a tender offer or exchange offer, shall not be deemed to constitute a withdrawal, modification, amendment, condition or qualification of the Company Recommendation for all purposes of this Agreement, including this Section 6.3 and Section 10.1(e)). Notwithstanding the foregoing, in the event that the Board of Directors of the Company or the Special Committee takes the actions set forth in Section 6.3(e), the Board of Directors of the Company or the Special Committee may (i) withdraw or modify in any manner adverse to Acquiror, the Company Recommendation and (ii) approve or recommend, or propose to approve or recommend, any Acquisition Proposal.

(c) Unless the Company's Board of Directors or the Special Committee has previously withdrawn, or is concurrently therewith withdrawing, the Company Recommendation in accordance with this Section 6.3, neither the Company's Board of Directors nor any committee thereof shall recommend any Acquisition Proposal to the Company Stockholders. Notwithstanding the foregoing, nothing contained in this Section 6.3(c) or elsewhere in this Agreement shall prevent the Company's Board of Directors or the Special Committee from complying with Rule 14e-2 under the Exchange Act with respect to any Acquisition Proposal or making any disclosure required by or otherwise complying with applicable Law.

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(d) The Company shall notify Acquiror promptly (but in no event later than the next Business Day) after receipt by the Company of any Acquisition Proposal or any request for information relating to the Company or any of its Subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of the Company or any of its Subsidiaries or any request for a waiver or release under any standstill or similar agreement, by any Person that informs the Board of Directors of the Company or such Subsidiary that it is considering making, or has made an Acquisition Proposal; provided, however, that prior to participating in any discussions or negotiations or furnishing any such information, the Company shall receive from such Person an executed confidentiality agreement on terms that are not materially less favorable to the Company than the Confidentiality Agreement. The notice shall indicate the terms and conditions of the proposal or request and the identity of the Person making it, and the Company will promptly notify Acquiror of any material modification of or material amendment to any Acquisition Proposal (and the terms of such modification or amendment); provided, however, that, without limiting what changes may be material, any change in the consideration to be paid with respect to the Acquisition Proposal shall be deemed to be a material modification or a material amendment. The Company shall keep Acquiror informed, on a reasonably current basis, of the status of any negotiations, discussions and documents with respect to such Acquisition Proposal or request.

(e) Holding, Acquiror or the Company may terminate this Agreement, if the Company's Board of Directors or the Special Committee, after consultation with its financial and legal advisors, shall have determined (i) to approve or recommend an Acquisition Proposal after concluding that the Acquisition Proposal constitutes a Superior Proposal and (ii) to enter into a binding agreement concerning the Acquisition Proposal; provided, however, that the Company may not exercise its right to terminate under this Section 6.3(e), unless (1) the Company shall have provided to Acquiror at least three (3) Business Days' prior written notice that its Board of Directors or the Special Committee has authorized the termination and intends to terminate this Agreement pursuant to this Section 6.3(e), specifying the material terms and conditions of the Acquisition Proposal, and (2) Acquiror does not make, within three (3) Business Days of delivery of the notice, an offer such that a majority of the disinterested members of the Company's Board of Directors or the Special Committee determines that the foregoing Acquisition Proposal no longer constitutes a Superior Proposal. In connection with the foregoing, the Company agrees that it will not enter into an agreement which binds the Company with respect to such an Acquisition Proposal unless (x) the Company simultaneously delivers to Acquiror the notice contemplated by the foregoing proviso, (y) such agreement is not binding on the Company until three (3) Business Days after delivery of the notice set forth in this Section 6.3(e) and (z) the Company has the right under such agreement to unilaterally terminate such agreement prior to

the termination of this Agreement without any payment or other liability or obligation of any kind.

(f) The Company shall immediately cease, and shall cause any party acting on its behalf to cease, and cause to be terminated any existing discussions or negotiations with any Third Party conducted heretofore with respect to any of the foregoing and shall request any such parties in possession of confidential information about the Company or its Subsidiaries that was furnished by or on behalf of the Company or its Subsidiaries to return or destroy all such information in the possession of any such party or the agent or advisor of any such party.

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#### ARTICLE 7

##### COVENANTS OF HOLDING AND ACQUIROR

Each of Holding and Acquiror agrees as set forth below.

###### 7.1. Director and Officer Liability.

(a) Holding, Acquiror and the Surviving Corporation agree that the Surviving Corporation shall adopt on or prior to the Effective Time, in its certificate of incorporation and by-laws, the same indemnification, limitation of or exculpation from liability and expense advancement provisions as those set forth in the Company's certificate of incorporation and by-laws, in each case as of the date of this Agreement, and that such provisions shall not be amended, repealed, revoked or otherwise modified for a period of six (6) years after the Effective Time in any manner that would adversely affect the rights thereunder of the individuals who on or prior to the Effective Time were directors, officers, employees or agents of the Company or the Company Subsidiaries or are otherwise entitled to the benefit of such provisions, unless such modification is required after the Effective Time by applicable Law.

(b) To the fullest extent permitted under applicable Law, commencing at the Effective Time and continuing for six (6) years thereafter, Holding shall, and Holding shall cause the Surviving Corporation to, indemnify, defend and hold harmless, each present and former director, officer or employee of the Company and each Company Subsidiary and their respective estates, heirs, personal representatives, successors and assigns (collectively, the "Indemnified Parties") against all costs and expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time) (each, a "Claim"), arising out of or pertaining to any action or omission in their capacity as director or officer of the Company or any Subsidiary of the Company or their serving at the request of the Company or any Subsidiary of the Company as director, officer, trustee, partner or fiduciary of another Person, pension or other employee benefit plan or enterprise in each case occurring on or before the Effective Time (including the transactions contemplated by this Agreement); provided, however, that in the event any Claim or Claims for indemnification are made within such six year period, all rights to indemnification in respect of any such Claim or Claims shall continue until the final disposition of any and all such Claims. Without limiting the foregoing, in the event of any Claim, (i) Holding and the Surviving Corporation shall (x) periodically advance reasonable fees and expenses (including attorneys fees) with respect to the foregoing, (y) pay the reasonable fees and expenses of counsel selected by each Indemnified Party, promptly after statements therefor are received and (z) vigorously assist each Indemnified Party in such defense, and (ii) Holding and the Surviving Corporation, as applicable, shall cooperate in the defense of any matter; provided, however, that Holding and the Surviving Corporation shall not be liable for any settlement effected without its prior written consent (which consent shall not be unreasonably withheld or delayed).

(c) For six (6) years from the Effective Time, the Surviving Corporation shall, and Holding shall cause the Surviving Corporation to, provide to the Company's and each Company Subsidiary's directors and officers liability and fiduciary liability insurance protection with the

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same coverage and in the same amount, and on terms no less favorable to the directors and officers than that provided by the Company's directors' and officers' liability insurance policies in effect on the date hereof; provided, however, that the Surviving Corporation shall not be obligated to make premium payments for such insurance to the extent such annual premiums exceed 250% of the annual premiums paid as of the date hereof by the Company for such insurance; and provided, further, that if the premiums with respect to such insurance exceed 250% of the annual premiums paid as of the date hereof by the Company for such insurance, the Surviving Corporation shall be obligated to obtain such insurance with the maximum coverage as can be obtained at an annual premium equal to the sum of (i) 250% of the annual premiums paid by the Company as of the date hereof plus (ii) the cumulative amount by which the premiums paid

after the Effective Time are less than the product of 250% of the annual premiums paid by the Company as of the date hereof and the number of years that have expired since the Effective Time.

(d) All rights to indemnification and/or advancement of expenses contained in any agreement with any Indemnified Parties as in effect on the date hereof with respect to matters occurring on or prior to the Effective Time (including the transactions contemplated hereby) shall survive the Merger and continue in full force and effect.

(e) This Section 7.1 shall survive the consummation of the Merger and is intended to be for the benefit of, and shall be enforceable by, the Indemnified Parties referred to herein, their heirs and personal representatives and shall be binding on the Surviving Corporation and its successors and assigns and the covenants and agreements contained herein shall not be deemed exclusive of any other rights to which an Indemnified Party is entitled, whether pursuant to Law, contract or otherwise.

(f) If the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Surviving Corporation shall assume the obligations set forth in this Section 7.1.

(g) Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of its officers, directors or employees, it being understood and agreed that the indemnification provided for in this Section 7.1 is not prior to or in substitution for any such claims under such policies.

#### 7.2. Employee Benefits.

(a) For twelve (12) months from the Effective Time, Holding shall provide (or shall cause the Surviving Corporation to provide) employees of the Company and the Company Subsidiaries with benefits under employee benefit plans (other than equity based compensation) that are no less favorable in the aggregate than those currently provided by the Company and the

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Company Subsidiaries to its employees. For purposes of any employee benefit plan or arrangement maintained by Holding or the Surviving Corporation, Holding and the Surviving Corporation shall recognize (or cause to be recognized) service with the Company and its Subsidiaries and any predecessor entities (and any other service credited by the Company under similar benefit plans) for all purposes (including for vesting, eligibility to participate, severance, and benefit accrual; provided, however, that solely to the extent necessary to avoid duplication of benefits, amounts payable under employee benefit plans provided by Holding or the Surviving Corporation may be reduced by amounts payable under similar employee benefit plans of the Company and its Subsidiaries with respect to the same periods of service). Any benefits accrued by employees of the Company or any Company Subsidiary prior to the Effective Time under any defined benefit pension plan of the Company or any Company Subsidiary that employs a final average pay formula shall be calculated based on the terms of such plan. From and after the Effective Time, Holding and the Surviving Corporation shall waive any pre-existing condition limitations and credit any flexible spending account balances, deductibles and out-of-pocket expenses that are applicable and/or covered under the Company's and its Subsidiaries' employee benefit plans, and are incurred by the employees and their beneficiaries during the portion of the plan year prior to participation in the benefit plans provided by Holding and the Surviving Corporation. The provisions of this Section 7.2 shall not create in any employee or former employee of the Company or any Company Subsidiary any rights to employment or continued employment with Holding, Acquiror, the Surviving Corporation or the Company or any of their respective Subsidiaries, successors or Affiliates. The provisions of this Section 7.2 shall apply to employees of the Company or any Company Subsidiary who are on disability or leave of absence.

(b) Participants in the Company's 401(k) plan and non-qualified retirement plans will receive all Company contributions for the partial year ending on the Closing Date without regard to any last day of the plan year requirement or service requirement.

#### 7.3. Severance Plan. For one (1) year from the Effective Time, Holding

shall provide (or shall cause the Surviving Corporation to provide) employees of the Company and the Company's Subsidiaries with a severance plan that is no less favorable than the plan currently applicable to the Company's employees. Holding and the Surviving Corporation shall recognize (or cause to be recognized) service with the Company and its Subsidiaries or any predecessor entities (and any other services credited by the Company under similar severance



plans) for all purposes; provided, however, that solely to the extent necessary to avoid duplication of benefits, amounts payable under other severance plans provided by Holding or the Surviving Corporation may be reduced by the amounts payable under the Company's severance plan.

7.4. Conduct of Holding and Acquiror. Holding will and will take all

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action necessary to cause Acquiror to perform its obligations under this Agreement to consummate the Merger on the terms and subject to conditions set forth in this Agreement.

7.5. Transfer Taxes. All state, local or foreign sales, use, real

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property transfer, stock transfer or similar Taxes (including any interest or penalties with respect thereto) attributable to the Merger (collectively, the "Transfer Taxes") shall be timely paid by Holding, Acquiror or the Surviving Corporation.

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7.6. Investment Banking Fee. If the Closing shall occur, Holding,

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Acquiror and the Surviving Corporation shall pay or cause to be paid all fees and expenses due to Morgan Stanley & Co. Incorporated from the Company pursuant to the agreement referred to in Section 4.16(a).

7.7. Financing Arrangements.

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(a) Holding and Acquiror shall use their reasonable best efforts to obtain the Financing on the terms set forth in Commitment Letters and the Note Purchase Agreement and in an amount at least equal to the Financing on or prior to the date of the Company Stockholders Meeting. The Commitment Letters, the definitive agreements contemplated thereby and the Note Purchase Agreement (along with any other document pursuant to which Holding and Acquiror intends to obtain financing of all or a portion of the Financing) are referred to herein collectively as the "Financing Agreements". The Company will be afforded a reasonable opportunity to review and comment on the representations and warranties contained in the Financing Agreements. Holding and Acquiror shall use reasonable best efforts to ensure that the representations and warranties contained in the Financing Agreements shall be consistent with the Commitment Letters and the Note Purchase Agreement.

(b) Holding or Acquiror shall provide prompt written notice to the Company of RCBA's, DLJ's or CSFB's refusal or unwillingness to provide the financing described in the Contribution and Voting Agreement, the Commitment Letters or the Note Purchase Agreement, as the case may be, and, in each case, the stated reasons therefor (to the extent known).

(c) In the event that any portion of the Financing becomes unavailable in the manner or from the sources originally contemplated, Holding and Acquiror will use their reasonable best efforts to obtain any such portion from alternative sources on substantially comparable terms, if available. Holding and Acquiror acknowledge and agree that the condition set forth in Section 9.3(c) would be satisfied if they were able to obtain financing on terms substantially comparable to those set forth in the draft commitment letter of CSFB dated November 9, 2000 previously delivered to the Company.

(d) The Company acknowledges and agrees that Holding and Acquiror shall have the right to seek to obtain alternative debt financing that they believe to be on more favorable terms than the terms of the Commitment Letters so long as they simultaneously continue to use their reasonable best efforts to obtain the Financing on the terms set forth in the Commitment Letters.

7.8. Contribution and Voting Agreement. Holding and Acquiror shall

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enforce to the fullest extent permitted by applicable Laws Sections 3.1 and 4.4 of the Contribution and Voting Agreement. Sections 3.1 and 4.4 of the Contribution and Voting Agreement shall not be amended, modified, terminated or waived without the prior written approval of the Company and the Special Committee or a majority of the disinterested members of the Board of Directors.

7.9. Board Member. Holding and Acquiror agree to cause the initial Board

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of Directors of Holding after the Effective Time to include one person who is currently employed by the Company (other than Messrs. Wirta and White) as an active broker of the Company.

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ARTICLE 8

COVENANTS OF HOLDING, ACQUIROR AND THE COMPANY

The parties hereto agree as set forth below.

8.1. Efforts and Assistance.  
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(a) Subject to the terms and conditions hereof, each party will use commercially reasonable best efforts to take, or cause to be taken, all actions, to file, or caused to be filed, all documents and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable, including, without limitation, obtaining all necessary consents, waivers, approvals, authorizations, Permits or orders from all Governmental Entities or other Third Parties. The Company, Holding and Acquiror shall furnish all information required to be included in the Proxy Statement, the Schedule 13E-3, the Registration Statement or for any application or other filing to be made pursuant to the rules and regulations of any Governmental Entity in connection with the transactions contemplated by this Agreement. Holding, Acquiror and the Company shall have the right to review in advance, and to the extent reasonably practicable each will consult the other on, all the information relating to the other and each of their respective Subsidiaries, that appear in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the Merger. Holding and Acquiror shall act reasonably and as promptly as reasonably practicable.

(b) Each of the Company and Holding shall make an appropriate filing of a notification and report form pursuant to the HSR Act with respect to the transactions contemplated hereby promptly and shall promptly respond to any request for additional information pursuant to the HSR Act and supply such information. In addition, the Company and Holding shall each promptly make any other filing that is required under any Non-U.S. Competition Law. Holding, Acquiror and the Company shall each use their commercially reasonable efforts to resolve objections, if any, as may be asserted by any Governmental Entity with respect to the Merger under any antitrust or trade or regulatory Laws or regulations of any Governmental Entity, and neither the Company nor any of the Company Subsidiaries shall agree to do any of the actions set forth in the foregoing clause without the prior written consent of Acquiror. Holding and Acquiror shall reasonably consult with the Company and, subject to being permitted by the Governmental Entity to do so, the Company shall have the right to attend and participate in any telephone calls or meetings that Holding or Acquiror has with any Person with regard to this Agreement and the transactions contemplated hereby.

(c) The Company agrees to provide, and will cause its Subsidiaries and its and their respective officers, employees and advisers to provide, such cooperation as is reasonably necessary in connection with the arrangement of any financing to be consummated contemporaneously with or at or after the Closing in respect of the transactions contemplated by this Agreement, including (i) participation in meetings, due diligence sessions and road shows, (ii) the preparation of offering memoranda, private placement memoranda, prospectuses and similar documents, (iii) the execution and delivery of any commitment or financing letters, underwriting, purchase or placement agreements, pledge and security documents, other definitive financing documents, or other requested certificates or documents and comfort letters

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and consents of accountants as may be reasonably requested by Holding and Acquiror and taking such other actions as are reasonably required to be taken by the Company in the Commitment Letters or any other financing arrangements contemplated by Section 7.7 hereof; provided, however, that (A) the terms and conditions of any of the agreements and other documents referred to in clause (iii) shall be consistent with the terms and conditions of the financing required to satisfy the condition precedent set forth in Section 9.3(d), (B) the Company shall be given a reasonable amount of time to review and comment on the terms and conditions of any of the agreements and other documents set forth in clause (iii) prior to the execution of those documents, (C) the terms and conditions of such financing may not require the payment of any commitment or other fees by the Company or any of its Subsidiaries, or the incurrence of any liabilities by the Company or any of its Subsidiaries, prior to the Effective Time and the obligation to make any such payment shall be subject to the occurrence of the Closing and (D) the Company shall not be required to provide any such assistance which would interfere unreasonably with the business or operations of the Company or its Subsidiaries. In addition, in conjunction with the obtaining of any such financing, the Company agrees, at the reasonable request of Holding and Acquiror, to call for prepayment or redemption, or to prepay, redeem and/or renegotiate, as the case may be, any then existing indebtedness of the Company; provided that no such prepayment or redemption shall themselves actually be made until contemporaneously with or after the Effective Time of the Merger.

8.2. Proxy Statement and Schedule 13E-3.  
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(a) Reasonably promptly after execution of this Agreement, the Company shall prepare the Proxy Statement, file the Proxy Statement with the SEC under the Exchange Act, and use commercially reasonable efforts to have the Proxy

Statement cleared by the SEC. Holding, Acquiror and the Company shall cooperate with each other in the preparation of the Proxy Statement, and the Company shall notify Acquiror of the receipt of any comments of the SEC with respect to the Proxy Statement and of any requests by the SEC for any amendment or supplement thereto or for additional information and shall provide to Acquiror reasonably promptly copies of all correspondence between the Company or any representative of the Company and the SEC. The Company shall give Acquiror and its counsel the opportunity to review and comment on the Proxy Statement and any other documents filed with the SEC or mailed to the Company Stockholders prior to their being filed with, or sent to, the SEC or mailed to its Stockholders and shall give Acquiror and its counsel the opportunity to review and comment on all amendments and supplements to the Proxy Statement and any other documents filed with, or sent to, the SEC or mailed to the Company Stockholders and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC or mailed to its Stockholders. Each of the Company, Holding and Acquiror agrees to use its commercially reasonable efforts, after consultation with the other parties hereto, to respond promptly to all such comments of and requests by the SEC. As promptly as practicable after the Proxy Statement has been cleared by the SEC, the Company shall mail the Proxy Statement to the Stockholders. Prior to the date of approval of the Merger by the Stockholders, each of the Company, Holding and Acquiror shall correct promptly any information provided by it and used in the Proxy Statement that shall have become false or misleading in any material respect, and the Company shall take all steps necessary to file with the SEC and have cleared by the SEC any amendment or supplement to the Proxy Statement as to correct the same and to

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cause the Proxy Statement as so corrected to be disseminated to the Stockholders, in each case to the extent required by applicable Law.

(b) Promptly following the date of this Agreement, Holding, Acquiror and the Company shall file with the SEC, and shall use all commercially reasonable efforts to cause any of their respective Affiliates engaging in this transaction to file with the SEC, a Schedule 13E-3 with respect to the Merger. Each of the parties hereto agrees to use all commercially reasonable efforts to cooperate and to provide each other with such information as any of such parties may reasonably request in connection with the preparation of the Proxy Statement and the Schedule 13E-3. The Schedule 13E-3 shall be filed with the SEC concurrently with the filing of the Proxy Statement. Each of the Company, Holding and Acquiror agrees to use its commercially reasonable efforts, after consultation with the other parties hereto, to respond promptly to all such comments of and requests by the SEC. Each party hereto agrees promptly to supplement, update and correct any information provided by it for use in the Schedule 13E-3 if and to the extent that such information is or shall have become incomplete, false or misleading.

8.3. Public Announcements. The parties shall consult with each other

before issuing any press release or making any public statement with respect to this Agreement and the transactions contemplated hereby and shall not issue any such press release or make any such public statement without the prior consent of the other parties, which shall not be unreasonably withheld or delayed, except as may be required by applicable Law or any listing agreement with any national securities exchange.

8.4. Access to Information; Notification of Certain Matters.

(a) From the date hereof until the Effective Time and subject to applicable Law, the Company shall (i) give to Holding and Acquiror, their counsel, financial advisors, auditors and other authorized representatives reasonable access to its offices, properties, books and records; (ii) furnish or make available to Holding and Acquiror, their counsel, financial advisors, auditors and other authorized representatives any financial and operating data and other information as those Persons may reasonably request; and (iii) instruct its employees, counsel, financial advisors, auditors and other authorized representatives to cooperate with the reasonable requests of Holding and Acquiror in their investigation. Any investigation pursuant to this Section shall be conducted in a manner which will not interfere unreasonably with the conduct of the business of the Company and its Subsidiaries and shall be in accordance with any other existing agreements or obligations binding on the Company or any of its Subsidiaries. Unless otherwise required by Law, each of Holding and Acquiror will hold, and will cause its respective officers, employees, counsel, financial advisors, auditors and other authorized representatives to hold any nonpublic information obtained in any investigation in confidence in accordance with and agrees to be bound by, the terms of the confidentiality letter, dated December 15, 2000, as amended as of the date hereof (the "Confidentiality Agreement"), among the Company and the members of the Buying Group. No investigations pursuant to this Section 8.4(a) shall affect any representations or warranties of the parties herein or the conditions to the obligations of the parties hereto.

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(b) The Company shall give prompt notice to Holding and Acquiror, and Holding and Acquiror shall give prompt notice to the Company, of (i) the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would reasonably be expected to cause any representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect; (ii) any failure of the Company or Holding and Acquiror, as the case may be, to materially comply with or satisfy, or the occurrence or nonoccurrence of any event, the occurrence or nonoccurrence of which would reasonably be expected to cause the failure by such party to materially comply with or satisfy, any covenant, condition or agreement to be complied with or satisfied by it hereunder; (iii) any notice or other communication from any Third Party alleging that the consent of such Third Party is or may be required in connection with the transactions contemplated by this Agreement; and (iv) the occurrence of any event, development or circumstance which has had or would be reasonably likely to result in a Company or Holding Material Adverse Effect; provided, however, that the delivery of any notice pursuant to this Section 8.4(b) shall not limit or otherwise affect the remedies available hereunder to the party giving or receiving such notice.

8.5. Further Assurances. Upon the terms and subject to the conditions of

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this Agreement, each of the parties hereto shall use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement, to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and otherwise to satisfy or cause to be satisfied all conditions precedent to its obligations under this Agreement. At and after the Effective Time, the officers and directors of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of the Company or Acquiror, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Acquiror, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

8.6. Registration Statement.

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(a) Reasonably promptly after execution of this Agreement, Holding shall prepare and file with the SEC the Registration Statement; provided, however, that Holding and Acquiror shall use their commercially reasonable efforts to file the Registration Statement simultaneously with the filings of the Schedule 13E-3 and the Proxy Statement. Holding and the Company agree to cooperate in coordinating such simultaneous filings. Holding shall use commercially reasonable efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after the filing and to keep the Registration Statement effective as long as is necessary to offer and sell shares of common stock of Holding to employees of the Company. Holding and the Company shall also take any action required to be taken under any applicable state securities or blue sky Laws in connection with the issuance of shares of common stock of Holding.

(b) Holding and the Company shall cooperate with each other in the preparation of the Registration Statement, and Holding shall notify the Company of the receipt of any comments of

the SEC with respect to the Registration Statement and of any requests by the SEC for any amendment thereto or for additional information and shall provide to the Company reasonably promptly copies of all correspondence between Holding or any representative of the Holding and the SEC. Holding shall give the Company and its counsel the opportunity to review the Registration Statement prior to its being filed with the SEC and shall give the Company and its counsel the opportunity to review all amendments to the Registration Statement and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Holding will advise the Company, promptly after it receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, the issuance of any stop order, or any request by the SEC for amendment of the Registration Statement or comments thereon and responses thereto or requests by the SEC for additional information. If at any time prior to the Effective Time, the Company or Holding discovers any information relating to either party, or any of their respective Affiliates, officers or directors, that should be set forth in an amendment to the Registration Statement, so that the document will not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers any misleading information shall promptly notify the other parties hereto and an appropriate amendment describing the information shall be promptly filed with the SEC and, to the extent required by Law, disseminated to the recipients of the Prospectus.

(c) Subject to compliance with applicable securities Laws, Holding and Acquiror will use their commercially reasonable efforts to provide adequate information and communications to the employees of the Company concerning the proposed capitalization of Holding and any proposals of Holding or Acquiror to allow employees of the Company to purchase shares of common stock of Holding pursuant to the Registration Statement or to otherwise acquire equity securities of Holding.

8.7. Disposition of Litigation. The Company will consult with Holding  
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with respect to any Action by any Third Party to restrain or prohibit or otherwise oppose the Merger or the other transactions contemplated by this Agreement and, subject to Section 6.3, will resist any such effort to restrain or prohibit or otherwise oppose the Merger or the other transactions contemplated by this Agreement. Holding may participate in (but not control) the defense of any stockholder litigation against the Company and its directors relating to the transactions contemplated by this Agreement at Holding's sole cost and expense. In addition, subject to Section 6.3, the Company will not voluntarily cooperate with any Third Party which has sought or may hereafter seek to restrain or prohibit or otherwise oppose the Debt Offer, the Merger or the other transactions contemplated by this Agreement and will cooperate with Holding to resist any such effort to restrain or prohibit or otherwise oppose the Debt Offer, the Merger or the other transactions contemplated by this Agreement.

8.8. Confidentiality Agreements. The parties acknowledge that the Company  
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and the members of the Buying Group entered into the Confidentiality Agreement, which Confidentiality Agreement shall continue in full force and effect in accordance with its terms until the earlier of (a) the Effective Time or (b) the expiration of the Confidentiality Agreement according to its terms. Without the prior written consent of Acquiror, neither the Company nor any Subsidiary of the Company will waive or fail to enforce any provision of any confidentiality or similar

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agreement which the Company has entered into since November 10, 2000 in connection with a business combination relating to the Company.

8.9. Resignation of Directors. Prior to the Effective Time, the Company  
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shall use its commercially reasonable efforts to deliver to Acquiror evidence satisfactory to Acquiror of the resignation of all directors of the Company (other than Richard C. Blum, Bradford M. Freeman, Raymond E. Wirta and W. Brett White), effective at the Effective Time.

8.10. Senior Subordinated Notes.  
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(a) At or prior to the Effective Time, the Company, Holding and Acquiror will take all actions as may be necessary to (i) repurchase the aggregate principal amount of the Company's 8-7/8% Senior Subordinated Notes due 2006 (hereinafter referred to as the "Notes") that are tendered to the Company on the terms set forth in Section 8.10 of the Company Disclosure Schedule and such other customary terms and conditions as are reasonably acceptable to Acquiror and (ii) obtain the consent of holders of such principal amount of the Notes outstanding required pursuant to terms of the First Supplemental Indenture dated as of May 26, 1998 between the Company and State Street Bank and Trust Company of California, National Association, as Trustee (the "Indenture"), to amend the terms of the Indenture in the manner set forth in Section 8.10 of the Company Disclosure Schedule (the foregoing clauses (i) and (ii), together the "Debt Offer"). Notwithstanding the foregoing, in no event shall the Company be required to take any action that could obligate the Company to repurchase any Notes or incur any additional obligations to the holders of Notes prior to the Effective Time.

(b) The Company shall waive any of the conditions to the Debt Offer and make any other changes in the terms and conditions of the Debt Offer as reasonably requested by the Acquiror, and the Company shall not, without Acquiror's prior consent, waive any material condition to the Debt Offer, make any changes to the terms and conditions of the Debt Offer set forth in Section 8.10 of the Company Disclosure Schedule or make any other material changes in the terms and conditions of the Debt Offer. Notwithstanding the immediately preceding sentence, Acquiror shall not request that the Company make any change to the terms and conditions of the Debt Offer which decreases the price per Note payable in the Debt Offer, changes the form of consideration payable in the Debt Offer (other than by adding consideration) or imposes conditions to the Debt Offer in addition to those set forth in Section 8.10 of the Company Disclosure Schedule which are materially adverse to holders of the Notes (it being agreed that a request by Acquiror that the Company waive any condition in whole or in part at any time and from time to time in its sole discretion shall not be deemed to be materially adverse to any holder of Notes), unless such change was previously approved in writing by the Special Committee or a majority of the disinterested members of the Board of Directors of the Company.

(c) Promptly following the date of this Agreement, Holding, Acquiror and the Company shall prepare an offer to purchase the Notes (or portions thereof) and forms of the related letter of transmittal (the "Letter of Transmittal") (collectively, the "Offer to Purchase") and summary advertisement, as well as other information and exhibits (collectively, the "Offer Documents"). Holding, Acquiror and the Company shall cooperate with each other in the preparation of the Offer Documents. All mailings to the holders of Notes in connection with the Debt Offer shall

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be subject to the prior review, comment and reasonable approval of Acquiror. Provided that this Agreement shall not have been terminated in accordance with Section 10.1, the Company shall, promptly after request of Acquiror (but in no event earlier than twenty calendar days after the date hereof), commence the Debt Offer and cause the Offer Documents to be mailed to the holders of the Notes as promptly as practicable following execution of this Agreement. The Company, Holding and Acquiror agree promptly to correct any information in the Offer Documents that shall be or have become false or misleading in any material respect.

(d) In connection with the Debt Offer, if requested by Acquiror, the Company shall promptly furnish Acquiror with security position listings, any non-objecting beneficial owner lists and any available listings or computer files containing the names and addresses of the beneficial owners and/or record holders of Notes, each as of a recent date, and shall promptly furnish Acquiror with such additional information (including but not limited to updated lists of Noteholders, mailing labels, security position listings and non-objecting beneficial owners lists) and such other assistance as Acquiror or its agents may reasonably require in communicating the Debt Offer to the record and beneficial holders of Notes.

#### ARTICLE 9

##### CONDITIONS TO MERGER

9.1. Conditions to the Obligations of Each Party. The obligations of the  
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Company, Holding and Acquiror to consummate the Merger are subject to the satisfaction of the following conditions:

- (a) the Company Stockholder Approval shall have been obtained;
- (b) any applicable waiting period or required approval under the HSR Act, Non-U.S. Competition Law or any other similar applicable Law required prior to the completion of the Merger shall have expired or been earlier terminated or received;
- (c) no Governmental Entity of competent authority or jurisdiction shall have issued any Law or taken any other action then in effect, which restrains, enjoins or otherwise prohibits or makes illegal the consummation of the Merger; provided, however, that the parties hereto shall use their commercially reasonable efforts to have any such Law or other legal restraint vacated; and
- (d) the Registration Statement shall have been declared by the SEC and continue to be effective.

9.2. Conditions to the Obligations of the Company. The obligations of the  
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Company to consummate the Merger are subject to the satisfaction of the following further conditions:

- (a) (i) each of Holding and Acquiror shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Effective Time, (ii) (A) the representations and warranties of Holding and Acquiror contained in this Agreement that are qualified by reference to a Holding Material Adverse Effect shall be true and correct when made

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and at and as of the Effective Time, as if made at and as of such time, and (B) all other representations and warranties of Holding and Acquiror shall have been true and correct in all material respects when made and at and as of the Effective Time as if made at and as of such time, and (iii) the Company shall have received a certificate signed by the Chief Executive Officer or President of each of Holding and Acquiror to the foregoing effect;

- (b) each of Holding and Acquiror shall have obtained or made all consents, approvals, actions, orders, authorizations, registrations, declarations, announcements and filings contemplated by Section 5.3, which if not obtained or made (i) would render consummation of the Merger illegal or (ii) (assuming the Effective Time had occurred) would be reasonably likely to have, individually or in the aggregate, a Holding Material Adverse Effect or a Company Material Adverse Effect; and

(c) Holding and Acquiror shall have caused the valuation firm which has delivered a solvency letter to the financial institutions providing the Financing (or, if no such letter has been provided thereto, a valuation firm reasonably acceptable to the Company) to have delivered to the Company a letter addressed to the Special Committee and the Board of Directors in form and substance reasonably satisfactory to the Special Committee as to the solvency of the Company and its Subsidiaries after giving effect to the Merger, the financing arrangements contemplated by Acquiror with respect to the Merger and the other transactions contemplated hereby.

9.3. Conditions to the Obligations of Acquiror. The obligations of Acquiror to consummate the Merger are subject to the satisfaction of the following further conditions:

(a) (i) the Company shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Effective Time, (ii) (A) the representations and warranties of the Company contained in this Agreement that are qualified by reference to a Company Material Adverse Effect shall be true and correct when made and at and as of the Effective Time, as if made at and as of such time, and (B) all other representations and warranties of the Company shall have been true and correct in all material respects when made and at and as of the time of the Effective Time, as if made as of such time, and (iii) Acquiror shall have received a certificate signed by the Chief Executive Officer or Chief Financial Officer of the Company to the foregoing effect;

(b) the Company shall have obtained or made all consents, approvals, actions, orders, authorizations, registrations, declarations, announcements and filings contemplated by Section 4.3 which if not obtained or made (i) would render consummation of the Merger illegal or (ii) would be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect; provided, however, that this condition shall be deemed satisfied if the failure of this condition is due to willful breach by Holding or Acquiror of any covenant or willful failure to perform any agreement or a willful breach by Holding or Acquiror of any representation or warranty contained in any of the agreements related to the Financing;

(c) (i) the Senior Subordinated Notes Proceeds shall have been released to the Acquiror from the escrow account into which they were deposited in connection with the closing of the offering of the Acquiror Senior Subordinated Notes, and (ii) the funding contemplated by the Commitment Letters shall have been obtained on substantially the terms set forth in the

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Commitment Letters or the funding of the alternative financing contemplated by Section 7.7 shall have been obtained; and

(d) the consents of the holders of the Notes required by Section 8.10(a) shall have been obtained.

#### ARTICLE 10

##### TERMINATION

10.1. Termination. This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time by written notice, whether before or after the Company Stockholder Approval shall have been obtained:

(a) by mutual written agreement of Holding, Acquiror and the Company, in each case duly authorized by the Boards of Directors or a duly authorized committee thereof;

(b) by either Acquiror or the Company, if

(i) the Merger shall not have been consummated by July 20, 2001 (the "End Date"); provided, however, that the right to terminate this Agreement under this Section 10.1(b) (i) shall not be available to any party whose breach of any provision of this Agreement has resulted in the failure of the Merger to occur on or before the End Date;

(ii) there shall be any Law that makes consummation of the Merger illegal or otherwise prohibited or any judgment, injunction, order or decree of any Governmental Entity having competent jurisdiction enjoining the Company or Acquiror from consummating the Merger is entered and the judgment, injunction, judgment, order or decree shall have become final and nonappealable and, prior to that termination, the parties shall have used reasonable best efforts to resist, resolve or lift, as applicable, the Law, judgment, injunction, order or decree; or

(iii) at the Company Stockholder Meeting (including any adjournment or postponement thereof), the Company Stockholder Approval shall not have been

obtained;

(c) by the Company, (i) if a breach of any representation, warranty, covenant or agreement on the part of Holding or Acquiror set forth in this Agreement shall have occurred which would cause any of the conditions set forth in Section 9.2(a) not to be satisfied, and such condition shall be incapable of being satisfied by the End Date; or (ii) as contemplated by Section 6.3(e); provided, however, that termination of this Agreement pursuant to this clause (ii) shall not be effective until the Termination Fee has been paid to Acquiror in accordance with Section 10.2(b);

(d) by Acquiror if a breach of or failure to perform any representation, warranty, covenant or agreement on the part of the Company set forth in this Agreement shall have occurred which would cause any of the conditions set forth in Section 9.3(a) not to be satisfied, and such condition is incapable of being satisfied by the End Date; or

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(e) by Acquiror if the Board of Directors of the Company or the Special Committee shall (i) (A) amend, withdraw, modify, change, condition or qualify the Company Recommendation in a manner adverse to Holding and Acquiror; (B) approve or recommend to the Company Stockholders an Acquisition Proposal (other than by Holding, Acquiror or their Affiliates); or (C) approve or recommend that the Company Stockholders tender their Company Shares in any tender or exchange offer that is an Acquisition Proposal (other than by Holding, Acquiror or their Affiliates); (ii) deliver any notice pursuant to Section 6.3(e) that it intends to terminate this Agreement and such notice is not unconditionally withdrawn prior to the third Business Day following such delivery; (iii) in the case of the Board of Directors, the Special Committee or any other duly authorized committee thereof, approve a resolution or agree to do any of the foregoing (it being understood and agreed that the delivery of notice pursuant to Section 6.3(e) and any subsequent public announcement of such notice shall not entitle Acquiror to terminate this Agreement pursuant to this Section 10.1(e), provided such notice is unconditionally withdrawn prior to the third Business Day following delivery and the Company has previously unconditionally terminated any agreement entered into in connection with the related Acquisition Proposal); or (iv) any Person or group (other than Holding, Acquiror or their Affiliates) acquires beneficial ownership of a majority of the outstanding Company Shares.

#### 10.2. Effect of Termination.

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(a) If this Agreement is terminated pursuant to Section 10.1 (including any termination by way of Section 6.3), there shall be no liability or obligation on the part of Holding, Acquiror, the Company or any of their respective officers, directors, Stockholders, agents or Affiliates, except no such termination shall relieve any party hereto of any liability or damages resulting from any willful breach of this Agreement; provided that the provisions of Sections 8.3, 8.8, 10.2 and 10.3 and Article 11 of this Agreement, shall remain in full force and effect and survive any termination of this Agreement.

(b) In the event that this Agreement is terminated by Acquiror pursuant to Section 10.1(e) or by the Company pursuant to Section 10.1(c) (ii), the Company shall pay to RCBA by wire transfer of immediately available funds to an account designated by RCBA on the next Business Day following such termination a cash amount equal to the sum of \$7,500,000 plus all reasonable and documented out-of-pocket expenses and fees incurred by Holding and its stockholders on or prior to the termination of this Agreement in connection with the transactions contemplated by this Agreement; provided, however, that the aggregate amount of expenses and fees to be paid by the Company shall not exceed \$3,000,000 (collectively, the "Termination Fee"). This Section 10.2(b) is intended to be for the benefit of, and shall be enforceable by, RCBA.

(c) In the event that (i) this Agreement is terminated pursuant to Sections 10.1(b) (iii) or 10.1(d), (ii) an Acquisition Proposal (with all percentages included in the definition of Acquisition Proposal increased to 51% for purposes of this definition) has been made prior to the Company Stockholder Meeting or such termination (and, in the case of Section 10.1(d), prior to the breach giving rise to termination) and (iii) a transaction contemplated by an Acquisition Proposal (with all percentages included in the definition of Acquisition Proposal increased to 51% for purposes of this definition) is completed or a definitive agreement is executed by the parties thereto with respect to an Acquisition Proposal (with all percentages included in the

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definition of Acquisition Proposal increased to 51% for purposes of this definition) within twelve (12) months from the date this Agreement is terminated, the Company shall pay to RCBA by wire transfer of immediately available funds to an account designated by RCBA on the next Business Day following the closing of the transaction contemplated by such Acquisition Proposal, a cash amount equal to the Termination Fee.



10.3. Fees and Expenses. Except as otherwise specifically provided

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herein, all fees and expenses incurred in connection herewith and the transactions contemplated hereby shall be paid by the party incurring expenses, whether or not the Merger is consummated.

ARTICLE 11

MISCELLANEOUS

11.1. Notices. All notices, requests and other communications to any

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party hereunder shall be in writing (including facsimile or similar writing) and shall be given,

if to Holding or Acquiror, to:

c/o BLUM Capital Partners, L.P.  
909 Montgomery Street, Suite 400  
San Francisco, California 94133  
Attention: Murray A. Indick  
Facsimile No.: (415) 434-3130

with a copy to:

Simpson Thacher & Bartlett  
3330 Hillview Avenue  
Palo Alto, California 94304  
Attention: Richard Capelouto  
Facsimile No.: (650) 251-5002

if to the Company, to:

CB Richard Ellis Services, Inc.  
200 North Sepulveda Boulevard  
Suite 300  
El Segundo, California 90245  
Attention: Walter V. Stafford  
Facsimile: (310) 563-8632

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with a copy to:

McDermott, Will & Emery  
227 West Monroe Street  
Chicago, Illinois 60606  
Attention: Thomas J. Murphy, P.C.  
Facsimile: (312) 984-7700

or such other address or facsimile number as a party may hereafter specify for the purpose by notice to the other parties hereto. Each notice, request or other communication shall be effective only (a) if given by facsimile, when the facsimile is transmitted to the facsimile number specified in this Section and the appropriate facsimile confirmation is received or (b) if given by overnight courier or personal delivery when delivered at the address specified in this Section.

11.2. Effectiveness of Amendment and Restatement; Effectiveness of

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Representations and Warranties and Agreements.  
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(a) This Agreement amends certain provisions of the First Amended and Restated Agreement and restates the terms of the First Amended and Restated Agreement in their entirety so as to reflect and give effect to such amendments. All amendments to the First Amended and Restated Agreement effected by this Agreement, and all other covenants, agreements, terms and provisions of this Agreement, shall have effect from the date of the Original Agreement.

(b) Each of the representations and warranties of each party hereto made in this Agreement shall be deemed (i) to be made on the date of the Original Agreement and as of the Closing Date and (ii) not made on the date hereof (except that the representations and warranties of Acquiror in Section 5.5 shall be deemed to be made on the date hereof and as of the Closing Date).

11.3. Survival of Representations, Warranties and Covenants after the

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Effective Time. The representations and warranties contained herein and in any

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certificate or other writing delivered pursuant hereto shall not survive the Effective Time or the termination of this Agreement. The covenants contained in Articles 2, 3, 7 and 11 shall survive the Effective Time.

11.4. Amendments; No Waivers.

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(a) Any provision of this Agreement may be amended or waived prior to the Effective Time, if, and only if, the amendment or waiver is in writing and signed, in the case of an amendment, by the Company, Holding and Acquiror or in the case of a waiver, by the party against whom the waiver is to be effective; provided, however, that after the Company Stockholder Approval, no such amendment or waiver shall, without the further approval of the Company Stockholders, be made that would require such approval under any applicable Law. Notwithstanding the foregoing, any amendment or waiver agreed to by the Company shall be effective only if authorized or approved in writing by the Special Committee or a majority of the members of the Board of Directors not affiliated with the Buying Group.

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(b) At any time prior to the Effective Time, any party hereto may with respect to any other party hereto (a) extend the time for the performance of any of the obligations or other acts of such party and (b) waive any inaccuracies in the representations and warranties of such party contained herein or in any document delivered pursuant hereto; provided, however, that any extension or waiver agreed to by the Company shall be effective only if authorized or approved in writing by the Special Committee or a majority of the members of the Board of Directors not affiliated with the Buying Group. No such extension or waiver shall be deemed or construed as a continuing extension or waiver on any occasion other than the one on which such extension or waiver was granted or as an extension or waiver with respect to any provision of this Agreement not expressly identified in such extension or waiver on the same or any other occasion. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law.

11.5. Successors and Assigns. The provisions of this Agreement shall be

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binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that all or any of the rights or obligations of Holding or Acquiror may be assigned to any direct or indirect wholly-owned Subsidiary of such party (which assignment shall not relieve such assigning party of its obligations hereunder); provided, further, that other than with respect to the foregoing proviso, no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto. Any purported assignment in violation hereof shall be null and void.

11.6. Counterparts; Effectiveness; Third Party Beneficiaries. This

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Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto. Except as set forth in Section 7.1 and Section 10.2(b), no provision of this Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

11.7. Governing Law. This Agreement shall be construed in accordance with

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and governed by the internal Laws of the State of Delaware applicable to contracts executed and fully performed within the state of Delaware.

11.8. Jurisdiction. Except as otherwise expressly provided in this

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Agreement, the parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the District of Delaware or, if such court does not have jurisdiction over the subject matter of such proceeding or if such jurisdiction is not available, in the Court of Chancery of the State of Delaware, County of New Castle, and each of the parties hereby consents to the exclusive jurisdiction of those courts (and of the appropriate appellate courts therefrom) in any suit, action or proceeding and irrevocably waives, to the fullest extent permitted by Law, any objection which it may now or hereafter have to the laying of the venue of any suit, action or proceeding in any of those courts

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or that any suit, action or proceeding which is brought in any of those courts has been brought in an inconvenient forum. Process in any suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any of the named courts. Without limiting the foregoing, each party agrees that service of process on it by notice as provided

in Section 11.1 shall be deemed effective service of process.

11.9. Enforcement. The parties agree that irreparable damage would occur

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in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms. It is accordingly agreed that the parties shall be entitled to specific performance of the terms hereof, this being in addition to any other remedy to which they are entitled at Law or in equity.

11.10. Entire Agreement. This Agreement (together with the exhibits and

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schedules hereto) and the Confidentiality Agreement constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof.

11.11. Authorship. The parties agree that the terms and language of this

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Agreement were the result of negotiations between the parties and, as a result, there shall be no presumption that any ambiguities in this Agreement shall be resolved against any party. Any controversy over construction of this Agreement shall be decided without regard to events of authorship or negotiation.

11.12. Severability. If any term or other provision of this Agreement is

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invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

11.13. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY

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IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

11.14. Headings; Construction. The headings contained in this Agreement

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are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. In this Agreement (a) words denoting the singular include the plural and vice versa, (b) "it" or "its" or words denoting any gender include all genders, (c) the word "including" shall mean "including without limitation," whether or not expressed, (d) any reference herein to a Section, Article, Paragraph, Clause or Schedule refers to a Section, Article, Paragraph or Clause of or a Schedule to this Agreement, unless otherwise stated, and (e) when calculating the period of time within or following which any act is to be done or steps taken, the date which is the

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reference day in calculating such period shall be excluded and if the last day of such period is not a Business Day, then the period shall end on the next day which is a Business Day.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CBRE HOLDING, INC.

CB RICHARD ELLIS SERVICES, INC.

By: /s/ Claus J. Moller

By: /s/ Walter Stafford

Its: President

Its: Senior Executive Vice President

BLUM CB CORP.

By: /s/ Claus J. Moller

Its: President

Amended and Restated Article FOURTH

FOURTH:

A. The total number of shares of all classes of capital stock that the corporation is authorized to issue is 108,000,000, of which (1) 8,000,000 shall be Preferred Stock ("Preferred Stock"), 6,250,000 of which shall be designated Series A Convertible Participating Preferred Stock ("Series A Preferred Stock") and (2) 100,000,000 shall be Common Stock ("Common Stock"). Both the Preferred Stock and Common Stock shall have a par value of \$.01 per share.

B. The Common Stock shall consist of a single class of 100,000,000 shares, each of which shall be identical. There shall be no cumulative voting.

C. The Preferred Stock shall consist of a single class of 8,000,000 shares and may be issued from time to time in one or more series. The Board of Directors of the corporation (the "Board of Directors") is expressly authorized to provide for the issue of all or any of the Preferred Stock in one or more series, to fix the designation and number of shares thereof and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such stock and as may be permitted by the General Corporation Law of the State of Delaware. The Board of Directors is also expressly authorized to increase or decrease (but not below the number of shares of such series then outstanding, plus the number of shares of such series issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the corporation) the number of shares of any series. If the number of shares of any such series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

The relative rights, preferences, privileges, limitations and restrictions granted to or imposed on the Series A Preferred Stock or the holders thereof are as follows:

1. Dividends.

a. Preference. The holders of the Series A Preferred Stock shall be entitled to receive a dividend, prior and in preference to any declaration or payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the corporation), payable out of funds legally available therefore when, as and if declared by the board of directors of the corporation, at the rate of sixteen percent (16%) per annum (compounded quarterly calculated on the basis of a 360 day year of twelve 30-day months) of the Original Purchase Price.

All such dividends shall be cumulative. To the extent the dividend provided by this Section 1.a. is not paid, such dividends shall cumulate and must be paid prior to any other dividend may be paid by the corporation. Dividends that are declared and paid in an amount less than the full amount of dividends accumulated on the Series A Preferred Stock shall be applied to the earliest dividend which has not theretofore been paid. The "Original Purchase Price" for each share of Series A Preferred Stock shall be deemed to be \$16.00 per share of Series A Preferred Stock (as adjusted for stock splits, stock dividends, combinations or similar events with respect to such shares).

b. Participation. In addition to the preference set forth in subsection a. above, the holders of Series A Preferred Stock shall be entitled to participate on an as-converted to Common Stock basis in any dividends paid to the holders of Common Stock.

2. Liquidation Preference.

In the event of any liquidation, dissolution or winding up of the corporation, either voluntary or involuntary, distributions to the stockholders of the corporation shall be made in the following manner:

a. Series A Preferred Stock Liquidation Preference. The holders

of Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of Common Stock of the corporation, an amount per share of Series A Preferred Stock equal to the Original Purchase Price plus any accrued but unpaid dividends per share, whether or not declared and including compounding (as adjusted for stock splits, stock dividends, combinations or similar events with respect to such shares) (the "Series A Liquidation Preference"). If, upon such liquidation, dissolution or winding up of the corporation, the assets and funds distributed are insufficient to permit the payment of the Series A Liquidation Preference, the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock.

b. Remaining Assets. After payment or setting apart of payment of the Series A Liquidation Preference, the holders of the Series A Preferred Stock and the holders of the Common Stock shall be entitled to receive the remaining assets of the corporation pro rata based on the number of shares of Common Stock held by each such holder (assuming full conversion of all the Series A Preferred Stock).

c. Reorganization or Merger.

(1) For the purposes of this Section 2, a liquidation, dissolution or winding up of the corporation shall be deemed to include (i) the acquisition of the corporation by another entity by means of any transaction or series of related transactions (including, without limitation,

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any sale of capital stock, reorganization, recapitalization, merger or consolidation but, excluding any merger effected exclusively for the purpose of changing the domicile of the corporation) unless the Corporation's stockholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue or securities issued as consideration for the corporation's acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity or (y) a sale of all or substantially all of the assets of the corporation. No stockholder of the corporation shall enter into any transaction or series of related transactions described above unless the terms of such transaction or transactions provide that the consideration to be paid to the stockholders of the corporation is to be allocated in accordance with the preferences and priorities set forth in this Section 2.

(2) In any of such events, if the consideration received by the corporation is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

(A) for securities not subject to investment letter or other similar restrictions on free marketability,

(B) if traded on a securities exchange or the Nasdaq Stock Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or market over the 30-day period ending three (3) days prior to the closing of such transaction;

(C) if actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing of such transaction; and

(D) if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the board of directors of the corporation.

(3) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall take into account an appropriate discount (as determined in good faith by the board of directors of the corporation) from the market value determined as pursuant to (2)(A), (B) or (C) above so as to reflect the approximate fair market value thereof.

3. Voting.

Except as otherwise required by law or contract, the holder of each share of Common Stock issued and outstanding shall have one vote and the holder of each share

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of Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such share of Preferred Stock could be converted at the record date for determination of the stockholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of stockholders is solicited, such votes to be counted together with all other shares of the corporation having general voting power and not separately as a class. Fractional votes by the holders of Preferred Stock shall not, however, be permitted and any fractional voting rights shall (after aggregating all shares into which shares of Preferred Stock held by each holder could be converted) be rounded to the nearest whole number.

#### 4. Conversion.

The holders of the Series A Preferred Stock have conversion rights as follows:

a. Right to Convert. Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the corporation or any transfer agent for the Series A Preferred Stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Purchase Price by the Conversion Price, determined as hereinafter provided, in effect at the time of the conversion (the "Conversion Rate"). The Conversion Price for the Series A Series A Preferred Stock shall initially be \$16.00 per share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided.

b. Mechanics of Conversion. Before any holder of Series A Preferred Stock shall be entitled to convert the same into full shares of Common Stock and to receive certificates therefor, such holder shall surrender the certificate or certificates therefor, duly endorsed, at the office of the corporation or of any transfer agent for the Series A Preferred Stock, and shall give written notice to the corporation at such office that such holder elects to convert the same; provided, however, that the holder may notify the corporation or its transfer agent that such certificates have been lost, stolen or destroyed and, in lieu of the surrender of such certificate or certificates, execute an agreement satisfactory to the corporation to indemnify the corporation from any loss incurred by it in connection with such certificates. The corporation shall, as soon as practicable after such delivery, or such agreement and indemnification in the case of a lost certificate, issue and deliver at such office to such holder of Series A Preferred Stock, a certificate or certificates for the number of shares of Common Stock to which the holder shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional shares of Common Stock. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Series A Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

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c. Fractional Shares. In lieu of any fractional shares to which the holder of Series A Preferred Stock would otherwise be entitled, the corporation shall pay cash equal to such fraction multiplied by the then effective Conversion Price. Whether or not fractional shares are issuable upon such conversion shall be determined on the basis of the total number of shares of Series A Preferred Stock of each holder at the time converting into Common Stock and the number of shares of Common Stock issuable upon such aggregate conversion.

d. Adjustment of Conversion Price. The Conversion Price of Series A Preferred Stock shall be subject to adjustment from time to time as follows:

(1) If the number of shares of Common Stock outstanding at any time after the date hereof is increased by a stock dividend payable in shares of Common Stock or by a subdivision or split-up of shares of Common Stock, then, on the date such payment is made or such change is effective, the Conversion Price of Series A Preferred Stock shall be appropriately decreased so that the number of shares of Common Stock issuable on conversion of any shares of Series A Preferred Stock shall be increased in proportion to such increase of outstanding shares.

(2) If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination of the outstanding shares of Common Stock, then, on the effective

date of such combination, the Conversion Price of Series A Preferred Stock shall be appropriately increased so that the number of shares of Common Stock issuable on conversion of any shares of Series A Preferred Stock shall be decreased in proportion to such decrease in outstanding shares.

(3) In case, at any time after the date hereof, of any capital reorganization, or any reclassification of the stock of the corporation (other than as a result of a stock dividend or subdivision, split-up or combination of shares), or the consolidation or merger of the corporation with or into another person (other than a consolidation or merger in which the corporation is the continuing entity and which does not result in any change in the Common Stock), the shares of Series A Preferred Stock shall, after such reorganization, reclassification, consolidation, merger, sale or other disposition, be convertible into the kind and number of shares of stock or other securities or property of the corporation or otherwise to which such holder would have been entitled if immediately prior to such reorganization, reclassification, consolidation, merger, sale or other disposition such holder had converted its shares of Series A Preferred Stock into Common Stock. The provisions of this clause (3) shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, sales or other dispositions.

e. Minimal Adjustments. All calculations under this Section 4 shall be made to the nearest cent or to the nearest one hundredth (1/100) of a share, as

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the case may be. No adjustment in the Conversion Price for Series A Preferred Stock need be made if such adjustment would result in a change in the Conversion Price of less than \$0.01.

f. No Impairment. The corporation will not through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all the provisions hereunder and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holders of Series A Preferred Stock set forth hereunder against impairment. This provision shall not restrict the corporation's right to amend its Certificate of Incorporation with the requisite stockholder consent.

h. Reservation of Stock Issuable Upon Conversion. The corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of Series A Preferred Stock such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series A Preferred Stock, the corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

i. Reissuance of Converted Shares. No shares of Series A Preferred Stock which have been converted into Common Stock after the original issuance thereof shall ever again be reissued and all such shares so converted shall upon such conversion cease to be a part of the authorized shares of the corporation.

5. Redemption.

The Series A Preferred Stock is not redeemable.

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RESTATED CERTIFICATE OF INCORPORATION

of

CBRE HOLDING, INC.

CBRE Holding, Inc., a corporation organized and existing under the laws of the State of Delaware, DOES HEREBY CERTIFY:

1. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was February 20, 2001 under the name of BLUM CB Holding Corp. and the date of the filing of its Certificate of Amendment of the Certificate of Incorporation with the Secretary of State of Delaware was March 26, 2001 under the name of CBRE Holding, Inc.

2. This Restated Certificate of Incorporation has been duly adopted in accordance with Sections 103, 242 and 245 of the General Corporation Law of the State of Delaware. The Corporation has received payment for its stock.

3. The Board of Directors of the Corporation, pursuant to a unanimous written action in lieu of a meeting pursuant to Section 141(f) of the General Corporation Law of the State of Delaware, adopted resolutions proposing and declaring advisable that the Corporation restate its Certificate of Incorporation to read in its entirety as follows:

FIRST: The name of this Corporation is CBRE Holding, Inc.

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(hereinafter called the "Corporation").

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SECOND: The registered office and registered agent of the

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Corporation is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any

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lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock the

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Corporation shall have authority to issue is 100,000,000 shares, which shall be divided into two classes: (i) 75,000,000 shares shall be Class A Common Stock, \$.01 par value per share (the "Class A Common Stock"), and (ii) 25,000,000

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shares shall be Class B Common Stock, \$.01 par value per share (the "Class B

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Common Stock"). The Class A Common

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Stock and Class B Common Stock are sometimes referred to herein as the "Common

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Stock."

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The following is a statement of the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the Class A Common Stock and Class B Common Stock.

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1. General. Except as otherwise set forth below in this Article FOURTH, the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Class A Common Stock and Class B Common Stock shall be identical in all respects.

2. Voting Rights. Except as otherwise required by this Restated Certificate of Incorporation or by applicable law, at every meeting of the stockholders of the Corporation every holder of Class A Common Stock shall be entitled to one vote in person or by proxy for each share of Class A Common Stock standing in his, her or its name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders. Except as otherwise required by this Restated Certificate of Incorporation or by applicable law, at every meeting of the stockholders of the Corporation every holder of Class B Common Stock shall be entitled to ten votes in person or by proxy for each share of Class B Common



Stock standing in his, her or its name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders. Except as otherwise required by this Restated Certificate of Incorporation or by applicable law, the holders of Class A Common Stock and Class B Common Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation.

3. Dividends. Subject to the other provisions of this Restated Certificate of Incorporation, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock of any corporation (other than Common Stock) or property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in all such dividends and other distributions. In the case of dividends or other distributions payable in Common Stock, including distributions pursuant to stock splits or divisions of Common Stock of the Corporation, only shares of Class A Common Stock shall be paid or distributed with respect to Class A Common Stock and only shares of Class B Common Stock shall be paid or distributed with respect to Class B Common Stock; provided, however, in the event a dividend or distribution shall be paid or distributed with respect to one class of Common Stock a simultaneous dividend or distribution shall be paid or distributed on the other class and in the same proportion.

4. Changes in Capitalization. In the event there is an increase or decrease in the number of issued shares of Common Stock resulting from any stock split, stock dividend, reverse stock split, combination or reclassification of the Common Stock, or any other similar event resulting in an increase or decrease in the number of outstanding shares of Common Stock, the outstanding shares of Class A Common Stock and the outstanding shares of Class B Common Stock shall be adjusted in the same manner in all respects.

5. Dissolution. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, the assets and funds of the Corporation shall be distributed pro rata to the holders of Common Stock and the holders of Class A Common Stock and the holders of Class B Common Stock will be entitled to receive the same amount per share in respect thereof.

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6. Merger. Unless otherwise approved by a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A Common Stock and the outstanding shares of Class B Common Stock, each voting separately as a class, in case of any reorganization or any consolidation of the Corporation with one or more other corporations or entities or a merger of the Corporation with another corporation or entity in which shares of Class A Common Stock or Class B Common Stock are converted into (or entitled to receive with respect thereto) shares of stock and/or other securities or property (including cash, the "Merger Consideration"), each holder of a share of Class A Common

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Stock shall be entitled to receive with respect to such share the same kind and amount of Merger Consideration receivable upon such reorganization, consolidation or merger (a "Merger") by a holder of a share of Class B Common

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Stock, and each holder of a share of Class B Common Stock shall be entitled to receive with respect to such share the same kind and amount of Merger Consideration receivable upon such Merger by a holder of a share of Class A Common Stock; provided, however, that subject to compliance with applicable law, in the event that the one or more of the other corporations or entities that is a party to a Merger notifies the Corporation that it will require the structure of the Merger to be treated as a recapitalization for financial accounting purposes and that it will require the Corporation to no longer be subject to the reporting requirements or Section 14 of the Securities Exchange Act of 1934, as amended, after the closing date of the Merger, then, solely to the extent deemed necessary by such other corporation or entity to satisfy such requirements, the Merger Consideration a holder of a share of Class A Common Stock shall be entitled to receive with respect to such share may be a different kind than the Merger Consideration a holder of a share of Class B Common Stock shall be entitled to receive with respect to such share. Without limiting the proviso set forth in the foregoing sentence, in the event that the holders of Class A Common Stock or of Class B Common Stock are granted rights to elect to receive one of two or more alternative forms of Merger Consideration the foregoing sentence shall be deemed satisfied if holders of Class A Common Stock and holders of Class B Common Stock are granted substantially identical election rights.

7. No Adverse Effect. With respect to any proposed amendment of this Restated Certificate of Incorporation which would alter or change the powers, preferences or special rights of the shares of Class A Common Stock or Class B Common Stock, so as to affect them adversely relative to the other class of Common Stock, the approval of a majority of the votes entitled to be cast by the holders of the outstanding shares of the class affected by the proposed amendment, voting separately as a class, shall be obtained in addition to the approval of a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A Common Stock and Class B Common Stock voting

together as a single class as provided herein. The affirmative vote of shares representing a majority of the votes entitled to be cast by the holders of outstanding shares of each class of Common Stock, voting separately by class, shall be required to adopt any provision inconsistent with or repeal any provision of, or alter or amend this paragraph 7. The number of authorized shares of Class A Common Stock or Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

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#### 8. Conversion of Class B Common Stock.

(a) Voluntary Conversion. Upon the written request of any holder of shares of Class B Common Stock, any shares of Class B Common Stock that such holder so specifies shall automatically convert on a share for share basis into the same number of shares of Class A Common Stock.

(b) Mandatory Conversion. Shares of Class B Common Stock shall be converted into shares of Class A Common Stock at the times and in the amounts set forth in subparagraphs (i) and (ii) of this subparagraph (b) (each an "Event of Conversion").

(i) Upon any transfer, sale or other disposition (including without limitation, by operation of law), whether directly or indirectly, of record ownership (a "Transfer") of shares of Class B

Common Stock, whether or not for value, by any holder, other than any Transfer by such holder to a Permitted Class B Holder (as defined below), the shares of Class B Common Stock Transferred shall automatically be converted into shares of Class A Common Stock on a share for share basis without further action by the holders of Common Stock. For purposes hereof, the term "Permitted

Class B Holder" shall mean (A) RCBA Strategic Partners, L.P., (B)

any record holder of Class B Common Stock at the effective time of the merger of BLUM CB Corp. with and into CB Richard Ellis Services, Inc. pursuant to the Amended and Restated Merger Agreement, dated as of May 31, 2001, among the Corporation, BLUM CB Corp. and CB Richard Ellis Services, Inc., as such agreement may be further amended or restated, and (C) any single person or entity to whom a Permitted Holder specified in clause (A) or (B) of this definition Transfers shares of Class B Common Stock, provided that (x) at or prior to the time of such Transfer the transferee designates such person or entity to be a Permitted Class B Holder in a written notice delivered to the Corporation and (y) immediately following such Transfer the transferee no longer holds any shares of Class B Common Stock, provided, further that effective upon the Transfer of Class B Common Stock to such newly designated Class B Permitted Holder the transferee shall automatically cease to be a Permitted Class B Holder. The Corporation will at all times maintain in its stock register a list of Permitted Class B Holders.

(ii) Upon the completion of an underwritten public offering of Common Stock pursuant to which the Corporation becomes listed on a national securities exchange or on the NASDAQ Stock Market all outstanding shares of Class B Common Stock shall automatically be converted into shares of Class A Common Stock on a share for share basis without further action by the holders of Common Stock.

(c) Class B Conversion Procedure. Any conversion pursuant to this paragraph 8 shall be deemed to have been effected at the time (i) the holder of Class B Common Stock requests such conversion in accordance with subsection (a) of this paragraph 8 or (ii) the Event of Conversion referred to in subsection (b) of this paragraph 8 occurred, as the case may be (the "Class B Conversion

Time"). At the Class B Conversion Time, the certificate or certificates that

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represented immediately prior thereto the shares of Class B Common Stock which were so converted (the "Converted Class B Common Stock") shall, automatically

and without further action, represent on a share for share basis the same number of shares of Class A Common Stock. Holders of Converted Class B Common Stock shall deliver their certificates, duly endorsed in blank or accompanied by

proper instruments of transfer, to the principal office of the Corporation or the office of any transfer agent for shares of Class A Common Stock together with a written notice setting out the name or names (with addresses) and denominations in which the certificate or certificates representing such shares of Class A Common Stock are to be issued and including instructions for delivery thereof. Upon such delivery, the Corporation or its transfer agent shall promptly issue and deliver at such stated address to such holder of shares of Class A Common Stock a certificate or certificates representing the number of shares of Class A Common Stock into which the Converted Class B Common Stock was so converted and shall cause such shares of Class A Common Stock to be registered in the name of such holder. The Corporation will issue certificates for the balance of the shares of Class B Common Stock in any case in which fewer than all of the shares of Class B Common Stock represented by a certificate are converted. The Person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock and will have all the rights of record holders of shares of Class A Common Stock at and as of the Class B Conversion Time, and the rights of such Person as a holder of shares of Class B Common Stock that have been converted shall cease and terminate at and as of the Class B Conversion Time, in each case without regard to any failure by such holder to deliver the certificates or the notice required by this paragraph 8; provided, however, that such Person shall be entitled to receive, when paid, any dividends declared on the Class B Common Stock as of a record date preceding the Class B Conversion Time and unpaid as of the Class B Conversion Time so long as such Person was the record holder when such dividends were declared. For purposes of this Restated Certificate of Incorporation, "Person" shall mean an individual or a corporation, association, partnership, limited liability company, joint venture, organization, business, trust or any other entity or organization, including a government or any subdivision or agency thereof.

(d) Payment of Transfer Taxes. The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class A Common Stock on conversion of Class B Common Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Class A Common Stock in a name other than that of the registered holder of the Class B Common Stock to be converted and no such issue or delivery shall be made unless and until the Person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not applicable.

(e) Reservation of Class A Common Stock. The Corporation shall at all times reserve and keep available, out of its authorized and unissued shares of Class A Common Stock, for the purposes of effecting conversions, such number of duly authorized shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class B Common Stock. All the shares of Class A Common Stock so issuable shall, when so issued, be duly and validly issued, fully paid and non-assessable, and free from liens and charges with respect to such issuance.

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#### 9. Conversion of Class A Common Stock by Class B Holders.

(a) Voluntary Conversion of Class A Stock. So long as shares of Class B Common Stock are outstanding, in the event a holder of Class B Common Stock purchases, holds or otherwise acquires any shares of Class A Common Stock, such holder of Class B Common Stock may at any time thereafter request that such shares of Class A Common Stock convert on a share for share basis into the same number of shares of Class B Common Stock.

(b) Class A Conversion Procedure. So long as shares of Class B Common Stock are outstanding, any conversion pursuant to this paragraph 9 shall be deemed to have been effected at the time the holder of Class B Common Stock requests such conversion in accordance with subsection (a) of this paragraph 9 (the "Class A Conversion Time"). At the Class A Conversion Time, the certificate

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or certificates that represented immediately prior thereto the shares of Class A Common Stock which were so converted (the "Converted Class A Common Stock")

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shall, automatically and without further action, represent on a share for share basis the same number of shares of Class B Common Stock. Holders of Converted Class A Common Stock shall deliver their certificates, duly endorsed in blank or accompanied by proper instruments of transfer, to the principal office of the Corporation or the office of any transfer agent for shares of Class B Common Stock, together with a written notice setting out the name or names (with addresses) and denominations in which the certificate or certificates representing such shares of Class B Common Stock are to be issued and including instructions for delivery thereof. Upon such delivery, the Corporation or its transfer agent shall promptly issue and deliver at such stated address to such holder of shares of Class B Common Stock a certificate or certificates representing the number of shares of Class B Common Stock into which the Converted Class A Common Stock was so converted and shall cause such shares of Class B Common Stock to be registered in the name of such holder. The Person

entitled to receive the shares of Class B Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class B Common Stock and will have all the rights of record holders of shares of Class B Common Stock at and as of the Class A Conversion Time, and the rights of such Person as a holder of shares of Class A Common Stock that have been converted shall cease and terminate at and as of the Class A Conversion Time, in each case without regard to any failure by such holder to deliver the certificates or the notice required by this paragraph 9; provided, however, that such Person shall be entitled to receive when paid any dividends declared on the Class A Common Stock as of a record date preceding the Class A Conversion Time and unpaid as of the Class A Conversion Time, so long as such Person was the record holder when such dividends were declared.

(c) Payment of Transfer Taxes. The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class B Common Stock on conversion of Class A Common Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Class B Common Stock in a name other than that of the registered holder of the Class A Common Stock to be converted and no such issue or delivery shall be made unless and until the Person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not applicable.

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(d) Reservation of Class B Common Stock. So long as shares of Class B Common Stock are outstanding, the Corporation shall at all times reserve and keep available, out of its authorized and unissued shares of Class B Common Stock, for the purposes of effecting conversions, such number of duly authorized shares of Class B Common Stock as shall from time to time be sufficient to effect all possible conversions of Class A Common Stock to Class B Common Stock.

FIFTH:

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1. To the fullest extent permitted by the laws of the State of Delaware:

(a) The Corporation shall indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals. Notwithstanding the preceding sentence, the Corporation shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the Board of Directors of the Corporation. The Corporation may indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals.

(b) The Corporation shall promptly pay expenses incurred by any person described in the first sentence of subsection (a) of this Article FIFTH, Section 1 in defending any action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, including appeals, upon presentation of appropriate documentation.

(c) The Corporation may purchase and maintain insurance on behalf of any person described in subsection (a) of this Article FIFTH, Section 1 against any liability asserted against such person, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article FIFTH, Section 1 or otherwise.

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(d) The provisions of this Article FIFTH, Section 1 shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Article FIFTH, Section 1 shall be deemed to be a contract between the Corporation and each director, officer, employee or agent who serves in such capacity at any time while this Article FIFTH, Section 1 and the relevant provisions of the laws of the State of Delaware and other applicable law, if any, are in effect, and any repeal or modification hereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Article FIFTH, Section 1 shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof. The rights of indemnification provided in this Article FIFTH, Section 1 shall neither be exclusive of, nor be deemed in limitation of, any rights to which an officer, director, employee or agent may otherwise be entitled or permitted by contract, this Certificate of Incorporation, vote of stockholders or directors or otherwise, or as a matter of law, both as to actions in such person's official capacity and actions in any other capacity while holding such office, it being the policy of the Corporation that indemnification of any person whom the Corporation is obligated to indemnify pursuant to the first sentence of subsection (a) of this Article FIFTH, Section 1 shall be made to the fullest extent permitted by law.

(e) For purposes of this Article FIFTH, references to "other  
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enterprises" shall include employee benefit plans; references to "fines" shall  
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include any excise taxes assessed on a person with respect to an employee  
benefit plan; and references to "serving at the request of the Corporation"  
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shall include any service as a director, officer, employee or agent of the  
Corporation which imposes duties on, or involves services by, such director,  
officer, employee or agent with respect to an employee benefit plan, its  
participants or beneficiaries.

2. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

SIXTH: The Board of Directors of the Corporation, acting by  
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majority vote, may alter, amend or repeal the By-Laws of the Corporation.

SEVENTH: The Corporation expressly elects not to be governed  
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by Section 203 of the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended.

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4. In lieu of a meeting and vote of the stockholders, the stockholders have given written consent to such restatement of the Certificate of Incorporation of the Corporation in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has signed this Restated Certificate of Incorporation on \_\_\_\_\_, 2001.

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Claus J. Moller  
President

RESTATED BYLAWS  
of  
CBRE HOLDING, INC.

ARTICLE I  
MEETING OF STOCKHOLDERS  
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Section 1. Place of Meeting and Notice. Meetings of the stockholders  
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of the Corporation shall be held at such place either within or without the  
State of Delaware as the Board of Directors may determine.

Section 2. Annual and Special Meetings. Annual meetings of  
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stockholders shall be held, at a date, time and place fixed by the Board of  
Directors and stated in the notice of meeting, to elect a Board of Directors and  
to transact such other business as may properly come before the meeting. Special  
meetings of the stockholders may be called by the President or any Vice  
President for any purpose and shall be called by the President or Secretary if  
directed by the Board of Directors or requested in writing by the holders of not  
less than 30% of the capital stock of the Corporation. Each such stockholder  
request shall state the purpose of the proposed meeting.

Section 3. Notice. Except as otherwise provided by law, at least ten  
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and not more than 60 days before each meeting of stockholders, written notice of  
the time, date and place of the meeting, and, in the case of a special meeting,  
the purpose or purposes for which the meeting is called, shall be given to each  
stockholder.

Section 4. Quorum. At any meeting of stockholders, the holders of  
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record, present in person or by proxy, of a majority of the Corporation's issued  
and outstanding capital stock shall constitute a quorum for the transaction of  
business, except as otherwise provided by law. In the absence of a quorum, any  
officer entitled to preside at or to act as secretary of the meeting shall have  
power to adjourn the meeting from time to time until a quorum is present.

Section 5. Voting. Except as otherwise provided by law, all matters  
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submitted to a meeting of stockholders shall be decided by vote of the holders  
of record of a majority of the Corporation's issued and outstanding capital  
stock present in person or by proxy.

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ARTICLE II  
DIRECTORS  
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Section 1. Number, Election and Removal of Directors. The number of  
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Directors that shall constitute the Board of Directors shall be not more than  
10. The first Board of Directors shall consist of one Director. Thereafter,  
within the limits specified above, the number of Directors shall be determined  
by the Board of Directors or by the stockholders. The Directors shall be elected  
by the stockholders at their annual meeting. Vacancies and newly created  
directorships resulting from any increase in the number of Directors may be  
filled by a majority of the Directors then in office, although less than a  
quorum, or by the sole remaining Director or by the stockholders. A Director may  
be removed with or without cause by the stockholders.

Section 2. Meetings. Regular meetings of the Board of Directors shall  
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be held at such times and places as may from time to time be fixed by the Board  
of Directors or as may be specified in a notice of meeting. Special meetings of  
the Board of Directors may be held at any time upon the call of the President  
and shall be called by the President or Secretary if directed by at least one-  
third of the Directors. Telegraphic or written notice of each special meeting of  
the Board of Directors shall be sent to each Director not less than two days  
before such meeting. A meeting of the Board of Directors may be held without  
notice immediately after the annual meeting of the stockholders. Notice need not

be given of regular meetings of the Board of Directors.

Section 3. Quorum. One-half of the total number of Directors shall  
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constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board of Directors, the Directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until such a quorum is present. Except as otherwise provided by law, the Certificate of Incorporation of the Corporation, these By-Laws or any contract or agreement to which the Corporation is a party, the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors.

Section 4. Committees of Directors. The Board of Directors may, by  
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resolution adopted by a majority of the whole Board, designate one or more committees, including without limitation an Executive Committee, to have and exercise such power and authority as the Board of Directors shall specify. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in place of any such absent or disqualified member.

ARTICLE III

OFFICERS  
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The officers of the Corporation shall consist of a President, one or more Vice Presidents, a Secretary, a Treasurer and such other additional officers with such titles as the Board of Directors shall determine, all of whom shall be chosen by and shall serve at the pleasure of the Board of Directors. Such officers shall have the usual powers and shall perform all the usual duties incident to their respective offices. All officers shall be subject to the supervision and direction of the Board of Directors. The authority, duties or responsibilities of any officer of the Corporation may be suspended by the President with or without cause. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause.

ARTICLE IV

INDEMNIFICATION  
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To the fullest extent permitted by the Delaware General Corporation Law, the Corporation shall indemnify any current or former Director or officer of the Corporation and may, at the discretion of the Board of Directors, indemnify any current or former employee or agent of the Corporation against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding brought by or in the right of the Corporation or otherwise, to which he was or is a party or is threatened to be made a party by reason of his current or former position with the Corporation or by reason of the fact that he is or was serving, at the request of the Corporation, as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

ARTICLE V

COMPANY RIGHT OF REPURCHASE  
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Section 1. Right of Repurchase. If a Designated Manager's employment  
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with the Corporation and its Subsidiaries is terminated for any reason (including as a result of the death or disability of the Designated Manager), the Designated Manager shall be required to offer his or her Shares Subject to Repurchase for sale to the Corporation and accordingly the Corporation or its designated assignee shall have the option to purchase all or any portion (at the Corporation's option) of the Shares Subject to Repurchase held by the Designated Manager and the Designated Manager's Permitted Transferees by providing written notice of the election (including the number of Shares Subject to Repurchase to be purchased, the identity of the Designated Manager, the purchase price for the Shares Subject to Repurchase as determined pursuant to Section 2 of this ARTICLE V and, if applicable, the net purchase price for the Shares Subject to

Repurchase to be paid to the Designated Manager pursuant to Section 3 of this

ARTICLE V) to the Designated Manager and the Permitted Transferees (a "Repurchase Notice") no later than 180 days after termination of Designated

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Manager's employment with the Corporation and its Subsidiaries.

Section 2. Repurchase Price. If the Designated Manager's employment

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with the Corporation and its Subsidiaries is terminated by the applicable employer for Cause or the Designated Manager's employment with the Corporation and its Subsidiaries is voluntarily terminated by the Designated Manager other than for Good Reason, then the purchase price per share for the Shares Subject to Repurchase pursuant to Section 1 of this ARTICLE V will be the lower of Cost and Fair Market Value on the date of the Designated Manager's termination of employment. If the Designated Manager's employment with the Corporation and its Subsidiaries is terminated for any reason other than under circumstances in which the immediately preceding sentence applies, then the purchase price per share for the Shares Subject to Repurchase pursuant to Section 1 of this ARTICLE V will be the Fair Market Value on the date of Designated Manager's termination of employment. The purchase price determined pursuant to this Section 2 of ARTICLE V is referred to as the "Repurchase Price."

Section 3. Completion of Repurchase. The completion of the purchase

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pursuant to Section 1 of this ARTICLE V shall take place at the principal office of the Corporation on or prior to the thirtieth (30th) day after the giving of the Repurchase Notice. The Repurchase Price for the Shares Subject to Repurchase shall be paid by delivery to the Designated Manager or Permitted Transferee of a certified bank check or checks in the appropriate amount payable to the order of the Designated Manager or Permitted Transferee; provided, however that, if the

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Designated Manager previously has executed and delivered a Note to the Corporation, such repurchase price shall be net of the concurrent prepayment to the Corporation of the aggregate accrued and unpaid interest and unpaid principal thereon pursuant to the terms of such Note.

Section 4. Limitation Upon Modifications. The provisions of this

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ARTICLE V shall be deemed to be a contract between the Corporation and each Designated Manager while this Article FIFTH is in effect, and any repeal or modification hereof shall not affect any rights or obligations then existing with respect to such Designated Manager without the prior consent of such Designated Manager.

Section 5. Related Definitions. The following defined terms apply to

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this ARTICLE V of these By-Laws:

(a) "Applicable Percentage" means (i) for the period from the

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closing date of the Offerings (the "Closing Date") through the day

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immediately preceding the first anniversary of the Closing Date, 100%, (ii) for the period from the first anniversary of the Closing Date through the date immediately preceding the second anniversary of the Closing Date, 80%, (iii) for the period from the second anniversary of the Closing Date through the day immediately preceding the third anniversary of the Closing Date, 60%, (iv) for the period from the third anniversary of the Closing Date through the day immediately preceding the fourth anniversary of the Closing Date, 40%, (v) for the period from the fourth anniversary of the Closing Date through the day immediately preceding the fifth anniversary of the Closing Date, 20%, and (v) on and after the fifth

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anniversary of the Closing Date, 0%; provided, however that, in the event

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that the Designated Manager's employment with, or engagement by, the Company and its Subsidiaries ends on a particular date for any reason, then the Applicable Percentage in effect on such date pursuant to the foregoing clauses (i) through (v) shall be the Applicable Percentage at all times thereafter.

(b) "Cause" means (i) the willful failure of the Designated

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Manager to perform his or her duties to the Corporation or its Subsidiaries which is not cured within 10 days following written notice, (ii) the conviction of the Designated Manager of a felony, (iii) willful malfeasance or misconduct by the Designated Manager that is materially and demonstrably injurious to the Corporation or its Subsidiaries, or (iv) the breach by the Designated Manager of the material terms of the Note, the Pledge Agreement or the Designated Manager Subscription Agreement, including, without limitation, Section 2.1, 3.1, 3.2 and 3.3 thereto.



(c) "Class A Common Stock" means the Class A common stock, par  
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value \$.01 per share, of the Corporation.

(d) "Cost" means the purchase price per share of Class A Common  
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Stock paid by the applicable Designated Manager determined by dividing (x)  
the total purchase price paid by such Designated Manager on the date of  
purchase of such share by (y) the number of shares of Class A Common Stock  
purchased by such Designated Manager on such date, as adjusted by the Board  
of Directors of the Corporation in good faith and on a consistent basis to  
reflect any stock splits, stock dividends, recapitalizations and other  
similar transactions.

(e) "Designated Manager" means any employee of the Corporation  
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and its Subsidiaries who on April 1, 2001 was designated by the Board of  
Directors of the Corporation as a "Designated Manager" and was notified by  
the Corporation on April 24, 2001 of his or her designation and who is  
employed by the Corporation as of the completion of the merger (the  
"Merger") contemplated by the Amended and Restated Agreement and Plan of  
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Merger, dated as of May 31, 2001, by and among CB Richard Ellis Services,  
Inc., the Corporation and BLUM CB Corp., as such agreement shall thereafter  
be amended or restated.

(f) "Designated Manager Subscription Agreement" means the form  
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of subscription agreement entered into by any Designated Manager in  
connection with the offerings (the "Offerings") made by the Corporation  
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pursuant to the Registration Statement on Form S-1 of the Corporation,  
first filed on April 24, 2001.

(g) "Fair Market Value" means, as of any date of determination,  
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with respect to shares of Class A Common Stock, (x) prior to a Qualified  
Initial Public Offering, the fair market value of the shares, disregarding  
any discount for minority interest, restrictions on transfer of the shares  
or lack of marketability of the shares, as determined in good faith by the  
Board of Directors of the Corporation, and (y) subsequent to a Qualified  
Initial Public Offering, the price per share of Class A Common Stock equal  
to the average of the last sales price of a share of Class A Common Stock  
on each of the

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last five trading days prior to the date of determination (the "FMV  
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Calculation Period") on the principal national securities exchange on which  
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the Class A Common Stock may at the time be listed or, if there shall have  
been no sales on such principal national securities exchange during the FMV  
Calculation Period, the average of the closing bid and asked prices on such  
principal national securities exchange on each day during the FMV  
Calculation Period or, if there are no such bid and asked prices during the  
FMV Calculation Period, on the next preceding five dates on which such bid  
and asked prices occurred or, if Class A Common Stock shall not be so  
listed, the average of the closing sales prices as reported by NASDAQ  
during the FMV Calculation Period in the over-the-counter market.

(h) "Good Reason" means (i) a substantial diminution in the  
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Designated Manager's position or duties with the Corporation or its  
Subsidiaries, an adverse change in the reporting lines of the Designated  
Manager, or the assignment to the Designated Manager by the Corporation or  
its Subsidiaries of duties materially inconsistent with his or her position  
with the Corporation or its Subsidiaries, (ii) any reduction in the  
Designated Manager's base salary or any material adverse change in the  
Designated Manager's bonus opportunity or (iii) the failure of the  
Corporation or its Subsidiaries to pay the Designated Manager's  
compensation or benefits when due; in each of the foregoing clauses (i)  
through (iii), which is not cured within 30 days following the  
Corporation's receipt of written notice from the Designated Manager  
describing the event that would constitute Good Reason if not cured within  
such period.

(i) "Minimum Number of Shares" means the minimum number of  
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shares of Class A Common Stock for direct ownership that the Designated  
Manager must subscribe for in the Offerings to be eligible to receive a  
grant of Options in connection with the Offerings.

(j) "Note" means any full-recourse note delivered by a

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Designated Manager to the Corporation in connection with the Offerings.

(k) "Options" means any options to acquire Class A Common Stock,  
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including without limitation, all options granted under the CBRE Holding,  
Inc. 2001 Stock Incentive Plan.

(l) "Pledge Agreement" means the pledge agreement executed and  
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delivered to the Corporation by any Designated Manager that delivered a  
Note to the Corporation in connection with the Offerings.

(m) "Qualified Initial Public Offering" means an underwritten  
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offering of Class A Common Stock to the public pursuant to an effective  
registration statement filed under the Securities Act of 1933, as amended,  
after the effective time of the Merger pursuant to which the Class A Common  
Stock becomes listed on a national securities exchange or on the NASDAQ.

(k) "Shares Subject to Repurchase" means at any time, the  
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Minimum Number of Shares applicable to the Designated Manager (as adjusted  
in good faith and on

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a consistent basis by the Board of Directors of the Corporation to reflect  
any stock splits, stock dividends, recapitalizations and other similar  
corporate transactions) times the Applicable Percentage.

(l) "Subsidiary" means, with respect to any person or entity,  
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any corporation, partnership, association or other business entity of which  
fifty percent (50%) or more of the total voting power of shares of capital  
stock entitled (without regard to the occurrence of any contingency) to  
vote in the election of directors, managers or trustees thereof, or fifty  
percent (50%) or more of the equity interest therein, is at the time owned  
or controlled, directly or indirectly, by any person or entity or one or  
more of the other Subsidiaries of such person or entity or a combination  
thereof.

## ARTICLE VI

### GENERAL PROVISIONS -----

Section 1. Notices. Whenever any statute, the Certificate of  
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Incorporation or these By-Laws require notice to be given to any Director or  
stockholder, such notice may be given in writing by mail, addressed to such  
Director or stockholder at his address as it appears on the records of the  
Corporation, with postage thereon prepaid. Such notice shall be deemed to have  
been given when it is deposited in the United States mail. Notice to Directors  
may also be given by telegram.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be  
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fixed by the Board of Directors.

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AMENDED AND RESTATED CONTRIBUTION AND VOTING AGREEMENT  
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AMENDED AND RESTATED CONTRIBUTION AND VOTING AGREEMENT, dated as of May 31, 2001 (this "Agreement"), among CBRE Holding, Inc., a Delaware corporation ("Holding"), BLUM CB Corp., a Delaware corporation and wholly owned subsidiary of Holding ("Newco"), RCBA Strategic Partners, L.P., a Delaware limited partnership (together with its respective permitted assigns as provided herein, "BLUM"), FS Equity Partners III, L.P., a Delaware limited partnership ("FSEP"), and FS Equity Partners International, L.P., a Delaware limited partnership ("FSEP International", and together with FSEP, "Freeman Spogli"), Raymond E. Wirta ("Wirta"), W. Brett White ("White"), those other investors who are signatories to this agreement (collectively with Wirta and White, the "Other Investors") and Donald M. Koll ("Koll"). BLUM, Freeman Spogli and the Other Investors are herein collectively referred to as the "Investors." Unless expressly provided otherwise in this Agreement, capitalized terms defined in the Merger Agreement when used in this Agreement shall have the same meanings set forth in the Merger Agreement (defined below).

WHEREAS, Newco has entered into an Agreement and Plan of Merger, dated as of February 23, 2001 (as amended, the "Merger Agreement"), with CB Richard Ellis Services, Inc., a Delaware corporation ("CBRE"), pursuant to which and subject to the terms and conditions thereof, Newco shall merge with and into CBRE (the "Merger"), such that CBRE shall thereafter be a wholly owned subsidiary of Holding;

WHEREAS, in connection with the consummation of the Merger and the receipt by the Investors of common stock of Holding, each of the Investors shall become parties to a stockholders' agreement in the form attached hereto as Exhibit A (the "Securityholders' Agreement");

WHEREAS, in connection with the financing of the Merger and the related transactions, Newco is offering for issuance and sale \$229 million aggregate principal amount of its senior subordinated notes (the "Newco Senior Subordinated Notes") and, upon the closing of such offering, the proceeds from such issuance and sale (the "Senior Subordinated Notes Proceeds") will be deposited in an escrow account, together with an additional amount of cash (the "Pre-Funded Interest") sufficient to pay the special mandatory redemption price for the Newco Senior Subordinated Notes as described in the Preliminary Confidential Offering Circular used in connection with the offering of the Newco Senior Subordinated Notes;

WHEREAS, in connection with the financing of the Merger and the related transactions, Holding is offering for issuance and sale at least 3,236,613 shares of Class A common stock, par value \$.01 per share ("Holding Class A Common Stock"), of Holding (including shares underlying stock fund units in the CB Richard Ellis Services, Inc. Deferred Compensation Plan) to eligible employees and independent contractors of CBRE (the "Employee Offering");

WHEREAS, in connection with the execution of the Merger Agreement, Newco has received certain financing agreements and documents from Credit Suisse First Boston ("CSFB") and DLJ Investment Funding, Inc. ("DLJ") with respect to the provision of debt financing to effect the Merger (the "Debt Financing Documents");

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WHEREAS, the parties hereto desire to make certain agreements, representations, warranties and covenants in connection with the Merger, the Merger Agreement, the Securityholders' Agreement, the Debt Financing Documents and the transactions contemplated hereby and thereby (collectively, the

"Transactions"); and  
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WHEREAS, the parties to this Agreement previously entered into a Contribution and Voting Agreement, dated as of February 23, 2001 (the "Original Agreement"), and this Agreement constitutes an amendment and restatement of the Original Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions as hereinafter set forth, the parties hereto do hereby agree as follows:

I CONTRIBUTIONS  
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1.1. BLUM Contribution. At the Contribution Closing (as defined below), on the terms and subject to the conditions of this Agreement, BLUM hereby agrees to (i) transfer and deliver to Holding 3,423,886 shares of common stock, par value \$.01 per share (the "CBRE Common Stock"), of CBRE (the "BLUM Stock Contribution"), and (ii) make an aggregate cash contribution to Holding of approximately \$40.9 million to approximately \$92.6 million (as determined by Holding no less than twelve business days prior to the Contribution Closing, which amount shall be equal to approximately \$92.6 million minus (A) the total number of shares of Class A common stock and stock fund units in the CB Richard Ellis Services, Inc. Deferred Compensation Plan subscribed for in the Employee Offering multiplied by \$16.00, minus (B) the amount of the Pre-Funded Interest Contribution, minus (C) the amount of the Initial BLUM Contribution, plus (D) the aggregate amount of full-recourse notes delivered to Holding as consideration for shares of Class A common stock subscribed for in the Employee Offering) in immediately available funds to an account of Holding (the "BLUM Cash Contribution," and together with the BLUM Stock Contribution, the "BLUM Contribution"). In connection with such BLUM Contribution, Holding hereby agrees to issue to BLUM at the Contribution Closing (a) 3,423,886 shares of Class B common stock, par value \$.01 per share ("Holding Class B Common Stock"), of Holding in exchange for the BLUM Stock Contribution and (b) a number of shares of Holding Class B Common Stock in exchange for the BLUM Cash Contribution equal to the quotient obtained by dividing (x) the amount of the BLUM Cash Contribution by (y) \$16.00 (the shares of Holding Class B Common Stock being issued to BLUM in accordance with clauses (a) and (b) are collectively referred to as the "BLUM Shares").

1.2. Freeman Spogli Contributions. At the Contribution Closing, on the terms and subject to the conditions of this Agreement, Freeman Spogli hereby agrees to transfer and deliver to Holding 3,402,463 shares of CBRE Common Stock (the "Freeman Spogli Contribution"). In connection with such Freeman Spogli Contribution, Holding hereby agrees to issue to Freeman

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Spogli at the Contribution Closing 3,402,463 shares (the "Freeman Spogli Shares") of Holding Class B Common Stock.

1.3. Other Investors Contribution. At the Contribution Closing, on the terms and subject to the conditions of this Agreement, each of the Other Investors hereby agrees to transfer and deliver to Holding the total number of shares of CBRE Common Stock set forth opposite his or her name on Schedule I hereto (each, an "Other Investor Contribution"). In connection with each such Other Investor Contribution, Holding hereby agrees to issue to such Other Investor at the Contribution Closing the total number of shares (the "Other Investor Shares") of Holding Class B Common Stock set forth opposite his or her name on Schedule I hereto.

1.4. Delivery of Funds and Certificates. Subject to the satisfaction (or  
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waiver by the parties entitled to the benefit thereof) of the conditions set  
forth in Section 1.5 of this Agreement, the closing of the transactions  
contemplation hereby (the "Contribution Closing") will take place at the offices  
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of Simpson Thacher & Bartlett, 3330 Hillview Avenue, Palo Alto, California  
94304, or at such other location as the parties may mutually agree, immediately  
prior to the closing under the Merger Agreement. At the Contribution Closing,  
Holding will deliver to the Investors duly executed certificates, registered in  
the Investors' respective names, representing the BLUM Shares, the Freeman  
Spogli Shares and each of the Other Investor Shares, as the case may be, against  
the transfer and payment (including, to the extent applicable, the delivery of  
certificates evidencing the applicable number of shares of CBRE Common Stock  
duly endorsed to Holding), to Holding of the BLUM Contribution, the Freeman  
Spogli Contribution and each of the Other Investor Contributions, respectively,  
which shall represent payment in full for the BLUM Shares, the Freeman Spogli  
Shares and each of the Other Investor Shares.

1.5. Conditions to the Obligations of the Parties Hereunder. The respective  
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obligations of the Investors to consummate the transactions contemplated by this  
Agreement shall be subject to the following conditions, each of which is for the  
benefit of and any of which may be waived by the Investors:

(a) Subject to Section 4.9, Holding shall have determined that all  
the conditions to the consummation of the Merger (as set forth in the Merger  
Agreement) have been satisfied or waived by the necessary party to the Merger  
Agreement; and

(b) the representations and warranties of Holding and Newco contained  
herein shall be correct and complete in all material respects as of the  
Contribution Closing to the same extent as though made on and as of such date.

1.6. Termination. This Agreement may be terminated and the Transactions may  
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be abandoned at any time prior to the Contribution Closing by any of the parties  
hereto if the Merger Agreement shall have been terminated in accordance with its  
terms. In the event of any termination of the Agreement as provided in this  
Section 1.6, this Agreement shall forthwith become wholly void and of no further  
force or effect (except Section 4.4 and Article V) and there shall be no  
liability on the part of any parties hereto or their respective officers or  
directors, except as provided in such Section 4.4 and Article V. Notwithstanding  
the foregoing, no party hereto shall be relieved from liability for any willful  
breach of this Agreement.

II REPRESENTATIONS AND WARRANTIES  
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2.1. Representations and Warranties of Holding and Newco. Each of Holding  
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and Newco represents and warrants to the Investors as follows:

(a) Each of Holding and Newco is a corporation duly incorporated,  
validly existing and in good standing under the laws of the state of Delaware  
and has all requisite corporate power and authority to execute and deliver this  
Agreement and the agreements contemplated hereby and to perform its obligations  
hereunder and thereunder. The execution and delivery by each of Holding and  
Newco of this Agreement and the agreements contemplated hereby, the performance  
by each of Holding and Newco of its obligations hereunder and thereunder, and  
the consummation by each of Holding and Newco of the transactions contemplated  
hereby and thereby have been duly authorized by all requisite corporate action.  
This Agreement has been duly executed and delivered by each of Holding and Newco  
and, assuming the due authorizations, executions and deliveries thereof by the  
Investors, constitutes a legal, valid and binding obligation of each of Holding  
and Newco, enforceable against each of Holding and Newco in accordance with its  
terms, except as enforceability may be limited by applicable bankruptcy,  
insolvency, reorganization, moratorium or similar laws affecting the enforcement  
of creditors rights generally and by the effect of general principles of equity  
(regardless of whether enforcement is considered in a proceeding in equity or in  
law).

(b) As of the date hereof, the authorized capital stock of Holding  
consists of 2000 shares of common stock, par value \$.01 per share ("Holding  
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Common Stock"), 10 of which are issued and outstanding and held by BLUM as of  
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the date hereof (each such share having been purchased by BLUM for a cash price  
of \$16.00 per share (such initial contribution, in the aggregate, the "Initial  
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BLUM Contribution")). As of the date hereof, the authorized capital stock of  
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Newco consists of 2000 shares of common stock, par value \$.01 per share

("Acquiror Common Stock"), 10 of which are issued and outstanding and held by

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Holding as of the date hereof (each such share having been purchased by Holding for a cash price of \$16.00 per share).

(c) The BLUM Shares, the Freeman Spogli Shares and the Other Investors Shares, when issued and delivered in accordance with the terms hereof and upon receipt of payment required to be made hereunder, will be duly authorized, validly issued, fully paid and nonassessable and free and clear of any mortgage, pledge, security interest, claim, encumbrance, lien or charge of any kind (each, a "Lien").

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(d) The execution, delivery and performance by each of Holding and Newco of this Agreement and the agreements contemplated hereby and the consummation by each of Holder and Newco of the transactions contemplated hereby and thereby do not and will not, with or without the giving of notice or the passage of time or both, (i) violate the provisions of any law, rule or regulation applicable to either Holding or Newco or its properties or assets; (ii) violate the provisions of the certificate of incorporation or bylaws of either Holding or Newco, as amended to date; or (iii) violate any judgment, decree, order or award of any court, governmental or quasi-governmental agency or arbitrator applicable to either Holding or Newco or their properties or assets.

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(e) Except to the extent required pursuant to (i) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, (ii) any Non-U.S. Competition Laws and (iii) any similar applicable Laws, no consent, approval, exemption or authorization is required to be obtained from, no notice is required to be given to and no filing is required to be made with any third party (including, without limitation, governmental and quasi-governmental agencies, authorities and instrumentalities of competent jurisdiction) by Holding or Newco, in order (i) for this Agreement to constitute a legal, valid and binding obligation of Holding and Newco or (ii) to authorize or permit the consummation by Holding of the issuance of the BLUM Shares, the Freeman Spogli Shares and the Other Investor Share.

(f) Each of Holding and Newco was organized solely for the purpose of effecting the Transactions and has engaged in no activity other than in connection therewith.

2.2. Representations and Warranties of the Investors. Each of the Investors  
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represents and warrants, severally and not jointly, to Holding and Newco and to the other Investors that:

(a) The execution and delivery by such Investor of this Agreement and the documents contemplated hereby, the performances by such Investor of its, his or her obligations hereunder and thereunder and the consummations by such Investor of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of such Investor, and this Agreement has been duly executed and delivered by such Investor and, assuming the due authorization, execution and delivery thereof by Holding and Newco, constitutes a legal, valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors rights generally and by the effect of general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or in law).

(b) The execution, delivery and performance by such Investor of this Agreement and the agreements contemplated hereby and the consummation by such Investor of the transactions contemplated hereby and thereby does not and will not, with or without the giving of notice or the passage of time or both, (i) violate the provisions of any law, rule or regulation applicable to such Investor or its, his or her respective properties or assets; (ii) violate the provisions of the constituent organizational documents or other governing instruments applicable to such Investor, as amended to date; or (iii) violate any judgment, decree, order or award of any court, governmental or quasi-governmental agency or arbitrator applicable to such Investor or its, his or her respective properties or assets.

(c) Such Investor (i) is an "accredited investor" within the definition of Regulation D promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act"), (ii)

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is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development and acknowledges that he, she or it is able to fend for himself, herself or itself, can bear the economic risk of the Investor's investment in Holding, and has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of the investment in the Holding Class B Common Stock and can afford a complete

loss of its, his or her investment, (iii) if other than an individual, has not been organized for the purpose of acquiring the Holding Class B Common Stock, (iv) understands that no public market now exists for the Holding Class B Common Stock and there is no assurance that a public market will ever exist for the Holding Class B Common Stock and (v) understands that the Holding Class B Common Stock may not be sold, transferred, or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Holding Class B Common Stock or an available exemption from registration under the Securities Act, the Holding Class B Common Stock must be held indefinitely.

(d) Such Investor's, together with its Affiliates' (as defined in the Merger Agreement), total beneficial ownership of shares of outstanding CBRE Common Stock as of the date hereof is accurately set forth opposite such Investor's name on Schedule I hereto, and each of such shares when transferred and delivered to Holding will be free and clear of all Liens.

(e) Such Investor has no plan or intention to transfer its shares of Holding Class B Common Stock following the Contribution Closing.

### III VOTING AND EXCLUSIVITY

#### 3.1. Voting. Each of the Investors agrees to vote or consent (or cause to

be voted or consented), in person or by proxy, any shares of CBRE Common Stock beneficially owned or held of record by such Investor or to which such party has, directly or indirectly, the right to vote or direct the voting (the "Subject Shares") in favor of the Transactions and any other matter required to

effect the Transactions at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of stockholders of CBRE called to consider such matters. In order to effectuate this section 3.1, each of the Investors hereby grants to Holding an irrevocable proxy, which proxy is coupled with an interest, to vote all of the Subject Shares owned by such Investor in favor of the Transactions and any other matter required to effect the Transactions at any meeting of stockholders of CBRE called to consider such matters.

#### 3.2. Exclusivity. Prior to the earlier of the Contribution Closing or the

termination of this Agreement, unless otherwise mutually agreed in writing by BLUM and Freeman Spogli, each of the Investors (in their individual capacities as stockholders of CBRE and not in their capacities as officers or directors of CBRE, if applicable) will (i) not, directly or indirectly, make, participate in or agree to, or initiate, solicit, encourage or knowingly facilitate any inquiries or the making of, any proposal or offer with respect to, or a transaction to effect, a merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving CBRE or any of its subsidiaries, or any purchase or sale of 20% or more of the consolidated assets (including without limitation stock of its subsidiaries) of CBRE and its subsidiaries, taken as a whole, or any purchase or sale of, or tender or exchange offer for, the equity securities of CBRE that, if consummated, would result in any person or entity beneficially owning securities representing 20% or more of the total voting power of CBRE (or of the surviving parent entity in such transaction) or any of its subsidiaries, in each case other than the Transactions (any such proposal, offer or transaction (other than the Transactions) being hereinafter referred to as a "Competing Acquisition Proposal"), (ii) vote or consent (or cause to be voted or consented), in person or by proxy, any Subject Shares against

any Competing Acquisition Proposal at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of stockholders of CBRE, (iii) not, directly or indirectly, sell, transfer or otherwise dispose of any shares of CBRE Common Stock beneficially owned by such party (including, without limitation, in the case of Freeman Spogli, the warrant to acquire 364,884 shares of CBRE Common Stock held by Freeman Spogli) and (iv) not enter into any agreement, commitment or arrangement that is inconsistent with any of the foregoing.

### IV OTHER COVENANTS

#### 4.1. Merger Agreement. The parties hereto acknowledge and agree that

Holding will have sole discretion with respect to (a) determining whether the conditions set forth in the Merger Agreement have been satisfied by the appropriate parties thereto and/or whether to waive any of such conditions pursuant to the terms of the Merger Agreement, and (b) the manner and timing of

its and CBRE's compliance with the covenants applicable to it and CBRE under the Merger Agreement. Subject to the immediately preceding sentence, Holding may not amend, or agree to amend, the Merger Agreement without the prior written consent of both BLUM and Freeman Spogli, and each of BLUM and Freeman Spogli hereby consents to all amendments to the Merger Agreement that have occurred on or prior to the date hereof. BLUM agrees to amend, or cause the amendment of, the certificates of incorporation of each of Holding and Acquiror, at or prior to the Contribution Closing, to (i) create three classes of Holding capital stock consisting of Holding Class B Common Stock and Holding Class A Common Stock, (ii) authorize a total number of shares of Holding Class B Common Stock and Holding Class A Common Stock and Acquiror Common Stock, respectively, that are sufficient to permit the consummation of the transactions contemplated hereby and by the Merger Agreement and (iii) elect for Holding not to be governed by Section 203 of the General Corporation Law of the State of Delaware. In connection with such amendment of the certificate of incorporation of Holding, each share of outstanding Holding Common Stock on the date thereof shall be exchanged for one share of Holding Class B Common Stock.

#### 4.2. Issuance of Shares for Pre-Funded Interest; Financing Documents. -----

(a) The parties hereto acknowledge and agree that, in the event that the offering of the Newco Senior Subordinated Notes shall be consummated, in connection with such consummation Holding will issue and sell to BLUM or its affiliate, in consideration for a cash contribution to Holding equal to the Pre-Funded Interest (the "Pre-Funded Interest Contribution"), a number of shares of

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Holding Class B Common Stock equal to (i) the amount of the Pre-Funded Interest divided by (ii) \$16.00 (the "Pre-Funded Interest Shares"). Holding shall

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contribute the Pre-Funded Interest Contribution to Newco in exchange for the issuance and sale to Holding of a number of shares of Acquiror Common Stock equal to (x) the Pre-Funded Interest Contribution divided by (y) \$16.00.

(b) The parties hereto acknowledge and agree that Holding will have sole discretion with respect to the negotiation of definitive debt financing documents with CSFB and DLJ (or any other lending person) and any supporting lenders (i) based upon the Debt Financing Documents and (ii) in connection with the offering of the Newco Senior Subordinated Notes.

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#### 4.3. Agreement to Cooperate; Further Assurances. Subject to the terms and -----

conditions of this Agreement, each of the parties hereto shall use all reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the Transactions, including providing information and using reasonable best efforts to obtain all necessary or appropriate waivers, consents and approvals, and effecting all necessary registrations and filings.

#### 4.4. Fees and Expenses. -----

(a) Subject to Section 4.4(b), in the event that this Agreement is terminated prior to the Contribution Closing, the costs incurred by any party hereto in preparing this Agreement and in pursuing and negotiating the Transactions (including all attorneys' fees and costs relating thereto) (the "Transaction Expenses") will be paid by the party incurring such Transaction

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Expenses.

(b) In the event that the Merger Agreement is terminated and BLUM shall receive any payment from CBRE pursuant to Section 10.2 of the Merger Agreement (the "Termination Fee"), promptly after receipt of such Termination

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Fee, BLUM shall allocate and pay the Termination Fee, in part or in whole, as applicable, as follows: (i) first, to BLUM and the Other Investors in an amount equal to their Transaction Expenses (to the extent such Transaction Expenses shall exceed the Termination Fee, then each such party shall receive a pro rata amount of such Termination Fee based upon such party's Transaction Expenses incurred), (ii) second, if available, any amounts required to be paid to CSFB and DLJ in the Debt Financing Documents and (iii) lastly, subject to Section 4.4(c) hereto, the remaining amount of the Termination Fee to BLUM or its Affiliate (as defined in Section 5.3 hereto).

(c) If (i) the Merger Agreement is terminated because of the Company's consummation of an Acquisition Proposal (as defined in the Merger Agreement), (ii) Holding is entitled to receive any payment from CBRE pursuant to Section 10.2 of the Merger Agreement, and (iii) (x) Wirta is not offered continued employment on comparable terms with CBRE (or the parent or surviving company in such Acquisition Proposal) following the consummation of such other Acquisition Proposal for a period of at least 12 months (unless such shorter period is requested by Wirta), then Wirta will be entitled to receive 5.7% of



the portion of the Termination Fee, if any, paid to BLUM or its Affiliate pursuant to Section 4.4(b)(iii), or (y) White is not offered continued employment on comparable terms with CBRE (or the parent or surviving company in such Acquisition Proposal) following the consummation of such other Acquisition Proposal for a period of at least 12 months (unless such shorter period is requested by White), then White will be entitled to receive 4.3% of the portion of the Termination Fee, if any, paid to BLUM or its Affiliate pursuant to Section 4.4(b)(iii).

(d) In the event that the closing under the Merger Agreement occurs, the Surviving Corporation in the Merger shall, simultaneously with such closing, pay (i) to RCBA GP, L.L.C. (or an affiliate designated by it) a transaction fee of \$3 million in immediately available funds and (ii) to Freeman Spogli & Co. Incorporated (or an affiliate designated by it) a transaction fee of \$2 million in immediately available funds. In addition, simultaneously with such closing, the Surviving Corporation shall reimburse each of the parties hereto for all Transaction Expenses incurred by such party.

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4.5. Notification of Certain Matters. Each party to this Agreement shall  
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give prompt notice to each other party of (i) the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which is likely to cause any representation or warranty of such party contained in this Agreement to be untrue or inaccurate at or prior to the Contribution Closing and (ii) any failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however,  
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that the delivery of any notice pursuant to this Section 4.5 shall not limit or otherwise affect any remedies available to the party receiving such notice. No disclosure by any party pursuant to this Section 4.5 shall prevent or cure any misrepresentations, breach of warranty or breach of covenant.

4.6. Public Statements. Before any party to this Agreement, other than  
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BLUM, Holding or Newco, or any Affiliate of such party shall release any statements concerning this Agreement, the Merger Agreement, the Securityholders' Agreement, the Debt Financing Documents, the Transactions or any of the matters contemplated hereby and thereby which is intended for or may result in public dissemination thereof, such party shall cooperate with the other parties and provide the other parties the reasonable opportunity to review and comment upon any such statements and, unless otherwise required by law or as may be required to be disclosed by any party in any Schedule 13D filing, shall not release or permit release of any such information without the consent of the other parties, which shall not be unreasonably withheld.

4.7. Execution of Securityholders' Agreement. At the time of the  
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Contribution Closing, each of the Investors agrees to execute and deliver to the other parties thereto the Securityholders' Agreement.

4.8. Freeman Spogli Warrant. Holding agrees to issue to Freeman Spogli or  
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its Affiliate immediately after the closing under the Merger Agreement a warrant in the form attached hereto as Exhibit B (the "Warrant Agreement"). Freeman  
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Spogli agrees that at the time of the closing under the Merger Agreement, the warrants to acquire 364,884 shares of Common Stock, par value \$.01 per share ("CBRE Common Stock"), of CBRE beneficially owned by Freeman Spogli shall be  
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cancelled by CBRE without any payment to Freeman Spogli.

4.9. Consultation. In connection with (a) exercising its discretion under  
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Sections 1.5 and 4.1 and (b) any negotiations contemplated by Section 4.2, BLUM and Holding will use their good faith efforts to (i) promptly communicate with the other parties hereto concerning the relevant issues and terms, (ii) permit the other parties hereto to participate in the negotiation of such terms, if applicable, and (iii) consider the views of the other parties hereto in the making of any decisions or conduct of any negotiations, as applicable.

4.10. Waiver of Certain Rights in KRES Merger Agreement. Effective upon the  
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Closing, each of FSEP, FSEP International, Koll Holding Company and Wirta (collectively, the "Former KRES Shareholders") irrevocably and unconditionally  
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waives any rights that it or he may have under (i) Section 10.13 of the Agreement and Plan of Merger, dated as of May 14, 1997 (the "KRES Merger  
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Agreement"), by and among CBRE, Koll Real Estate Services, the Former KRES  
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Shareholders and the other parties thereto, and (ii) the Registration Rights Agreement, dated as of May 14, 1997, by and among CBRE, the Former KRES Shareholders and the other parties thereto.

4.11. Conversion of Koll Warrants. Each of Wirta, Koll and The Koll Holding Company ("TKHC") agrees that at the time of the closing under the Merger Agreement, the warrants to acquire 84,988 shares of CBRE Common Stock beneficially owned by Wirta, Koll or TKHC (which total includes warrants to acquire 55,936 shares of CBRE Common Stock beneficially owned by each of Wirta, Koll and TKHC as a result of the Amended and Restated Option Agreement, dated as of August 27, 1997 (the "Wirta-Koll Option Agreement"), by and among The Koll Company, TKHC, Wirta and Koll Real Estate Services) shall each be converted into the right to receive \$1.00 and shall not thereafter represent the right to receive any securities of, or other consideration from, Holding or CBRE.

4.12. Transfers. Each Investor agrees not to enter into any plan, agreement, arrangement or understanding to transfer its shares of Holding Class B Common Stock prior to and including the Contribution Closing.

V MISCELLANEOUS

5.1. Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy, telegraph or telex), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, or, in the case of telegraphic notice, when delivered to the telegraph company, or, in the case of telex notice, when sent, answerback received, addressed as follows to Holding, Newco and the Investors, or to such other address as may be hereafter notified by the parties hereto:

(a) If to Holding or Newco, to it at the following address:

c/o BLUM Capital Partners, L.P.  
909 Montgomery Street, Suite 400  
San Francisco, California 94133  
Attn: Claus Moller  
Telephone: (415) 288-7262  
Telecopy: (415) 434-3130

with a copy to:

Simpson Thacher & Bartlett  
3330 Hillview Avenue  
Palo Alto, California 94304  
Attn: Richard Capelouto  
Telephone: (650) 251-5060  
Telecopy: (650) 251-5002

(b) If to an Investor, to it at its address set forth in Section 6.3 of the Securityholders' Agreement.

(c) If to Koll, to him at the address for TKHC set forth in Section 6.3 of the Securityholders' Agreement.

5.2. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts executed and to be performed entirely within that state. Each of the parties by its execution hereof hereby (i) irrevocably submits to the jurisdiction of the federal and state courts located in the County of San Francisco in the State of California for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement or any other agreement contemplated hereby or relating to the subject matter hereof or thereof and (ii) waives to the extent not prohibited by applicable law, and agrees not to assert by way of motion, as a defense or otherwise, that its property is exempt or immune from attachment or execution, that any such proceeding brought in one of the above-named courts is improper, or that any right or remedy relating to this Agreement or any other agreement contemplated hereby, or the subject matter hereof or thereof, may not be enforced in or by such court. Each of the parties hereby consents to service of process in any such proceeding in any manner permitted by the laws of the state of California, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 5.2 hereof is reasonably calculated to give actual notice.

5.3. Assignment. This Agreement may not be assigned by any party hereto,

except that the rights and obligations of BLUM to provide the BLUM Cash Contribution may be assigned by BLUM in whole or in part to any affiliate of BLUM provided that no such assignment will relieve BLUM of any of its obligations hereunder. Any assignment or delegation in derogation of this provision shall be null and void. The provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, executors and administrators of the parties hereto.

5.4. Amendment. No amendment, modification or supplement to this Agreement  
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shall be enforced against any party hereto unless such amendment, modification or supplement is in writing and signed by Holding and such party.

5.5. Counterparts. This Agreement may be executed in two or more  
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counterparts, and by different parties on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

5.6. Integration. This Agreement, the Merger Agreement, the Securityholders'  
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Agreement, the Warrant Agreement, the letter agreement between BLUM and an affiliate of Freeman Spogli and the documents referred to herein and therein or delivered pursuant hereto or thereto contain the entire understanding of the parties with respect to the subject matter hereof and thereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein and therein. This Agreement supersedes all prior agreements and understandings between the parties with respect to this subject matter, including, without limitation, the letter agreement dated as of November 10, 2000 among the Investors.

5.7. Specific Performance. The parties hereto agree that irreparable damage  
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would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity.

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5.8. Amendment and Restatement; Effectiveness of Representations and  
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Warranties and Agreements.  
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(a) This Agreement amends certain provisions of the Original Agreement and restates the terms of the Original Agreement in their entirety so as to reflect and give effect to such amendments. All amendments to the Original Agreement effected by this Agreement, and all other covenants, agreements, terms and provisions of this Agreement, shall have effect from the date of the Original Agreement.

(b) Each of the representations and warranties of each party hereto made in this Agreement shall be deemed (i) to be made on the date of the Original Agreement and as of the Contribution Closing and (ii) not made on the date hereof.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CBRE HOLDING, INC.

By: /s/ Claus J. Moller  
-----  
Name: Claus J. Moller  
Title: President

BLUM CB CORP.

By: /s/ Claus J. Moller  
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Name: Claus J. Moller  
Title: President

RCBA STRATEGIC PARTNERS, L.P.

By: RCBA GP, L.L.C., its general partner

By: /s/ Claus J. Moller  
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Name: Claus J. Moller

Title: Member

FS EQUITY PARTNERS III, L.P.

By: FS Capital Partners, L.P., its general Partner

By: FS Holdings, Inc., its general partner

By: /s/ William M. Wardlaw
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Name: William M. Wardlaw
Title: Vice President

FS EQUITY PARTNERS INTERNATIONAL, L.P.

By: FS&Co. International, L.P., its general Partner

By: FS International Holdings Limited, its general partner

By: /s/ William M. Wardlaw
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Name: William M. Wardlaw
Title: Vice President

THE KOLL HOLDING COMPANY

/s/ Donald M. Koll
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By: Donald M. Koll

/s/ Frederic V. Malek
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Frederic V. Malek

/s/ Raymond Wirta
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Raymond E. Wirta

/s/ Brett White
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W. Brett White

/s/ Donald M. Koll
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Donald M. Koll

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Contribution and Voting Agreement among CBRE Holding, Inc., BLUM CB Corp., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Frederic V. Malek, Raymond E. Wirta, W. Brett White and Donald M. Koll, I, Kathi Koll, the spouse of Donald M. Koll, do hereby

join with my spouse in executing the foregoing Contribution and Voting Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of May 31, 2001 /s/ Kathi Koll
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Kathi Koll

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Contribution and Voting Agreement among CBRE Holding, Inc., BLUM CB Corp., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Frederic V. Malek, Raymond E. Wirta, W. Brett White and Donald M. Koll, I, M. Malek, the spouse of Frederic V. Malek, do

hereby join with my spouse in executing the foregoing Contribution and Voting Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of May 31, 2001 /s/ M. Malek
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M. Malek

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Contribution and Voting Agreement among CBRE Holding, Inc., BLUM CB Corp., RCBA Strategic

Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Frederic V. Malek, Raymond E. Wirta, W. Brett White and Donald M. Koll, I, /s/ Sandra Wirta, the spouse of

Raymond E. Wirta, do hereby join with my spouse in executing the foregoing Contribution and Voting Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of May 31, 2001 /s/ Sandra Wirta  
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Sandra Wirta

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Contribution and Voting Agreement among CBRE Holding, Inc., BLUM CB Corp., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Frederic V. Malek, Raymond E. Wirta, W. Brett White and Donald M. Koll, I, Danielle White, the spouse of W. Brett White, do

hereby join with my spouse in executing the foregoing Contribution and Voting Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of May 31, 2001 /s/ Danielle White  
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Danielle White

Schedule I  
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Total Shares of  
Outstanding Common  
Stock Beneficially Owned  
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BLUM	3,423,886
Freeman Spogli	3,402,463
Raymond E. Wirta	35,000/1/
W. Brett White	58,575
Frederic V. Malek	397,873
The Koll Holding Company	734,2901/1/

/1/ The shares listed as beneficially owned by Raymond E. Wirta do not include currently exercisable options (the "Wirta-Koll Options") granted to Mr.

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Wirta by The Koll Holding Company (which is the wholly-owned subsidiary of The Koll Company, which is wholly-owned by the Don Koll Separate Property Trust, a trust for which Donald M. Koll is trustee) to acquire 521,590 shares of CBRE Common Stock held by The Koll Holding Company. The shares listed as beneficially owned by The Koll Holding Company include the shares of CBRE Common Stock underlying the Wirta-Koll Options. To the extent that the Wirta-Koll Options are exercised prior to the Contribution Closing, such underlying shares of CBRE Common Stock received by Mr. Wirta shall be contributed to Holding at the Contribution Closing pursuant to Section 1.3 hereto by Mr. Wirta instead of The Koll Holding Company and Mr. Wirta shall receive the corresponding number of shares of Holding Common Stock at the Contribution Closing in respect thereof pursuant to Section 1.3 hereto instead of The Koll Holding Company.

Exhibit A

Securityholders' Agreement

Exhibit B

Warrant Agreement

SECURITYHOLDERS' AGREEMENT, dated as of \_\_\_\_\_, 2001 (this "Agreement"), among (i) CB Richard Ellis Services, a Delaware corporation ("CBRE") and CBRE Holding, Inc. (the "Company"), (ii) RCBA Strategic Partners, L.P., a Delaware limited partnership (together with its successors, "BLUM"), (iii) FS Equity Partners III, L.P., a Delaware limited partnership ("FSEP"), and FS Equity Partners International, L.P., a Delaware limited partnership ("FSEP International," and together with FSEP and their respective successors, the "FS Entities"), (iv) DLJ Investment Partners II, L.P. ("DLJ") [OTHER DLJ ENTITIES TO COME], (v) The Koll Holding Company, a California corporation (together with its successors, "Koll"), Frederic V. Malek ("Malek", and together with Koll, the "Other Non-Management Investors"), and (vi) the individuals identified on the signature pages hereto as "Management Investors" (together, the "Management Investors"; collectively with the FS Entities, DLJ and the Other Non-Management Investors, the "Non-BLUM Investors").

RECITALS:

A. CBRE, the Company and BLUM CB Corp., a Delaware Corporation ("Newco"), are parties to an Amended and Restated Agreement and Plan of Merger, dated as of May 31, 2001 (the "Merger Agreement"), pursuant to which, among other things, Newco merged with and into CBRE on the date hereof (the "Merger") and CBRE became a wholly-owned subsidiary of the Company;

B. As a result of the Merger, on the date hereof, BLUM is the largest holder of the outstanding shares of Common Stock (as defined below) and the Non-BLUM Investors also hold outstanding shares of the Common Stock; and

C. The parties hereto wish to provide for certain matters relating to their respective holdings of the Common Stock.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

I INTRODUCTORY MATTERS

1.1. Defined Terms.

The following terms have the following meanings when used herein with initial capital letters:

"Advisory Services" has the meaning set forth in Section 4.4.

"Affiliate" means, with respect to any Person, any Person that directly or indirectly controls, is controlled by or is under common control with, such Person. As used in this definition of "Affiliate" and the definition of "Subsidiary," "control" (including, with correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies, whether through the ownership of securities or

partnership or other ownership interests, by contract or otherwise. Notwithstanding anything to the contrary stated herein, the Company shall not be considered an Affiliate of any Securityholder.

"Agreement" means this Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the

terms hereof.

"Approved Sale" has the meaning set forth in Section 2.5(c).

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"Assumption Agreement" means an agreement in the form attached hereto

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as Exhibit A whereby a transferee of Restricted Securities becomes a party to, and agrees to be bound by, the terms of this Agreement in the manner set forth in Section 6.5 hereto.

"BLUM" has the meaning set forth in the Preamble.

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"BLUM Directors" has the meaning set forth in Section 4.1(c) (i).

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"BLUM Holder" means (i) BLUM and (ii) any Person to whom BLUM

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Transfers Registrable Securities (but only to the extent of the Registrable Securities acquired from BLUM) and, in the case of clause (ii), which Person becomes bound by the provisions of this Agreement in the manner set forth in Section 6.5 hereto.

"BLUM Sale" has the meaning set forth in Section 2.4(a).

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"Board" means the Board of Directors of the Company.

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"Bylaws" means the Bylaws of the Company as of the Closing, as the

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same may be amended from time to time.

"Cause" has the meaning set forth in Section 4.1(j).

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"CBRE" has the meaning set forth in the Preamble.

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"Certificate of Incorporation" means the Certificate of Incorporation

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of the Company as of the Closing, as the same may be amended from time to time.

"Claim Notice" has the meaning set forth in Section 5.4(b).

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"Class A Common Stock" means Class A common stock, par value \$.01 per

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share, of the Company.

"Class B Common Stock" means Class B common stock, par value \$.01 per

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share, of the Company.

"Class B Securityholder" means any Securityholder that beneficially

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owns shares of Class B Common Stock pursuant to the terms of the Certificate of Incorporation.

"Closing" means the Closing of the Merger.

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"Common Stock" means Class A Common Stock and Class B Common Stock,

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collectively.

"Company" has the meaning set forth in the Preamble.

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"Consolidated EBITDA" means, for any period, [the consolidated net

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income of the Company and its subsidiaries for such period as set forth in the consolidated financial statements of the Company, plus the following of the Company and its subsidiaries to the extent deducted in calculating such consolidated net income: (i) consolidated interest expense, (ii) consolidated income tax expense, (iii) consolidated depreciation expense and (iv) consolidated amortization expenses]. [Note: To the extent that the senior debt financing contains a different definition of Consolidated EBITDA, this definition will be conformed to that used in the senior debt financing.]

"Contribution Agreement" means that certain Amended and Restated

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Contribution and Voting Agreement, dated as May 31, 2001, among CBRE Holding, Inc., BLUM CB Corp., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., Wirta, White and the other investors who are signatories thereto.

"DLJ Holder" means (i) DLJ and (ii) any Person to whom DLJ Transfers

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Registrable Securities (but only to the extent of the Registrable Securities acquired from DLJ) and, in the case of clause (ii), which Person becomes bound by the provisions of this Agreement as a DLJ Party in the manner set forth in Section 6.5 hereto.

"DLJ Parties" means (i) DLJ and (ii) any Person to whom DLJ Transfers

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Restricted Securities and, in the case of clause (ii), which Person becomes bound by the provisions of this Agreement in the manner set forth in Section 6.5 hereto.

"Drag-Along Notice" has the meaning set forth in Section 2.5(b).

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"Dragging Party" has the meaning set forth in Section 2.5(a).

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"Equity Securities" means (i) any Common Stock or other equity

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security of the Company, (ii) any security convertible, with or without consideration, into Common Stock or any other equity security of the Company (including any option or other right to purchase or acquire such a convertible security) and (iii) any option, warrant or other right to purchase or acquire Common Stock or any other equity security of the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended,

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or any similar federal statute then in effect, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such similar federal statute.

"Fair Market Value" means (i) with respect to cash consideration, the

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total amount of such cash consideration in United States dollars, (ii) with respect to non-cash consideration consisting of publicly-traded securities, the average daily closing sales price of such securities for the ten consecutive trading days preceding the date of Fair

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Market Value of such securities is required to be determined hereunder (with the closing price for each day being the last reported sales price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the principal national securities exchange on which such securities are listed and admitted to trading, or, if not listed and admitted to trading on any such exchange on the NASDAQ National Market System, or if not quoted on the NASDAQ National Market System, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose) and (iii) with respect to non-cash consideration not consisting of publicly-traded securities, such amount as is determined to be the fair market value of the non-cash consideration as of the date such Fair Market Value is required to be determined hereunder as determined in good faith by the Board.

For the purposes of Section 2.2(a), if the Transferring Securityholder or BLUM disputes in good faith the determination by the Board pursuant to the above clause (iii) of the Fair Market Value of the non-cash consideration to be paid for the Transfer Securities, then the Transferring Securityholder or BLUM, as applicable, may require that an investment bank selected by the Company and reasonably acceptable to the Transferring Securityholder and BLUM determine such Fair Market Value for the purposes of clause (iii).

For the purposes of Section 4.7(a)(ii), if the FS Director believes in good faith that the Fair Market Value, determined pursuant to the above clause (iii), of the consideration to be received for the assets of the Company or its Subsidiaries to be sold under that Section exceeds \$75 million, then the FS Director may require that such Fair Market Value be determined by an independent investment bank selected by the Company and reasonably acceptable to the FS Director.

The Company shall pay the fees and expenses of the investment bank in making any Fair Market Value determination; provided, however that in the



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case of the second paragraph of this definition of "Fair Market Value", if the Transferring Securityholder does not have a good faith belief that the Fair Market Value of the non-cash consideration to be paid for the Transfer Securities, as determined pursuant to the above clause (iii), is greater than or equal to \$5 million, then the fees and expenses of the investment bank in making any Fair Market Value determination at the request of such Transferring Securityholder under such circumstances shall be paid by such Transferring Securityholder.

"FS Director" has the meaning set forth in Section 4.1(c) (ii).  
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"FS Entities" has the meaning set forth in the Preamble.  
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"FS Holder" means (i) each of the FS Entities and (ii) any Person to whom either of the FS Entities Transfers Registrable Securities or Restricted Securities (but only to the extent of the Registrable Securities or Restricted Securities acquired from such FS Entity)  
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and, in the case of clause (ii), which Person becomes bound by the provisions of this Agreement as a FS Party in the manner set forth in Section 6.5 hereto.

"FS Parties" means (i) each of the FS Entities and (ii) any Person to whom either of the FS Entities Transfers Restricted Securities and, in the case of clause (ii), which Person becomes bound by the provisions of this Agreement in the manner set forth in Section 6.5 hereto.  
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"FS Warrants" means (i) the warrants to acquire Common Stock acquired by the FS Entities pursuant to the Contribution Agreement and (ii) any shares of Common Stock received upon exercise of such warrants.  
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"Holder" means any Person owning of record Registrable Securities who (i) is a party to this Agreement on the date hereof or (ii) subsequently agrees in writing to be bound by the provisions of this Agreement in accordance with the terms of Section 6.5 of this Agreement.  
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"Indebtedness" means any indebtedness for borrowed money.  
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"Indemnified Party" has the meaning set forth in Section 5.4(b).  
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"Initiating Holder" means, with respect to any registration effected pursuant to Section 3.1, (i) the BLUM Holders in the event that the Holder or Holders from whom a notice is received pursuant to Section 3.1(a) that initiates such registration is a BLUM Holder, (ii) the FS Holders in the event that the Holder or Holders from whom a notice is received pursuant to Section 3.1(a) that initiates such registration is a FS Holder, and (iii) the DLJ Holders in the event that the Holder or Holders from whom a notice is received pursuant to Section 3.1(a) that initiates such registration is a DLJ Holder.  
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"IPO" or "Initial Public Offering" means the completion of an underwritten Public Offering of Common Stock pursuant to which the Company becomes listed on a national securities exchange or on the NASDAQ Stock Market.  
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"Issuance" has the meaning set forth in Section 2.6(a).  
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"Legend" has the meaning set forth in Section 2.1(d).  
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"Losses" has the meaning set forth in Section 3.9(d).  
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"Losses and Expenses" has the meaning set forth in Section 5.4(a).  
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"Management Investors" has the meaning set forth in the Preamble.  
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"Management Parties" means (i) each of the Management Investors and  
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(ii) any Person to whom any of the Management Investors Transfers Restricted Securities and, in the case of clause (ii), which Person becomes bound by the provisions of this Agreement in the manner set forth in Section 6.5 hereto.

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"Material Securityholder" means BLUM, each of the FS Entities, each of  
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the DLJ Parties that holds at least 1% of the total outstanding Common Stock as of such date, DLJ Investment Partners II, L.P. so long as it and its affiliates, in the aggregate, hold at least 1% of the total outstanding Common Stock as of such date, Malek, Koll and any Securityholder who (as determined on a particular date) beneficially owns, together with its Affiliates, greater than 10% of the total outstanding Common Stock as of such date.

"Merger" has the meaning set forth in the Recitals.  
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"Merger Agreement" has the meaning set forth in the Recitals.  
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"Newco" has the meaning set forth in the Recitals.  
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"Non-BLUM Investors" has the meaning set forth in the Preamble.  
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"Non-BLUM Parties" means the FS Parties, the DLJ Parties, the Other  
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Non-Management Parties and the Management Parties, collectively.

"Notes" means the Company's 16.0% Senior Notes due \_\_\_\_\_, 2011.  
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"Notice Period" has the meaning set forth in Section 5.4(b).  
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"Observer" has the meaning set forth in Section 4.3(a).  
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"Offer Price" has the meaning set forth in Section 2.2(a).  
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"Offer Notice" has the meaning set forth in Section 2.2(a).  
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"Other Holder" means any Holder other than a BLUM Holder, a FS Holder  
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or a DLJ Holder.

"Other Non-Management Investors" has the meaning set forth in the  
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Preamble.

"Other Non-Management Parties" means (i) each of the Other Non-  
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Management Investors and (ii) any Person to whom either of the Other Non-  
Management Investors Transfers Restricted Securities and, in the case of  
clause (ii), which Person becomes bound by the provisions of this Agreement  
in the manner set forth in Section 6.5 hereto.

"Ownership" means, with respect to any Person, all matters related to  
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such Person's and such Person's Affiliates' (i) beneficial ownership of  
Restricted Securities, (ii) due authorization of a Transfer of such  
Restricted Securities, (iii) power to Transfer such Restricted Securities,  
and (iv) non-violation of agreements, laws, etc. relating to such Transfer  
of such Restricted Securities.

"Permitted Third Party Transfer Date" means the three year anniversary  
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of the date hereof.

"Permitted Transferees" means any Person to whom Restricted Securities  
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are Transferred by a Non-BLUM Party in a Transfer in accordance with  
Section 2.3 and not

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in violation of this Agreement and who is required to, and does, enter into  
an Assumption Agreement, and includes any Person to whom a Permitted  
Transferee of a Non-BLUM Party (or a Permitted Transferee of a Permitted  
Transferee) so further Transfers Restricted Securities and who is required

to, and does, execute and deliver to the Company and BLUM an Assumption Agreement.

"Person" means any individual, corporation, limited liability company, partnership, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other legal entity of any nature whatsoever.

"Proposed Transferee" has the meaning set forth in Section 2.4(a).

"Public Offering" means the sale of shares of any class of the Common Stock to the public pursuant to an effective registration statement (other than a registration statement on Form S-4 or S-8 or any similar or successor form) filed under the Securities Act in connection with an underwritten offering.

"Purchase Agreement" means that certain Purchase Agreement, dated as of the date hereof, between the Company and DLJ, pursuant to which, among other things, the Company issued and sold to DLJ, and DLJ purchased from the Company, the Notes.

"Purchase Price" means the Fair Market Value of the consideration paid by the Company or any of its Subsidiaries.

"Qualified Purchaser" means any Person to whom any Transferring Securityholder wishes to sell Restricted Securities pursuant to Section 2.2; provided that such Person (i) shall be acceptable to BLUM (such acceptance to be evidence in writing and to not be unreasonably withheld; it is understood that, if the proposed Qualified Purchaser is a nationally-recognized private equity sponsor or institutional equity investor, such consent will not be withheld unless BLUM's decision to withhold consent results from BLUM's or any of its Affiliate's direct experience with such proposed Qualified Purchaser in connection with another actual or proposed transaction) and (ii) execute and deliver to the Company and BLUM an Assumption Agreement.

"Registrable Securities" means any shares of Common Stock held by the Securityholders, including as a result of the exercise of options or warrants to acquire Common Stock. For purposes of this Agreement, any Registrable Securities held by any Person will cease to be Registrable Securities when (A) a registration statement covering such Registrable Securities has been declared effective and such Registrable Securities have been disposed of pursuant to such effective registration statement, (B) the registration rights of the holder of such Registrable Securities have terminated pursuant to Section 3.7 hereto, or (C) such Registrable Securities cease to be outstanding.

"Registration Expenses" means all expenses incident to performance of or compliance with Sections 3.1 and 3.2 hereof, including, without limitation, all registration and filing fees, printing, messenger and delivery expenses, fees and expenses of listing the Registrable Securities on any securities exchange, rating agency fees, fees and disbursements of counsel for the Company and of its independent public accountants,

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reasonable fees and disbursements of a single special counsel for the Holders selected in accordance with Section 3.5, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (including "cold comfort" letters), fees and disbursements of underwriters customarily paid by the issuers or sellers of securities (including liability insurance but excluding Selling Expenses), and other reasonable out-of-pocket expenses of Holders (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

"Related Party" has the meaning set forth in Section 5.3.

"Relevant Period" has the meaning set forth in Section 3.1(c)(iv).

"Restricted Period" means the period beginning on the date hereof and ending on the earlier of (i) the ten year anniversary of the date hereof and (ii) the date of the Initial Public Offering.

"Restricted Securities" has the meaning set forth in Section 2.1(a).  
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"Right" has the meaning set forth in Section 2.6(a).  
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"Rule 144" means Rule 144 of the Securities Act.  
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"SEC" or "Commission" means the Securities and Exchange Commission.  
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"Securities Act" means the Securities Act of 1933, as amended, and the  
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rules and regulations promulgated thereunder, as the same may be amended  
from time to time.

"Securityholder" means each of the holders of Common Stock or the FS  
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Warrants who are parties to this Agreement or an Assumption Agreement.

"Selling Expenses" means all underwriting discounts and selling  
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commissions and transfer taxes applicable to the sale.

"Subsidiary" means, with respect to any Person, any other Person (i)  
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of which (or in which) such first Person beneficially owns, directly or  
indirectly, 50% or more of the outstanding capital stock or other equity  
interests having ordinary voting power to elect the Board of Directors or  
any equivalent body of such other Person or (ii) of which such first Person  
or its Subsidiary is a general partner, managing member or an equivalent.

"Tagging Securityholder" has the meaning set forth in Section 2.4(a).  
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"Third Party" has the meaning set forth in Section 2.4(a).  
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"Transfer" means a transfer, sale, assignment, pledge, hypothecation  
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or other disposition (including, without limitation, by operation of law),  
whether directly or indirectly pursuant to the creation of a derivative  
security, the grant of an option or other right.

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"Transfer Offer" means the offer to sell the Transfer Securities owned  
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by the Transferring Securityholder to BLUM or one or more of its assignees  
in accordance with Section 2.2(a).

"Transfer Period" has the meaning set forth in Section 2.2(c).  
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"Transfer Securities" has the meaning set forth in Section 2.2(a).  
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"Transferring Securityholder" has the meaning set forth in Section  
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2.2(a).

"Twelve-Month Normalized EBITDA" means, as of any date, the  
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Consolidated EBITDA for the 12-month period ending on the last day of the  
most recent quarter for which consolidated financial statements of the  
Company have been filed with the SEC (or, if the Company is not then filing  
such statements with the SEC, the most recent quarter for which such  
statements are available); provided, however that such determination of  
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Consolidated EBITDA shall be adjusted for such period to (i) include the  
pro forma effects for the entire period of any acquisitions or dispositions  
by the Company since the beginning of such period and (ii) disregard any  
extraordinary or similar one-time charges or revenues of the Company.

"Violation" has the meaning set forth in Section 3.9(a).  
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"White" means W. Brett White.  
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"Wirta" means Raymond E. Wirta.  
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1.2. Construction.

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The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party. Unless the context otherwise requires: (a) "or" is disjunctive but not exclusive, (b) words in the singular include the plural, and in the plural include the singular, and (c) the words "hereof," "herein," and "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified.

II TRANSFERS

2.1. Limitations on Transfer.

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(a) Each Securityholder hereby agrees that it will not, directly or indirectly, Transfer any shares of Common Stock or FS Warrants (collectively, the "Restricted Securities") unless such Transfer complies with the provisions

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hereof and (i) such Transfer is pursuant to an effective registration statement under the Securities Act and has been registered under all applicable state securities or "blue sky" laws or (ii) (A) such Securityholder shall have furnished the Company with a written opinion of counsel in form and substance reasonably satisfactory to the Company to the effect that no such registration is required because of the availability of an exemption from registration under the Securities Act and (B) the Company shall be reasonably

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satisfied that no such registration is required because of the availability of exemptions from registration under all applicable state securities or "blue sky" laws.

(b) During the Restricted Period,

(i) each of the Non-BLUM Parties may not Transfer any Restricted Securities other than (x) pursuant to Sections 2.3, 2.4 or 2.5, and (y) with respect to the FS Parties, the DLJ Parties and the Other Non-Management Parties only, Transfers after the Permitted Third Party Transfer Date to Persons other than a Permitted Transferee of the Securityholder making the Transfer (subject to prior compliance in full with Section 2.2 and such Persons executing and delivering Assumption Agreements to the Company); and

(ii) BLUM and its Affiliates will not Transfer any Restricted Securities in a transaction subject to Section 2.4 unless Section 2.4 is complied with in full prior to such Transfer.

(c) In the event of any purported Transfer by any of the Securityholders of any Restricted Securities in violation of the provisions of this Agreement, such purported Transfer will be void and of no effect and the Company will not give effect to such Transfer.

(d) Each certificate representing Restricted Securities issued to the Securityholders will bear a legend on the face thereof substantially to the following effect (with such additions thereto or changes therein as the Company may be advised by counsel are required by law or necessary to give full effect to this Agreement, the "Legend"):

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"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A SECURITYHOLDERS' AGREEMENT AMONG CBRE HOLDING, INC., RCBA STRATEGIC PARTNERS, L.P., FS EQUITY PARTNERS III, L.P., FS EQUITY PARTNERS INTERNATIONAL, L.P., THE KOLL HOLDING COMPANY, FREDERIC V. MALEK, DLJ INVESTMENT FUNDING, INC., CERTAIN MANAGEMENT INVESTORS AND CB RICHARD ELLIS SERVICES, INC., A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH STOCKHOLDERS' AGREEMENT. THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE OF THIS CERTIFICATE, AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF SUCH SECURITYHOLDERS' AGREEMENT."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

The Legend will be removed by the Company by the delivery of substitute certificates without such Legend in the event of (i) a Transfer permitted by this Agreement in which the Permitted

Transferee is not required to enter into an Assumption Agreement or (ii) the termination of Article II pursuant to the terms hereof; provided, however, that

the second paragraph of the Legend will only be removed if at such time it is no longer required for purposes of applicable securities laws and, if requested by the Company, the Company receives an opinion to such effect of counsel to the applicable Securityholder in form and substance reasonably satisfactory to the Company.

## 2.2. Right of First Offer.

(a) If, following the Permitted Third Party Transfer Date, any of the FS Parties, the DLJ Parties or the Other Non-Management Parties (each, a "Transferring Securityholder") desires to Transfer all or any portion of

the Restricted Securities (the "Transfer Securities") then owned by such

Transferring Securityholder to a Person that is not a Permitted Transferee of the Transferring Securityholder, such Transferring Securityholder shall provide BLUM with a written notice (the "Offer Notice") setting forth: (i) the number of

shares of Common Stock proposed to be Transferred and (ii) the material terms and conditions of the proposed transfer including the minimum price (the "Offer

Price") at which such Transferring Securityholder proposes to Transfer such

shares. The Offer Notice shall also constitute an irrevocable offer to sell the Transfer Securities to BLUM or, at BLUM's option following receipt of the Offer Notice, to one or more assignees of BLUM (subject to such assignee's or assignees' delivery of an Assumption Agreement in compliance with Section 6.5 hereof) (x) at the Offer Price and on the same terms and conditions as the Transfer Offer or (y) if the Transfer Offer includes any consideration other than cash, at the option of BLUM or such assignee, at a cash price equal to the Fair Market Value of such non-cash consideration (the "Transfer Consideration").

(b) If BLUM or its assignee wishes to accept the offer set forth in the Offer Notice, BLUM or such assignee shall deliver within 15 business days of receipt of the Offer Notice (such period, the "Election Period") an irrevocable

notice of acceptance to the Transferring Securityholder (the "Acceptance

Notice"), which Notice shall indicate the form of Transfer Consideration chosen

(to the extent that the Transfer Offer includes any consideration other than cash). BLUM or its assignee may accept such offer for any or all of the Transfer Securities, provided, however, that if BLUM or its assignee agrees to purchase

less than all of the Transfer Securities specified in the Offer Notice, then the Transferring Securityholder can choose not to sell any shares to BLUM or its assignee, as applicable, by delivering written notice thereof to BLUM or such assignee within five Business Days of the Transferring Securityholder's receipt of the Acceptance Notice. In the event that the Transferring Securityholder elects not to sell any shares to BLUM or its assignee pursuant to the proviso in the immediately preceding sentence, such Transferring Shareholder may transfer the Transfer Securities to one or more Qualified Purchasers pursuant to Section 2.2(c) only if such Qualified Purchasers purchase in the aggregate at least as many shares of the Transfer Securities as BLUM had agreed to purchase.

(c) If the option to purchase the Transfer Securities represented by the Offer Notice is accepted on a timely basis by BLUM or its assignee, in accordance with all the terms specified in Section 2.2(b) and such acceptance (if it is for less than all of the Transfer Securities) has not been rejected by the Transferring Securityholder, no later than the later of (x) 30 business

days after the date of the receipt by BLUM of the Offer Notice or (y) the second business day after the receipt of any necessary governmental approvals (including, without limitation, the expiration or early termination of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended), BLUM (or its assignee), as applicable, shall deliver payment by wire transfer of immediately available funds, to the extent the Transfer Consideration is cash, and/or by delivery of the non-cash Transfer Consideration (to the extent chosen by BLUM or its assignee), to such Transferring Securityholder against delivery of certificates or other instruments representing the Common Stock so purchased, appropriately endorsed by such Transferring Securityholder. Each Transferring Securityholder shall deliver its shares of Common Stock free and clear of all liens, claims, options, pledges, encumbrances and security interests. To the extent BLUM or its assignee (i) has not given notice of its acceptance of the offer represented by the Offer Notice to purchase all of the Transfer Securities prior to the expiration of the Election Period, (ii) has accepted as to less than all of the Transfer

Securities and such acceptance has been rejected by the Transferring Securityholder, (iii) has accepted as to less than all of the Transfer Securities and such acceptance has not been rejected by the Transferring Securityholder, or (iv) has not tendered the Purchase Price for the Transfer Securities in the manner and within the period set forth above in this Section 2.2(c), such Transferring Securityholder shall be free (subject to the last sentence of Section 2.2(b)) for a period of 120 days from the end of the Election Period to transfer the Transfer Securities (or in the case of the foregoing clause (iii), such remaining portion of the Transfer Securities) to a Qualified Purchaser at a price equal to or greater than the Offer Price and otherwise on terms which are no more favorable in any material respect to such Qualified Purchaser than the terms and conditions set forth in the Offer Notice. If for any reason such Transferring Securityholder does not transfer the Transfer Securities (or in the case of the foregoing clause (iii), such remaining portion of the Transfer Securities) to a Qualified Purchaser on such terms and conditions or if such Transferring Securityholder wishes to Transfer the Transfer Securities (or in the case of the foregoing clause (iii), such remaining portion of the Transfer Securities) at a lower Purchase Price or on terms which are more favorable in any material respect to a Qualified Purchaser than those set forth in the Offer Notice, the provisions of this Section 2.2 shall again be applicable to the Transfer Securities (or in the case of the foregoing clause (iii), such remaining portion of the Transfer Securities); provided that if the Transferring Securityholder does not transfer

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all of the Transfer Securities (or in the case of the foregoing clause (iii), such remaining portion of the Transfer Securities) to a Qualifying Purchaser within 120 days from the end of the Election Period (the "Transfer Period") then such Transferring Securityholder may not deliver another Offer Notice until 90 days have elapsed since the end of the Transfer Period.

### 2.3. Certain Permitted Transfers.

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Notwithstanding any other provision of this Agreement to the contrary, each Non-BLUM Party shall be entitled from time to time to Transfer any or all of the Restricted Securities held by it to (i) any of its Affiliates, (ii) in the case of each of the DLJ Parties, its employees, (iii) in the case of each of the DLJ Parties, to a transferee of Notes in connection with the Transfer of such Notes (or an affiliate of such transferee), (iv) in the case of the FS Entities, beginning on April 12, 2003, on a pro rata basis to the partners of such Transferor, (v) in the case of any Non-BLUM Party (including any transferee that receives shares from an FS Entity pursuant to clause (iv) of this Section 2.3) who is an individual, (A) such Transferor's spouse or direct lineal descendants (including adopted children) or antecedents, (B) a charitable remainder trust or trust,

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in each case the current beneficiaries of which, or to a corporation or partnership, the stockholders or limited or general partners of which, include only such transferor and/or such transferor's spouse and/or such transferor's direct lineal descendants (including adopted children) or antecedents, or (C) the executor, administrator, testamentary trustee, legatee or beneficiary of any deceased transferor holding Restricted Securities or (vi) in the case of a transferee from an FS Entity pursuant to clause (iv) of this Section 2.3 that is a corporation, partnership, limited liability company, trust or other entity, pro rata without payment of consideration, to its shareholders, partners, members, beneficiaries or other entity owners, as the case may be; provided that

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with respect to each of the foregoing (x) any such transferee duly executes and delivers an Assumption Agreement, (y) each such transferee pursuant to clause (i) or (v) shall, and each such Transferring Non-BLUM Party shall cause such transferee (and, if applicable, such transferee's spouse) to, Transfer back to such Transferring Non-BLUM Party any Restricted Securities it owns prior to such transferee ceasing to satisfy any of the foregoing clause (i) or (v) of this Section 2.3 with respect to its relationship to such Transferring Non-BLUM Party, and (z) (1) if requested by the Company the Company has been furnished with an opinion of counsel in connection with such Transfer, in form and substance reasonably satisfactory to the Company, that such Transfer is exempt from or not subject to the provisions of Section 5 of the Securities Act and (2) the Company shall be reasonably satisfied that such Transfer is exempt from or not subject to any other applicable securities laws.

### 2.4. Tag-Along Rights.

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(a) Prior to an Initial Public Offering, with respect to any proposed Transfer by BLUM and its Affiliates of shares of Common Stock to any Person other than BLUM and its Affiliates (each a "Third Party") (other than in a Public Offering, which shall be subject to Article III), whether pursuant to a stock sale, merger, consolidation, a tender or exchange offer or any other transaction (any such transaction, a "BLUM Sale"), BLUM and its Affiliates will have the obligation, and each of the Non-BLUM Parties will have the right, to

require the proposed transferee or acquiring Person (a "Proposed Transferee") to  
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purchase from each of the Non-BLUM Parties who exercises its rights under  
Section 2.4(b) (a "Tagging Securityholder") a number of shares of Common Stock  
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up to the product (rounded to the nearest whole number of shares) of (i) the  
quotient determined by dividing (A) the aggregate number of outstanding shares  
of Common Stock owned by such Tagging Securityholder by (B) the aggregate number  
of outstanding shares of Common Stock and (ii) the total number of shares of  
Common Stock proposed to be directly or indirectly Transferred to the Proposed  
Transferee at the same price per share and upon the same terms and conditions  
(including, without limitation, time of payment and form of consideration) as to  
be paid by and given to BLUM and/or its Affiliates (as applicable). In order to  
be entitled to exercise its right to sell shares of Common Stock to the Proposed  
Transferee pursuant to this Section 2.4, each Tagging Securityholder must agree  
to make to the Proposed Transferee the same covenants, indemnities (with respect  
to all matters other than BLUM's and/or its Affiliates' Ownership of Common  
Stock) and agreements as BLUM and/or its Affiliate (as applicable) agrees to  
make in connection with the BLUM Sale and such representations and warranties  
(and related indemnification) as to its Ownership of its Common Stock as are  
given by BLUM and/or its Affiliate (as applicable) with respect to such party's  
Ownership of Common Stock; provided, that all such covenants, indemnities and  
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agreements shall be made by each Tagging Securityholder, severally and not  
jointly, and that the liabilities thereunder (other than with respect to  
Ownership, which shall be several obligations)

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shall be borne on a pro rata basis based on the number of shares Transferred by  
each of BLUM, and its Affiliates and the Tagging Securityholders. Each Tagging  
Securityholder will be responsible for its proportionate share of the reasonable  
out-of-pocket costs incurred by BLUM and its Affiliates in connection with the  
BLUM Sale to the extent not paid or reimbursed by the Company or the Proposed  
Transferee.

(b) BLUM will give notice to each Tagging Securityholder of each  
proposed BLUM Sale at least 15 business days prior to the proposed consummation  
of such BLUM Sale, setting forth the number of shares of Common Stock proposed  
to be so Transferred, the name and address of the Proposed Transferee, the  
proposed amount and form of consideration (and if such consideration consists in  
part or in whole of property other than cash, BLUM will provide such  
information, to the extent reasonably available to BLUM, relating to such  
consideration as the Tagging Securityholder may reasonably request in order to  
evaluate such non-cash consideration) and other terms and conditions of payment  
offered by the Proposed Transferee. The tag-along rights provided by this  
Section 2.4 must be exercised by each Tagging Securityholder within 10 business  
days following receipt of the notice required by the preceding sentence by  
delivery of an irrevocable written notice to BLUM indicating such Tagging  
Securityholder's exercise of its, her or his rights and specifying the number of  
shares of Common Stock it, she or he desires to sell. The Tagging Securityholder  
will be entitled under this Section 2.4 to Transfer to the Proposed Transferee  
the number of shares of Common Stock determined in accordance with Section  
2.4(a).

(c) If any Tagging Securityholder exercises its, her or his rights  
under Section 2.4(a), the closing of the purchase of the Common Stock with  
respect to which such rights have been exercised is subject to, and will take  
place concurrently with, the closing of the sale of BLUM's or its Affiliate's  
Common Stock to the Proposed Transferee.

#### 2.5. Drag-Along Rights. -----

(a) If BLUM and/or its Affiliates (in such capacity, the "Dragging  
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Party") agree to Transfer to a Third Party or a group of Third Parties (other  
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than in a Public Offering) a majority of the shares of Common Stock beneficially  
owned by BLUM and its Affiliates at the time of such Transfer, then each of the  
Non-BLUM Parties hereby agrees that, if requested by the Dragging Party, it will  
Transfer to such Third Party on the same terms and conditions (including,  
without limitation, time of payment and form of consideration, but subject to  
Section 2.5(b)) as to be paid and given to the Dragging Party, the same portion  
(as determined by the immediately succeeding sentence) of such Non-BLUM Party's  
Restricted Securities as is being Transferred by BLUM and its Affiliates. Each  
Non-BLUM Party can be required to sell pursuant to this Section 2.5 that number  
of Restricted Securities equal to the product obtained by multiplying (i) a  
fraction, (A) the numerator of which is the aggregate number of shares of Common  
Stock to be Transferred by BLUM and its Affiliates and (B) the denominator of  
which is the aggregate number of shares of Common Stock owned by BLUM and its  
Affiliates at the time of the Transfer by (ii) the aggregate number of shares of  
Common Stock owned by such Non-BLUM Party (including for these purposes all  
shares of Common Stock issuable upon exercise, exchange or conversion of other  
Equity Securities).



(b) The Dragging Party will give notice (the "Drag-Along Notice") to

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 each of the Non-BLUM Parties of any proposed Transfer giving rise to the rights of the Dragging Party set forth in Section 2.5(a) at least ten (10) calendar days prior to such Transfer. The Drag-Along Notice will set forth the number of shares of Common Stock proposed to be so Transferred, the name of the Proposed Transferee, the proposed amount and form of consideration (and if such consideration consists in part or in whole of property other than cash, the Dragging Party will provide such information, to the extent reasonably available to the Dragging Party, relating to such consideration as the Non-BLUM Parties may reasonably request in order to evaluate such non-cash consideration), the number of Restricted Securities sought and the other terms and conditions of the proposed Transfer. In connection with any such Transfer, such Non-BLUM Parties shall be obligated only to (i) make representations and warranties (and provide related indemnification) as to their respective individual Ownership of Restricted Securities (and then only to the same extent such representations and warranties are given by the Dragging Party with respect to its Ownership of Common Stock), (ii) agree to pay its pro rata share (based on the number of shares transferred by each stockholder in such transaction) of any liability arising out of any representations, warranties, covenants or agreements of the selling Securityholders that survive the closing of such transaction and do not relate to Ownership of Restricted Securities; provided, however that this

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 Section 2.5(b)(ii) shall not apply if, no later than five (5) calendar days after receipt of the Drag-Along Notice by the FS Entities, the FS Entities deliver to BLUM a certificate signed by the FS Entities certifying in good faith that they (x) do not desire to Transfer any of the Restricted Securities beneficially owned by them in the proposed Transfer set forth in the Drag-Along Notice and (y) would not exercise their rights pursuant to Section 2.4 hereto in connection with such proposed Transfer if BLUM had not otherwise delivered a Drag-Along Notice with respect thereto, and (iii) agree to pay their proportionate share of the reasonable costs incurred in connection with such transaction to the extent not paid or reimbursed by the Company or the Proposed Transferee. If the Transfer referred to in the Drag-Along Notice is not consummated within 120 days from the date of the Drag-Along Notice, the Dragging Party must deliver another Drag-Along Notice in order to exercise its rights under this Section 2.5 with respect to such Transfer or any other Transfer.

(c) If BLUM approves (i) any merger, consolidation, amalgamation or other business combination involving the Company or any of its Subsidiaries or (ii) the sale of all of the business or assets of, or substantially all of the assets of, the Company or any of its Subsidiaries (any of the foregoing events, a "Transaction"), then each of the Non-BLUM Parties agrees to vote all shares of

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 Common Stock held by it or its Affiliates to approve such Transaction and not to exercise any appraisal or dissenters' rights available to such Non-BLUM Parties under any rule, regulation, statute, agreement among the stockholders, the Certificate of Incorporation, the Bylaws or otherwise.

## 2.6. Participation Right.

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 (a) The Company shall not issue (an "Issuance") additional Equity

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 Securities of the Company to any Person (other than (i) Equity Securities issued upon the exchange, exercise or conversion of other Equity Securities in accordance with the terms thereof, (ii) Equity Securities issued in connection with any stock split, stock dividend or recapitalization of the Company, as long as the same is fully proportionate for each class of affected security and entails equal treatment for all shares or units of such class, (iii) Equity Securities issued by the

Company pursuant to the acquisition by the Company or its Subsidiaries of another Person or a material portion of the assets thereof, by merger, purchase of assets or otherwise in consideration for the assets and/or equity securities so acquired, (iv) Equity Securities issued to employees, officers, directors, or consultants of the Company or its Subsidiaries, (v) Equity Securities issued in connection with a Public Offering or (vi) Equity Securities issued to customers, vendors, lenders, and other non-equity financing sources, lessors of equipment and other providers of goods or services to the Company or its Subsidiaries, each of which will not be subject to this Section 2.6), unless, prior to such Issuance, the Company notifies each Securityholder party hereto in writing of the Issuance and grants to each such Securityholder or, at such Securityholder's election, one of its Affiliates, the right (the "Right") to subscribe for and

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 purchase such Securityholder's pro rata share (determined as provided below) of such additional Equity Securities so issued at the same price and upon the same terms and conditions as issued in the Issuance. Each Securityholder's pro rata share is equal to the ratio of (A) the number of shares of Common Stock owned by such Securityholder (including for these purposes all shares of Common Stock

issuable upon exercise, exchange or conversion of other Equity Securities) to (B) the total number of shares of the Company's outstanding Common Stock (including for these purposes all shares of Common Stock issuable upon exercise, exchange or conversion of other Equity Securities) immediately prior to the issuance of the Equity Securities.

(b) The Right may be exercised by each Securityholder party hereto or its Affiliates at any time by written notice to the Company received by the Company within 10 business days after receipt of notice from the Company of the Issuance, and the closing of the purchase and sale pursuant to the exercise of the Right shall occur at least 20 business days after the giving of the notice of the Issuance by the Company and prior to or concurrently with the closing of the Issuance. Notwithstanding the foregoing (i) the Right shall not apply to any Issuance, pro rata, to all holders of Common Stock and (ii) the Company shall

not be required to offer or sell any Equity Security to any Securityholder who is not an "accredited investor" as defined in Regulation D of the rules and regulations promulgated by the SEC under the Exchange Act or who would cause the Company to be in violation of applicable federal securities laws by virtue of such offer or sale.

### III REGISTRATION RIGHTS

#### 3.1. Demand Registration.

(a) Subject to the conditions of this Section 3.1, if the Company shall receive a written request from (i) BLUM Holders holding not less than 25% of the Registrable Securities then outstanding held by the BLUM Holders, (ii) FS Holders holding not less than 25% of the Registrable Securities then outstanding held by the FS Holders or (iii) DLJ Holders holding not less than 25% of the Registrable Securities then outstanding held by the DLJ Holders, that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities, then the Company shall, within five (5) days of the receipt thereof, give written notice of such request to all Holders, who must respond in writing within fifteen (15) days requesting inclusion in the registration. The request must specify the amount and intended disposition of such Registrable Securities. The Company, subject to the limitations of this Section 3.1, must use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered in accordance

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with this Section 3.1 together with any other securities of the Company entitled to inclusion in such registration.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 3.1 and the Company shall include such information in the written notice referred to in Section 3.1(a). In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 3.1, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) because the number of securities to be underwritten is likely to have an adverse effect on the price, timing or the distribution of the securities to be offered, then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated among participating Holders, (i) first among the Initiating Holders as nearly as possible on a pro rata basis based on the total number of Registrable Securities held by all such Initiating Holders and (ii) second to the extent all Registrable Securities requested to be included in such underwriting by the Initiating Holders have been included, among the Holders requesting inclusion of Registrable Securities in such underwritten offering (other than the Initiating Holders), as nearly as possible on a pro rata basis based on the total number of Registrable Securities held by all such Holders. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration. To facilitate the allocation of shares in accordance with the foregoing, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

(c) The Company shall not be required to effect a registration pursuant to this Section 3.1:

(i) prior to the date one hundred eighty (180) days following the effective date of the registration statement pertaining to the Initial Public Offering;

(ii) in the case of (x) a registration requested by BLUM Holders pursuant to Section 3.1(a)(ii), after the Company has effected six (6) registrations requested by BLUM Holders pursuant to such Section, (y) a registration requested by FS Holders pursuant to Section 3.1(a)(ii), after the Company has effected three (3) registration requested by FS Holders pursuant to such Section, and (z) a registration requested by DLJ Holders pursuant to Section 3.1(a)(ii), after the Company has effected one (1) registration requested by DLJ Holders pursuant to such Section;

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(iii) if the anticipated aggregate gross proceeds to be received by such Holders are less than \$2,000,000;

(iv) if within five (5) days of receipt of a written request from the Initiating Holders pursuant to Section 3.1(a), the Company in good faith gives notice to the Initiating Holders of the Company's intention to make a public offering within ninety (90) days in which case Section 3.2 shall govern; provided that if the Company does not file a registration statement under the Securities Act relating to such public offering within such ninety (90) day period (such 90 day period being referred to herein as the "Relevant Period") the Company shall  
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be prohibited from delivering additional notices pursuant to this Section 3.1(c)(iv) until the 181st day following the last day of the Relevant Period; or

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 3.1, a certificate signed by the Chairman of the Board stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided that the Company shall not defer filings  
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pursuant to this clause (v) more than an aggregate of ninety (90) days in any twelve (12) month period.

(d) The Company shall select the registration statement form for any registration pursuant to Section 3.1, but shall cooperate with the requests of the Initiating Shareholders or managing underwriters selected by them as to the inclusion therein of information not specifically required by such form.

### 3.2. Piggyback Registrations. -----

(a) The Company shall notify all Holders of Registrable Securities in writing at least fifteen (15) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding (i) registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act; (ii) any registration statement filed pursuant to Section 3.1 (with respect to which the Holders rights to participate in such registered offering shall be governed by Section 3.1); and (iii) any registration statement relating to the Initial Public Offering unless Registrable Securities of BLUM or its Affiliates are to be sold in the IPO) and, subject to Section 3.13(a), will use its best efforts to afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration

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statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) If the registration statement under which the Company gives notice under this Section 3.2 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities as part of the written notice provided to the Holders pursuant to Section 3.2(a). In such event, the right of

any such Holder to be included in a registration pursuant to this Section 3.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) in an offering subject to this Section 3.2 because the number of securities to be underwritten is likely to have an adverse effect on the price, timing or the distribution of securities to be offered, then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated, first, to the Company and second, to the Holders on a pro rata basis based on the total number of Registrable Securities held by the Holders. No such reduction shall (i) reduce the securities being offered by the Company for its own account to be included in the registration and underwriting, or (ii) reduce the amount of securities of the selling Holders included in the registration below twenty-five percent (25%) of the total amount of securities included in such registration, unless such offering does not include shares of any other selling shareholders, in which event any or all of the Registrable Securities of the Holders may be excluded in accordance with the immediately preceding sentence.

(c) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 3.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 3.3 hereof.

### 3.3. Expenses of Registration.

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Except as specifically provided herein, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 3.1 or Section 3.2 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the Holders of the Registrable Securities so registered pro rata on the basis of the number of shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 3.1, the request of which has been subsequently withdrawn by the Initiating Holders unless (a) the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request or (b) (x) BLUM Holders holding not less than 50% of the Registrable Securities then outstanding held by all BLUM Holders, in the case of a registration requested pursuant to Section 3.1(a)(i), (y) FS Holders

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holding not less than 50% of the Registrable Securities then outstanding held by all FS Holders, in the case of a registration requested pursuant to Section 3.1(a)(ii), or (z) DLJ Holders holding not less than 50% of the Registrable Securities then outstanding held by all DLJ Holders, in the case of a registration requested pursuant to Section 3.1(iii), agree to forfeit their right to one requested registration pursuant to Section 3.1, as applicable, in which event such right shall be forfeited by all BLUM Holders, in the case of clause (x), all FS Holders in the case of clause (y) and all DLJ Holders in the case of clause (z). If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (a) above, then the Holders shall not forfeit their rights pursuant to Section 3.1 to a demand registration.

### 3.4. Effective Registration Statement.

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A registration requested pursuant to Section 3.1 will not be deemed to have been effected unless it has become effective and all of the Registrable Securities registered thereunder have been sold; provided, that if within 180

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days after it has become effective, the offering of Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental entity, such registration shall be deemed not to have been effected.

### 3.5. Selection of Counsel.

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In connection with any registration of Registrable Securities pursuant to Sections 3.1 or 3.2 hereof, the Holders of a majority in interest of the Initiating Holders (or the Holders of a majority of the Registrable Securities

covered by the registration pursuant to Section 3.2) may select one counsel to represent all Holders of Registrable Securities covered by such registration; provided, however, that in the event that the counsel selected as provided above

is also acting as counsel to the Company in connection with such registration, the remaining Holders shall be entitled to select one additional counsel to represent all such remaining Holders.

### 3.6. Obligations of the Company.

Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) (1) in the case of a registration initiated under Section 3.1 prepare and, in any event within ninety (90) days after the receipt of the notice contemplated by Section 3.1(a), file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, (2) in the case of any registration effected under Section 3.1, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to one hundred and eighty (180) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as

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may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; provided, that before filing a registration statement or prospectus,

or any amendments or supplements thereto, the Company will furnish to counsel (selected pursuant to Section 3.5 hereof) for the Holders of Registrable Securities copies of all documents proposed to be filed, which documents will be subject to the review of such counsel.

(c) Furnish to each Holder such number of copies of such registration statement and of each amendment and supplement thereto (in each case including all exhibits filed therewith including any documents incorporated by reference), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and summary prospectus), in conformity with the requirements of the Securities Act, and such other documents as such Holder may reasonably request in order to facilitate the disposition of Registrable Securities owned by such Holder.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders, request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holder to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Holder; provided,

that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(e) Use its best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental entities as may be necessary to enable the Holders thereof to consummate the disposition of such Registrable Securities.

(f) Enter into such customary agreements (including an underwriting agreement in customary form), which may include indemnification provisions in favor of underwriters and other Persons in addition to, or in substitution for the provisions of Section 3.9 hereof, and take such other actions as Holders of a majority of shares of such Registrable Securities or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

(g) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and prepare and furnish to each Holder any supplement or amendment necessary so that the supplemented or amended prospectus no longer includes such untrue or misleading statements or omissions of material fact.

(h) Otherwise comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable (but not more than 18 months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act.

(i) Use its best efforts to list such Registrable Securities on any securities exchange on which the Common Stock is then listed if such Registrable Securities are not already so listed and if such listing is then permitted under the rules of such exchange, and use its best efforts to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement not later than the effective date of such registration statement.

(j) Furnish, at the request of the Holders of a majority of the Registrable Securities being registered in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory in form, substance and scope to a majority in interest of the Initiating Holders (or Holders requesting registration in the case of a registration pursuant to Section 3.2), addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a "cold comfort" letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Initiating Holders (or Holders requesting registration in the case of a registration pursuant to Section 3.2), addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

(k) Make available for inspection by any Holder of such Registrable Securities covered by such registration statement, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such Holder or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney, accountant or agent in connection with such registration statement.

(l) Notify counsel (selected pursuant to Section 3.5 hereof) for the Holders of Registrable Securities included in such registration statement and the managing underwriter or agent, immediately, and confirm the notice in writing (i) when the registration statement, or any post-effective amendment to the registration statement, shall have become effective, or any supplement to the prospectus or any amendment prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request of the Commission to amend the registration statement or amend or supplement the prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary

prospectus, or of the suspension of the qualification of the registration statement for offering or sale in any jurisdiction, or of the institution or threatening of any legal actions for any of such purposes.

(m) Make every reasonable effort to prevent the issuance of any stop order suspending the effectiveness of the registration statement or of any order preventing or suspending the use of any preliminary prospectus and, if any such order is issued, to obtain the withdrawal of any such order at the earliest possible moment.

(n) If requested by the managing underwriter or agent or any Holder of Registrable Securities covered by the registration statement, promptly incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or agent or such Holder reasonably requests to be included therein, including, with respect to the number of Registrable Securities being sold by such Holder to such underwriter or agent, the Purchase Price being paid therefor by such underwriter or agent and with respect to any other terms of the underwritten offering of the Registrable Securities to be sold in such offering; and make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters incorporated in such prospectus supplement or post-effective amendment.

(o) Cooperate with the Holders of Registrable Securities covered by

the registration statement and the managing underwriter or agent, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing securities to be sold under the registration statement, and enable such securities to be in such denominations and registered in such names as the managing underwriter or agent, if any, or such Holders may request.

(p) Cooperate with each Holder of Registrable Securities and each underwriter or agent participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the National Association of Securities Dealers, Inc.

(q) Make available the executive officers of the Company to participate with the Holders of Registrable Securities and any underwriters in any "road shows" or other selling efforts that may be reasonably requested by the Holders in connection with the methods of distribution for the Registrable Securities.

### 3.7. Termination of Registration Rights.

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A Holder's registration rights pursuant to this Article III shall expire if (i) the Company has completed its Initial Public Offering and is subject to the provisions of the Exchange Act, (ii) such Holder (together with its Affiliates, partners and former partners) holds less than 2% of the Company's outstanding Common Stock and (iii) all Registrable Securities held by such Holder (and its Affiliates, partners and former partners) may be sold under Rule 144 during any ninety (90) day period. Upon expiration of a Holder's registration rights pursuant to this Section 3.7, the obligations of the Company under this Article III to give such

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Holder notice of registrations or take any other actions under this Article III with respect to the registration of securities held by such Holder shall also terminate.

### 3.8. Delay of Registration; Furnishing Information.

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It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 3.1 or 3.2 that the selling Holders shall furnish to the Company upon written request of the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall reasonably be required to effect the registration of their Registrable Securities.

### 3.9. Indemnification.

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(a) The Company will indemnify and hold harmless each Holder, each Affiliate of each Holder and their respective partners, officers and directors (and any director, officer, Affiliate, employee, agent or controlling Person of any of the foregoing), legal counsel and accountants of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, liabilities (joint or several) or expenses, as incurred, to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) or expenses arise out of or are based upon any of the following statements, omissions or violations (collectively, a "Violation") by the

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Company: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement, including any preliminary prospectus, summary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, underwriter, legal counsel, accountants or controlling Person for any legal or other expenses, as incurred, reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity

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agreement contained in this Section 3.9(a) shall not apply (x) to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection

with such registration by such Holder, partner, officer, director, underwriter or controlling Person of such Holder, and (y) to indemnify underwriters in the offering or sale of Registrable Securities or any other Person, if any, who controls such underwriter within the meaning of the Securities Act with respect to preliminary, final or summary prospectus, or any amendments or supplement thereto, to the extent that it is established that any such action, loss, damage, liability or expense of such underwriter or controlling Person resulted from the fact that such underwriter sold Registrable Securities to a Person whom there was not sent or given, at or prior to the written confirmation of

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such sale, a copy of the final prospectus (including any documents incorporated by reference therein) or of the final prospectus, as then amended or supplemented (including any documents incorporated by reference therein), whichever is most recent, if the Company has previously furnished copies thereof to such underwriter.

(b) Each Holder will, severally but not jointly, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, legal counsel, accountants and each Person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers, legal counsel, accountants or any Person who controls such Holder, against any losses, claims, damages, liabilities (joint or several) or expenses to which the Company or any such director, officer, controlling Person, underwriter or other such Holder, or partner, director, officer, legal counsel, accountants or controlling Person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) or expenses arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling Person, underwriter or other Holder, or partner, officer, director or controlling Person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; provided, however, that the indemnity agreement contained in this

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Section 3.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, further, that in no event shall any indemnity under this Section 3.9

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exceed the total net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 3.9, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided that the failure of the indemnified party to give notice as provided herein shall relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 3.9 only to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim or there may be a legal defense available to such indemnified party different from or in addition to those available to the identifying party, the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal

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or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in this Section 3.9 is unavailable to an indemnified party, the indemnifying party shall contribute to the aggregate losses, damages, liabilities and expenses (collectively, "Losses")

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of the nature contemplated by such indemnity incurred by any indemnified party, (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified parties on the other, in



connection with the statements or omissions which resulted in such Losses or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative fault of but also the relative benefits to the indemnifying party on the one hand and each such indemnified party on the other, in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations. The relative benefits to the indemnifying party and the indemnified party shall be determined by reference to, among other things, the total proceeds received by the indemnifying party and the indemnified party in connection with the offering to which such losses relate. The relative fault of the indemnifying party and the indemnified party shall be determined by reference to, among other things, whether the action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or related to information supplied by, the indemnifying party or the indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The parties hereto agree that it would be not be just or equitable if contribution pursuant to this Section 3.9 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 3.10, no indemnified party shall be required to contribute any amount in excess of the amount of total net proceeds to such indemnified party from sales of the Registrable Securities of such indemnified party pursuant to the offering that gave rise to such Losses.

(e) The obligations of the Company and Holders under this Section 3.9 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this Agreement.

3.10. Assignment of Registration Rights.  
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The rights to cause the Company to register Registrable Securities pursuant to this Article III may be assigned by a Holder to a transferee of such Registrable Securities; provided, however, that in each case (i) such Transfer of Registrable Securities shall comply with the provisions of Article II hereto, (ii) the Transferor shall, within ten (10) days after such Transfer, furnish to the Company written notice of the name and address of such transferee and the securities with respect to which such registration rights are being Transferred and (iii) such transferee shall execute and deliver to BLUM and the Company an Assumption Agreement and become bound by the provisions of this Agreement in the manner set forth in Section 6.5 hereto.

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3.11. Amendment of Registration Rights.  
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Any provision of this Article III may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company, BLUM and the Holders of at least a majority of the Registrable Securities then outstanding; provided that no such amendment shall adversely affect the rights of the FS Holders relative to the rights of the BLUM Holders without the written consent of the Holders of a majority of the Registrable Securities then outstanding held by the FS Holders, provided, further that no such amendment shall adversely affect the rights of the DLJ Holders relative to the rights of the BLUM Holders without the written consent of the Holders of a majority of the Registrable Securities then outstanding held by all DLJ Holders and provided, further that no such amendment shall adversely affect the rights of the Other Holders relative to the rights of the BLUM Holders without the written consent of the Holders of a majority of the Registrable Securities then outstanding held by all Other Holders. No such amendment shall adversely affect the rights of the DLJ Holders relative to the rights of the FS Holders or the Other Holders without the written consent of the Holders of a majority of the Registrable Securities then outstanding held by the DLJ Holders. No such amendment shall adversely affect the rights of the Other Holders relative to the rights of the FS Holders or the DLJ Holders without the written consent of the Holders of a majority of the Registrable Securities then outstanding held by the Other Holders. Each Holder of any Registrable Securities at the time or thereafter outstanding shall be bound by any amendment authorized by this Section, whether or not such Registrable Securities shall have been marked to indicate such amendment.

3.12. Limitation on Subsequent Registration Rights.  
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After the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities

then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder registration rights senior to or otherwise more favorable than those granted to the Holders hereunder.

3.13. "Market Stand-Off" Agreement; Agreement to Furnish Information.  
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(a) Subject to the condition that all Holders holding at least 2% of the outstanding shares of Common Stock are subject to the same restrictions, each Holder hereby agrees that such Holder shall not sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, regarding any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act pursuant to which an Initial Public Offering is effected. The Company may impose stop-transfer instructions with respect to the Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period. For the avoidance of doubt such agreement shall apply only to the Initial Public Offering.

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(b) Each Holder agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall provide, within ten (10) days of such request, such information concerning such Holder as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 3.13 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. Each Holder further agrees the foregoing restriction shall be binding on any transferee from the Holder.

3.14. Rule 144 Reporting.  
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With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) File, make and keep public information available, as those terms are understood and defined in Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities pursuant to the Securities Act or pursuant to the requirements of Section 12 of the Exchange Act;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 of the Securities Act, and of the Exchange Act (at any when it is subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

IV GOVERNANCE

4.1. The Board Prior to an Initial Public Offering.  
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The following provisions shall apply with respect to the Board prior to an Initial Public Offering:

(a) Immediately after the Closing, the Board shall consist of eight (8) directors, unless BLUM exercises its right pursuant to Section 4.1(f) hereof, in which case the Board shall then consist of nine (9) directors.

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(b) Each of the Company and the Class B Securityholders agrees to take all action necessary to cause each of the designees described in Section

4.1(c) below to be elected or appointed to the Board concurrently with the Closing, including without limitation, seeking and accepting resignations of incumbent directors.

(c) Each Class B Securityholder agrees that at all times prior to an IPO, it will vote, or execute a written consent in lieu thereof with respect to, all of the shares of voting capital stock of the Company owned or held of record by it, or cause all of the shares of voting capital stock of the Company beneficially owned by it to be voted, or cause a written consent in lieu thereof to be executed, to elect and, during such period, to continue in office a Board consisting solely of the following (subject to the other provisions of this Section 4.1):

(i) three (3) designees of BLUM, subject to Section 4.1(e) below (including any director designee of BLUM pursuant to Section 4.1(f) below, the "BLUM Directors");

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(ii) one designee of the FS Entities, collectively (the "FS Director");

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(iii) Wirta for so long as he is employed by the Company or, if Wirta is no longer employed by the Company, the Chief Executive Officer of the Company at such time;

(iv) White for so long as he is employed by the Company or, if White is no longer employed by the Company, the Chairman of the Americas of the Company at such time; provided, however that in the event that any Person other

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than White shall hold such title, BLUM shall have the option to reduce the size of the Board by one director and eliminate this clause (iv); and

(v) immediately after the Closing and for so long as a majority of the members of the Board shall agree, an employee (the "Production Director")

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of the Company or CBRE involved in CBRE's "Transaction Management" business (as described in the Company 10-K (as defined in the Merger Agreement)); provided,

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however that, during any period in which the Production Director is a member of

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the Board, the number of BLUM Directors set forth in Section 4.1(c) (i) shall be increased to four (4) during such period (which number does not include the director designee of BLUM pursuant to Section 4.1(f) below).

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provided that each of the foregoing designation rights will be subject to the

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following provisions of this Section 4.1.

(d) The director designation right of BLUM in Section 4.1(c) will reduce (i) to three (or two if there shall not be a Production Director as a member of the Board at such time) if BLUM and its Affiliates, collectively, beneficially own Common Stock representing less than 22.5% of the outstanding Common Stock, (ii) to two (or one if there shall not be a Production Director as a member of the Board at such time) if BLUM and its Affiliates, collectively, beneficially own Common Stock representing less than 15% of the outstanding Common Stock, and (iii) to zero if BLUM and its Affiliates, collectively, beneficially own Common Stock representing less than 7.5% of the outstanding Common Stock.

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(e) The director designation right of the FS Entities in Section 4.1(c) (ii) will reduce to zero if the FS Entities and their Affiliates, collectively, beneficially own Common Stock representing less than 7.5% of the outstanding Common Stock.

(f) At the request of BLUM (provided that BLUM is then entitled to designate three BLUM Directors pursuant to this Section 4.1), the number of BLUM Directors will be increased such that BLUM thereafter has the right to designate a majority of the entire Board (e.g., four out of seven directors), and the size of the Board will be expanded to the extent necessary to create director vacancies in connection therewith (subject to subsequent reduction in the number of BLUM Directors pursuant to Section 4.1(d) hereof). In the event that the size of the Board will exceed the board size specified by the Company's Certificate of Incorporation or Bylaws, each of the Company and the Class B Securityholders will take all necessary steps to expand the size of the Board.

(g) Each committee of the Board will include at least one BLUM Director and the FS Director (provided that at least one such director position is then filled and unless the Securityholder appointing such director(s) shall otherwise agree), unless otherwise agreed in writing by BLUM or Freeman Spogli, respectively.

(h) If either BLUM or the FS Entities notifies the other Class B

Securityholders in writing of its desire to remove, with or without cause, any director of the Company previously designated by it, each Class B Securityholder will vote (to the extent eligible to vote) all of the shares of voting capital stock of the Company beneficially owned or held of record by it, him or her so as to remove such director or, upon request, each Class B Securityholder will promptly execute and return to the Company any written resolution or consent to such effect. In the event that any of such Persons is no longer entitled pursuant to this Section 4.1 to designate a director previously designated by such Securityholder(s), such director promptly will be removed from the Board, and each Class B Securityholder will vote (to the extent eligible to vote) all of the shares of voting capital stock of the Company beneficially owned or held of record by it so as to remove such director or, upon request, each Class B Securityholder will promptly execute and return to the Company any written resolution or consent to such effect.

(i) If any director previously designated by BLUM or the FS Entities ceases to serve on the Board (whether by reason of death, resignation, removal or otherwise), the Person who designated such director will be entitled to designate a successor director to fill the vacancy created thereby, and each Class B Securityholder will vote (to the extent eligible to vote) all of the shares of voting capital stock of the Company beneficially owned or held of record by it or him or her in favor of such designation or, upon request, each Class B Securityholder will promptly execute and return to the Company any written resolution or consent to such effect.

#### 4.2. The Board Subsequent to an Initial Public Offering.

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Following the IPO, (a) BLUM shall be entitled to nominate a percentage of the total number of directors on the Board that is equivalent to the percentage of the outstanding Common Stock beneficially owned by BLUM and its Affiliates, collectively (such percentage of directors nominated by BLUM and its Affiliates to be rounded up to the nearest whole number of

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directors) and (b) the FS Entities shall be entitled to nominate one director as long as the FS Entities own in the aggregate at least 7.5% of the outstanding Common Stock. The Company hereby agrees that, at all times after the IPO, at and in connection with each annual or special meeting of stockholders of the Company at which directors of the Company are to be elected, the Company, the Board and the nominating committee thereof will (A) nominate and recommend to stockholders for election or re-election as part of the management slate of directors each such individual and (B) provide the same type of support for the election of each such individual as a director of the Company as provided by the Company, its directors, its management and its Affiliates to other Persons standing for election as directors of the Company as part of the management slate. Each Securityholder that is a Class B Securityholder immediately prior to the IPO hereby agrees that, at all times after the IPO, such Securityholder will, and will cause each of its Affiliates to, vote all shares of Common Stock owned or held of record by it, at each annual or special meeting of stockholders of the Company at which directors of the Company are to be elected, in favor of the election or re-election as a member of the Board of each such individual nominated by any Securityholder pursuant to this Section 4.2.

#### 4.3. Observers.

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(a) Prior to the IPO, the FS Entities, collectively, shall be entitled to have two observers in addition to the FS Director (the "FS Observers") at all regular and special meetings of the Board for so long as the FS Entities, collectively, beneficially own Common Stock representing at least 7.5% of the outstanding Common Stock.

(b) Prior to the IPO and solely for so long as needed by DLJ, upon the advice of counsel, to maintain its qualification as a "Venture Capital Operating Company" pursuant to Section 29 C.F.R. (S) 2510.3, the DLJ Parties, by vote of a majority of the outstanding Restricted Securities held by the DLJ Parties, shall be entitled to have one observer (the "DLJ Observer", and together with the FS Observers, the "Observers") at all regular and special meetings of the Board for so long as the DLJ Parties, collectively, beneficially own (i) Restricted Securities representing at least 1.0% of the outstanding Common Stock or (ii) a majority in principal amount of the Notes.

(c) The Company shall reimburse each Observer for out-of-pocket expenses, if any, relating to attendance at such meetings but only to the same extent that the Company reimburses the non-employee members of the Board for such attendance expenses. Each Observer shall be entitled to receive the same notice of any such meeting as any director, and shall have the right to participate therein, but shall not have the right to vote on any matter or to be counted for purposes of determining whether a quorum is present thereat. In

addition, each Observer shall have the right to receive copies of any action proposed to be taken by written consent of the Board without a meeting. Notwithstanding the foregoing, no action of the Board duly taken in accordance with the laws of the State of Delaware, the Certificate of Incorporation and the By-Laws shall be affected by any failure to have provided notice to any Observer of any meeting of the Board or the taking of action by the Board without a meeting. Any Observer may be required by the Board to temporarily leave a meeting of the Board if the presence of such Observer at the meeting at such time would prevent the Company from asserting the attorney-client or other privilege with respect to matters discussed before the Board at such time. The FS Entities agree to cause the FS Observers to keep any matters observed or materials received by

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them at any meeting of the Board strictly confidential. The DLJ Parties agree to cause the DLJ Observer to keep any matters observed or materials received by him or her at any meeting of the Board strictly confidential.

(d) With respect to each committee of the Board for which BLUM or the FS Entities agrees in writing to waive its right set forth in Section 4.1(g) hereto, BLUM or the FS Entities, as the case may be, shall be entitled to have one observer at all meetings of such committee (provided that BLUM or the FS Entities, as the case may be, shall at such time be entitled to designate at least one director to the Board pursuant to Section 4.1 hereto). Each such observer shall be entitled to receive the same notice of any such meeting as any director that is a member thereof, and shall have the right to participate therein, but shall not have the right to vote on any matter or to be counted for purposes of determining whether a quorum is present thereat. In addition, each such observer shall have the right to receive copies of any action proposed to be taken by written consent of such committee without a meeting. Notwithstanding the foregoing, no action of the such committee duly taken in accordance with the laws of the State of Delaware, the Certificate of Incorporation and the By-Laws shall be affected by any failure to have provided notice to any observer of any meeting of such committee or the taking of action by such committee without a meeting. Any such observer may be required by such committee to temporarily leave a meeting of the committee if the presence of such observer at the meeting at such time would prevent the Company from asserting the attorney-client or other privilege with respect to matters discussed before the committee at such time. BLUM agrees to cause any observer designated by it to keep any matters observed or materials received by him or her at any meeting of such committee strictly confidential. The FS Entities agree to cause the any observer designated by it to keep any matters observed or materials received by them at any meeting of such committee strictly confidential.

#### 4.4. Advisors.

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For so long as each Other Non-Management Investor shall be a Securityholder, such Other Non-Management Investor shall have the right to provide, and at the reasonable request of the Board or the management of the Company, shall provide, advice with respect to the Company's industry, business and operations ("Advisory Services"), which advice the Board or the management

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of the Company, as applicable, will consider in good faith. With respect to the provision of such Advisory Services at the request of the Board or the management of the Company, the Company shall reimburse each Other Non-Management Investor for any reasonable out-of-pocket expenses incurred by such Other Non-Management Investor in connection therewith.

#### 4.5. Voting.

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(a) Except as otherwise provided in this Section 4.5 or this Article IV, prior to an Initial Public Offering, each of the Non-BLUM Parties that is a Class B Securityholder agrees to vote at any stockholders meeting (or in any written consent in lieu thereof) all of the shares of voting capital stock of the Company owned or held of record by it, or cause all of the shares of voting capital stock of the Company beneficially owned by it to be voted at any stockholders meeting (or in any written consent in lieu thereof), in same the manner as BLUM votes the shares of voting capital stock of the Company beneficially owned by it at such meeting (or in

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such written consent in lieu thereof), except with respect to the following actions by the Company or any of its Subsidiaries:

(i) any transaction between (x) BLUM or any of its Affiliates and (y) the Company or any of its Subsidiaries, other than a transaction (A) with another portfolio company of BLUM or any of its Affiliates that has been negotiated on arms-length terms in the ordinary course of business between the managements of the Company or any of its Subsidiaries and such other portfolio company, (B) with respect to which the Securityholders may exercise their rights under Section 2.6 of this Agreement or (C)

specifically contemplated by the Merger Agreement; or

(ii) any amendment to the Certificate of Incorporation or Bylaws of the Company that adversely affects such Securityholder relative to BLUM, other than (x) an increase in the authorized capital stock of the Company, or (y) amendments made in connection with any reorganization of the Company effected to facilitate an Initial Public Offering or the acquisition of the Company by merger or consolidation (provided that in such reorganization or acquisition each share of each class or series of capital stock held by the Non-BLUM Parties is treated the same as each share of the same class or series of capital stock held by BLUM; provided, however that, subject to

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compliance with applicable law, in the event that the one or more of the other corporations or entities that is a party to such an acquisition notifies the Company that it will require the structure of such acquisition to be treated as a recapitalization for financial accounting purposes and that it will require the Company to no longer be subject to the reporting requirements or Section 14 of the Exchange Act after the closing date of the acquisition, then, solely to the extent deemed necessary by such other corporation or entity to satisfy such requirements, the consideration per share the Non-BLUM Parties shall be entitled to receive with respect may be a different kind than the consideration per share BLUM shall be entitled to receive).

(b) In order to effectuate Section 4.5(a), each Non-BLUM Party that is a Class B Securityholder hereby grants to BLUM an irrevocable proxy, coupled with an interest, to vote, during the period specified in Section 4.5(a) above, all of the shares of voting capital stock of the Company owned by the grantor of the proxy in the manner set forth in Section 4.5(a).

#### 4.6. General Consent Rights.

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Notwithstanding anything to the contrary stated herein, prior to an Initial Public Offering, neither the Company nor any of its Subsidiaries shall take any of the following actions without the prior affirmative vote or written consent of (a) a majority of the directors of the Company, and (b) a majority of the directors of the Company that are not BLUM Directors:

(i) any transaction between (x) BLUM or any of its Affiliates and (y) the Company or any of its Subsidiaries, other than a transaction (A) with another portfolio company of BLUM of any of its Affiliates that has been negotiated on arms-length terms in the ordinary course of business between the managements of the Company or any of its Subsidiaries and such other portfolio company, (B) with respect to

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which the Securityholders may exercise their rights under Section 2.6 of this Agreement or (C) specifically contemplated by the Merger Agreement;

(ii) any amendment to the Certificate of Incorporation or Bylaws of the Company that adversely affects any Securityholder relative to BLUM, other than (x) an increase in the authorized capital stock of the Company, or (y) amendments made in connection with any reorganization of the Company effected to facilitate an Initial Public Offering or the acquisition of the Company by merger or consolidation (provided that in such reorganization or acquisition each share of each class or series of capital stock held by the Non-BLUM Parties is treated the same as each share of the same class or series of capital stock held by BLUM; provided, however that, subject to compliance with applicable law, in the event that the one or more of the other corporations or entities that is a party to such an acquisition notifies the Company that it will require the structure of such acquisition to be treated as a recapitalization for financial accounting purposes and that it will require the Company to no longer be subject to the reporting requirements or Section 14 of the Exchange Act after the closing date of the acquisition, then, solely to the extent deemed necessary by such other corporation or entity to satisfy such requirements, the consideration per share the Non-BLUM Parties shall be entitled to receive with respect may be a different kind than the consideration per share BLUM shall be entitled to receive); or

(iii) repurchase or redeem, or declare or pay a dividend with respect to or make a distribution upon, any shares of capital stock of the Company beneficially owned by BLUM or any of its Affiliates, unless (x) such repurchase, redemption dividend or distribution is made pro rata among all holders of such class of capital stock (or, in the case of a repurchase or redemption, all of the Non-BLUM Parties are given a proportionate right to participate in such repurchase or redemption (to the extent they own shares of such class of capital stock)) or (y) if such capital stock is not Common Stock, such repurchase, redemption or dividend is required by the terms of such capital stock.

#### 4.7. Consent Rights of FS Director.

Notwithstanding anything to the contrary stated herein, prior to an Initial Public Offering, for so long as the FS Entities shall be entitled to appoint the FS Director pursuant to Section 4.1 hereto, neither the Company nor any of its Subsidiaries shall take any of the following actions without the prior affirmative vote or written consent of (x) a majority of the directors of the Company, and (y) the FS Director:

(a) the acquisition by purchase or otherwise, in any single or series of related transactions, of any business or assets for a Purchase Price in excess of \$75 million; provided, however that this Section 4.7(a) shall not apply to (i) the acquisition of any business or asset by an investment fund that is controlled by the Company or any of its Subsidiaries in connection with the ordinary course conduct of the investment advisory and management business of the Company or any of its Subsidiaries, or (ii) acquisitions in connection with the origination of mortgages by the Company or any of its Subsidiaries;

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(b) the sale or other disposition, in any single or series of related transactions, of assets of the Company or its Subsidiaries for aggregate consideration having a Fair Market Value in excess of \$75 million; provided, however that this Section 4.7(b) shall not apply to (i) the sale  
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of other disposition of any business or asset by an investment fund that is controlled by the Company or any of its Subsidiaries in connection with the ordinary course conduct of the investment advisory and management business of the Company or any of its Subsidiaries, or (ii) sales or dispositions in connection with the origination of mortgages by the Company or any of its Subsidiaries;

(c) incur Indebtedness, unless such Indebtedness would (i) be permitted pursuant to the terms of the documents governing the senior and senior subordinated Indebtedness entered into by the Company and CBRE in connection with the closing of the Merger as in effect on the Closing Date of the Merger (including any refinancing or replacement of such Indebtedness in an equal or lesser aggregate principal amount) or (ii) immediately following such incurrence the ratio of (x) the consolidated Indebtedness of the Company and its subsidiaries determined in accordance with United States generally accepted accounting principles applied in a manner consistent with the Company's consolidated financial statements to (y) the Twelve-Month Normalized EBITDA, does not exceed 4.5:1; or

(d) issue capital stock of the Company (or options, warrants or other securities to acquire capital stock of the Company) to employees, directors or consultants of the Company or any of its Subsidiaries if such issuances, in the aggregate, exceed 5% of the total amount of outstanding capital stock of the Company immediately after the Closing on a fully diluted basis (i.e., assuming the exercise, exchange or conversion of all Equity Securities that are exercisable, exchangeable or convertible into Common Stock), other than (i) issuances to employees, directors or consultants of the Company and its Subsidiaries of up to 25% of the capital stock of the Company on a fully-diluted basis within six (6) months of the closing of the Merger and (ii) issuances in amounts equal to the capital stock of the Company repurchased by the Company from, or the options, warrants or other securities to acquire capital stock cancelled by the Company or its Subsidiaries or terminated or expired without prior exercise with respect to, Persons who, at the time of such repurchase, cancellation, termination or expiration, were current or former employees, directors or consultants of the Company or its Subsidiaries.

#### 4.8. Board of Directors of CBRE. -----

Prior to an Initial Public Offering, the Company agrees to cause the Board of Directors of CBRE (the "CBRE Board") to be comprised of the same  
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individuals as comprise the Board pursuant to Section 4.1 of this Agreement.

### V OTHER AGREEMENTS

#### 5.1. Financial Information. -----

(a) Within 90 days after the end of each fiscal year of the Company, the Company will furnish each Securityholder who is a Material Securityholder a consolidated

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balance sheet of the Company, as at the end of such fiscal year, and a consolidated statement of income and a consolidated statement of cash flows of the Company, for such year, all prepared in accordance with generally accepted accounting principles consistently applied and setting forth in each case in

comparative form the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants of national standing selected by the Board.

(b) The Company will furnish each Securityholder who is a Material Securityholder within 45 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, a consolidated balance sheet of the Company as of the end of each such quarterly period, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such period and for the current fiscal year to date, prepared in accordance with generally accepted accounting principles, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

(c) The Company will furnish each Securityholder who is a Material Securityholder any monthly financial statements of the Company that are provided to the Board no later than five (5) days after the day upon which first furnished to the Board.

#### 5.2. Inspection Rights.

Each Securityholder who is a Material Securityholder shall have the right to visit and inspect any of the books, records and properties of the Company or any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its Subsidiaries with its officers and independent aviators, and to review such information as is reasonably requested, all at such reasonable times and as often as may be reasonably requested.

#### 5.3. Confidentiality of Records.

Each Securityholder agrees to use, and to use all reasonable efforts to insure that its authorized representatives use, the same degree of care as such Securityholder uses to protect its own confidential information to keep confidential any information furnished to it which the Company identifies as being confidential or proprietary (so long as such information is not in the public domain); provided, however, that any Securityholder may disclose such confidential or proprietary information without the prior written consent of the other parties hereto (i) to any "Related Party" (as defined below) for the purpose of evaluating an investment in the Company so long as such Related Party is advised of the confidentiality provisions of this Section 5.3 and agrees to comply with such provisions, (ii) if such information is publicly available or (iii) if disclosure is requested or compelled by legal proceedings, subpoena, civil investigative demands or similar proceedings, (iv) if such information was obtained by such Securityholder either independently without breaching this Section 5.3, or from a party not known to such Securityholder to be subject to a confidentiality agreement or (v) to any proposed transferee of Restricted Securities from a Securityholder for the purpose of evaluating an investment in the Company so long as such proposed transferee either executes and delivers to the Company a confidentiality agreement with terms no less favorable to the Company than those set forth in this Section 5.3 or is advised of the confidentiality provisions of this Section 5.3 and agrees in a

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signed writing delivered to the Company to comply with such provisions. Any Securityholder who provides proprietary or confidential information to a Related Party shall be liable for any breach by such Related Party of the confidentiality provisions of this Section 5.3. For purposes of this Section 5.3, "Related Party" shall mean, with respect to any Securityholder, (A) any partner, member, director, officer or employee of such Securityholder or (B) any Affiliate of such Securityholder.

#### 5.4. Indemnification.

(a) The Company shall indemnify and hold harmless (x) each Securityholder and each of their respective Affiliates and any controlling Person of any of the foregoing, (y) each of the foregoing's respective directors, officers, employees and agents and (z) each of the heirs, executors, successors and assigns of any of the foregoing from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities including, without limiting the generality of the foregoing, liabilities for all reasonable attorneys' fees and expenses (including attorney and expert fees and expenses incurred to enforce the terms of this Agreement) (collectively, "Losses and Expenses"), but excluding in each case any special or consequential damages except to the extent part of any governmental or other third party claims against the indemnified party, suffered or incurred by any such indemnified Person or entity to the extent arising from, relating to or otherwise in respect



of, any governmental or other third party claim against such indemnified Person that arises from, relates to or is otherwise in respect of (i) the business, operations, liabilities or obligations of the Company or its Subsidiaries or (ii) the ownership by such Securityholder or any of their respective Affiliates of any equity securities of the Company (except to the extent such Losses and Expenses (x) arise from any claim that such indemnified Person's investment decision relating to the purchase or sale of such securities violated a duty or other obligation of the indemnified Person to the claimant or (y) are finally determined in a judicial action by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Securityholder or its Affiliates) including, without limitation, any Losses and Expenses arising from or under any federal, state or other securities law. The indemnification provided by the Company pursuant to this Section 5.4 is separate from and in addition to any other indemnification by the Company to which the indemnified Person may be entitled, including, without limitation, pursuant to the Certificate of Incorporation, the Bylaws, any indemnification agreements with the Company and Section 3.9 hereto.

(b) With respect to third-party claims, all claims for indemnification by an indemnified Person (an "Indemnified Party") hereunder

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shall be asserted and resolved as set forth in this Section 5.4. In the event that any written claim or demand for which the Company would be liable to any Indemnified Party hereunder is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall promptly notify the Company in writing of such claim or demand (the "Claim Notice"),

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provided that the failure to promptly provide a Claim Notice will not affect an Indemnified Party's right to indemnification except to the extent such failure materially prejudices the Company. The Company shall have twenty (20) days from the date of receipt of the Claim Notice (the "Notice Period") to notify the

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Indemnified Party (i) whether or not the Company disputes the liability of the Company to the Indemnified Party hereunder with respect to such claim or demand and (ii) whether or not it desires to defend the Indemnified Party against such claim or demand. All costs and expenses

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incurred by the Company in defending such claim or demand shall be a liability of, and shall be paid by, the Company. Except as hereinafter provided, in the event that the Company notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such claim or demand, the Company shall have the right to defend the Indemnified Party by appropriate proceedings and shall have the sole power to direct and control such defense; provided, however, that (1) if the Indemnified Party reasonably determines that there may be a conflict between the positions of the Company and of the Indemnified Party in conducting the defense of such claim or that there may be legal defenses available to such Indemnified Party different from or in addition to those available to the Company, then counsel for the Indemnified Party shall be entitled to conduct the defense at the expense of the Company to the extent reasonably determined by such counsel to be necessary to protect the interests of the Indemnified Party and (2) in any event, the Indemnified Party shall be entitled at its cost and expense to have counsel chosen by such Indemnified Party participate in, but not conduct, the defense. The Indemnified Party shall not settle a claim or demand without the consent of the Company. The Company shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any such claim or demand on a basis which would result in the imposition of a consent order, injunction or decree which would restrict the future activity or conduct of the Indemnified Party or any Subsidiary or Affiliate thereof or if such settlement or compromise does not include an unconditional release of the Indemnified Party for any liability arising out of such claim or demand. If the Company elects not to defend the Indemnified Party against such claim or demand, whether by not giving the Indemnified Party timely notice as provided above or otherwise, then the amount of any such claim or demand or, if the same be contested by the Indemnified Party, that portion thereof as to which such defense is unsuccessful (and the reasonable costs and expenses pertaining to such defense) shall be the liability of the Company hereunder. The Indemnified Party and Company shall each render to each other such assistance as may reasonably be requested in order to insure the proper and adequate defense of any such claim or proceeding.

(c) If the indemnification provided for in this Section 5.4 is unavailable or insufficient to hold harmless an Indemnified Party under this Section 5.4, then the Company, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of the Losses and Expenses referred to in this Section 5.4: (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Indemnified Party from the matter giving rise to indemnification hereunder or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Indemnified Party in connection with the matter that resulted in such Losses and Expenses, as well as any other relevant equitable considerations. Relative fault shall be determined by reference to,

among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the matter giving rise to such Losses and Expenses.

(d) The parties agree that it would not be just and equitable if contributions pursuant to Section 5.4(c) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the first sentence of

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Section 5.4(c). The amount paid by any indemnified party as a result of the losses, claims, damages or liabilities, or actions in respect thereof, referred to in the first sentence of Section 5.4(c) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigation, preparing to defend or defending against any claim which is the subject of Section 5.4.

(e) As long as it is reasonably attainable at a reasonable price, the Company will maintain directors' and officers' insurance in an amount to be determined in good faith by the Company's board of directors to be consistent with insurance provided to officers and directors of comparable companies.

## VI MISCELLANEOUS

### 6.1. Additional Securities Subject to Agreement.

(a) Subject to the following sentence, each Securityholder agrees that any other equity securities of the Company which they hereafter acquire by means of a stock split, stock dividend, distribution, exercise or conversion of securities or otherwise will be subject to the provisions of this Agreement to the same extent as if held on the date hereof. Notwithstanding anything to the contrary stated herein, this Agreement shall not apply to any shares of Common Stock or any options to acquire Common Stock granted to, or purchased by, Wirta or White, which are subject to the terms of a subscription agreement with the Company (the "Management Securities"), and any references to Common Stock or

Equity Securities held or beneficially owned by Wirta or White shall not include any Management Securities.

### 6.2. Term.

This Agreement will be effective from and after the date hereof and will terminate with respect to the provisions referred to below as follows: (i) with respect to Sections 4.1, 4.3, 4.4, 4.5, 4.6, 4.7, 5.1 and 5.2, upon completion of an IPO; (ii) with respect to Sections 2.1(b), 2.2, 2.3, 2.4, 2.5 and 2.6, upon the expiration of the Restricted Period; (iii) with respect to Article III (other than Sections 3.9 and 3.14) at such time as set forth in Section 3.7; (iv) with respect to Sections 3.9 and 5.4, upon the expiration of the applicable statutes of limitations; and (v) with respect to all Sections (other than Sections 3.9, 3.14 and 5.4), upon (A) the sale of all or substantially all of the equity interests in the Company to a Third Party whether by merger, consolidation or securities or otherwise, or (B) approval in writing by BLUM, the FS Parties and the holders of a majority of the shares of Common Stock owned by the following Persons voting as a group: the Management Parties, the DLJ Parties and the Other Non-Management Parties.

### 6.3. Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by telecopy, by telegram, by telex or registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the addresses set forth below (or at such other address for a party as shall be specified in a notice given in accordance with this Section 6.3):

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(a) If to the Company or to CBRE:

CB Richard Ellis Services, Inc.  
200 North Sepulveda Blvd.  
El Segundo, CA 90245-4380  
Attn: Walter Stafford, General Counsel  
Fax: (415) 733-5555

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

[counsel to the Company]

with an additional copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Simpson Thacher & Bartlett  
3330 Hillview Avenue  
Palo Alto, CA 94304  
Attn: Richard Capelouto  
Fax: (650) 251-5002

- (b) If to BLUM or any of its Affiliates:

c/o BLUM Capital Partners, L.P.  
909 Montgomery Street, Suite 400  
San Francisco, CA 94133  
Attn: Murray A. Indick, General Counsel  
Fax: (415) 434-3130

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Simpson Thacher & Bartlett  
3330 Hillview Avenue  
Palo Alto, CA 94304  
Attn: Richard Capelouto  
Fax: (650) 251-5002

- (c) If to any of the FS Parties or any of their Affiliates:

c/o Freeman Spogli & Co., Inc.  
11100 Santa Monica Blvd., Suite 1900  
Santa Monica, CA 90025  
Attn: J. Frederick Simmons  
Fax: (310) 444-1870

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with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Riordan & McKinzie  
California Plaza  
29th Floor, 300 South Grand Ave.  
Los Angeles, CA 90071  
Attn: Roger H. Lustberg  
Fax: (213) 229-8550

- (d) If to any of the Management Parties or Koll, to the address set forth below their name on the signature pages to this Agreement, with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

O'Melveny & Myers LLP  
610 Newport Center Drive, 17th Floor  
Newport Beach, CA 92660-6429  
Attn: Gary J. Singer  
Fax: (949) 823-6994

- (e) If to Malek:

c/o Thayer Capital Partners  
1455 Pennsylvania Avenue, N.W., Suite 350  
Washington, D.C. 20004  
Fax: (202) 371-0391

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Kirkland & Ellis  
655 Fifteenth Street, N.W.  
Suite 1200  
Washington, D.C. 20005  
Attn: Terrance Bessey  
Fax: (202) 879-5200

- (f) If to any of the DLJ Parties:

DLJ Investment Partners II, L.P.  
277 Park Avenue  
New York, New York 10172  
Attn: Joseph Ehrlich  
Fax: (212) 892-0064

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with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Cahill Gordon & Reindel  
80 Pine Street  
New York, NY 10005-1702  
Attn: John J. Schuster  
Fax: (212) 269-5420

6.4. Further Assurances.  
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The parties hereto will sign such further documents, cause such meetings to be held, resolutions passed, exercise their votes and do and perform and cause to be done such further acts and things as may be necessary in order to give full effect to this Agreement and every provision hereof.

6.5. Non-Assignability.  
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This Agreement will inure to the benefit of and be binding on the parties hereto and their respective successors and permitted assigns. This Agreement may not be assigned by any party hereto without the express prior written consent of the other parties, and any attempted assignment, without such consents, will be null and void; provided, however, that with respect to any

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Person who acquires any Restricted Securities from any Securityholder in compliance with the terms hereunder: (a) such Securityholder making such Transfer shall, prior to such Transfer, furnish to the Company written notice of the name and address of such transferee, and (b) (i) in the case of any Transfer from BLUM, (A) if such Person acquires a majority of the Common Stock beneficially owned by BLUM, BLUM shall have the right to assign to such Person all of the rights and obligations of BLUM hereunder, (B) if such Person acquires less than a majority of the Common Stock beneficially owned by BLUM, such Person shall assume and be entitled to all of the rights and obligations of a BLUM Holder under Article III hereof, and (C) in any case, such Person shall execute and deliver to the Company an Assumption Agreement and assume and be entitled to all of the rights and obligations of a Holder hereunder, (ii) in the case of an assignment by BLUM of its rights pursuant to Section 2.2 hereto, such assignee or assignees shall assume and be entitled to all of the rights and obligations of a BLUM Holder under Article III hereof and shall execute and deliver to the Company an Assumption Agreement and assume and be entitled to all of the rights and obligations of a Holder hereunder, (iii) in the case of any Transfer from any of the FS Parties, (A) such Person shall assume all of the rights and obligations of an FS Party hereunder and shall execute and deliver to the Company an Assumption Agreement, and (B) in addition, if such Person acquires a majority of the Common Stock beneficially owned by the FS Entities at the time of such transfer and following such acquisition such Person beneficially owns at least 10% of the outstanding Common Stock, the FS Entities shall have the right to assign to such Person all of the rights and obligations of the FS Entities under Section IV of this Agreement, (iv) in the case of any Transfer from a DLJ Party, such Person shall assume and be entitled to all of the rights and obligations of a DLJ Party hereunder and execute and deliver to the Company an Assumption Agreement, (v) in the case of any Transfer from an Other Non-Management Party, such Person shall assume and be entitled to all of the rights and obligations of an Other Non-Management Party hereunder and execute and

deliver to the Company an Assumption Agreement, and (vi) in the case of any Transfer from a Management Party, such Person shall assume and be entitled to all of the rights and obligations of a Management Party hereunder and execute and deliver to the Company an Assumption Agreement.

6.6. Amendment; Waiver.  
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This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by (a) the Company, (b) BLUM, so long as BLUM and its Affiliates own in the aggregate more Common Stock than the aggregate amount of Common Stock owned by any other Person and its Affiliates, and (c) the holders of a majority of the Restricted Securities held by the Securityholders; provided, however that no such amendment, supplement or modification shall

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adversely affect (i) the FS Parties relative to BLUM without the prior written consent of the holders of a majority of the Restricted Securities held by the FS Parties at such time, (ii) the DLJ Parties relative to BLUM without the prior written consent of the holders of a majority of the shares of the Restricted Securities held by the DLJ Parties at such time, (iii) the Other Non-Management Parties relative to BLUM without the prior written consent of the holders of a majority of the shares of Common Stock held by the Other Non-Management Parties at such time, and (iv) the Management Parties relative to BLUM without the prior written consent of the holders of a majority of the shares of Common Stock held by the Management Parties at such time; provided, further that no such

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amendment, supplement or modification shall amend or modify in a manner adverse to DLJ the agreements herein to which the Class B Securityholders are subject with respect to the voting of shares of voting capital stock without the prior written consent of the holders of a majority of the Restricted Securities held

by the DLJ Parties at such time. No waiver by any party of any of the provisions hereof will be effective unless explicitly set forth in writing and executed by the party so waiving. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation, any investigation by or on behalf of any party, will be deemed to constitute a waiver by the party taking such action of compliance with any covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach.

6.7. Third Parties.  
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This Agreement does not create any rights, claims or benefits inuring to any Person that is not a party hereto nor create or establish any third party beneficiary hereto.

6.8. Governing Law.  
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This Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, applicable to contracts executed and to be performed entirely within that state.

6.9. Specific Performance.  
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Without limiting or waiving in any respect any rights or remedies of the parties hereto under this Agreement now or hereinafter existing at law or in equity or by statute, each of

the parties hereto will be entitled to seek specific performance of the obligations to be performed by the other in accordance with the provisions of this Agreement.

6.10. Entire Agreement.  
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This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof.

6.11. Titles and Headings.  
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The section headings contained in this Agreement are for reference purposes only and will not affect the meaning or interpretation of this Agreement.

6.12. Severability.  
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If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement will not be affected and will remain in full force and effect.

6.13. Counterparts.  
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This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

6.14. Ownership of Shares.  
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Whenever a provision of this Agreement refers to shares of Common Stock owned by a Securityholder or owned by a Securityholder and its Affiliates, such provision shall be deemed to refer to those shares owned of record by such Securityholder or such Securityholder and its Affiliates, as applicable, and shall not be deemed to include other Restricted Securities that such Securityholder (or such Securityholder and its Affiliates, if applicable) may be deemed to beneficially own due to the provisions of this Agreement and/or any other agreements, arrangements or understandings among the parties hereto relating to the voting or Transfer of Restricted Securities.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

CBRE HOLDING, INC.

By: \_\_\_\_\_  
Name:

Title:

CB RICHARD ELLIS SERVICES, INC.

By:

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Name:  
Title:

RCBA STRATEGIC PARTNERS, L.P.

By: RCBA GP, L.L.C., its general partner

By:

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Name:  
Title:

FS EQUITY PARTNERS III, L.P.

By: FS Capital Partners, L.P., its general  
Partner

By: FS Holdings, Inc., its general partner

By:

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Name:  
Title:

FS EQUITY PARTNERS INTERNATIONAL, L.P.

By: FS&Co. International, L.P., its general  
Partner

By: FS International Holdings Limited,  
its general partner

By:

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Name:  
Title:

DLJ INVESTMENT PARTNERS II, L.P.

By: DLJ Investment Partners, II, Inc., its  
managing general partner

By:

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Name:  
Title:

THE KOLL HOLDING COMPANY

\_\_\_\_\_  
By: Donald M. Koll

\_\_\_\_\_  
Frederic V. Malek

MANAGEMENT INVESTORS:

\_\_\_\_\_  
Raymond E. Wirta

\_\_\_\_\_  
W. Brett White

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Securityholders' Agreement among CBRE Holding, Inc., CB Richard Ellis Services, Inc., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., DLJ Investment Partners II, L.P., The Koll Holding Company, Frederic V. Malek and the Management Investors named therein, I, \_\_\_\_\_, the spouse of Donald M. Koll, do hereby join with my spouse in executing the foregoing Securityholders' Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of \_\_\_\_\_, 2001 -----

[Spouse]

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Securityholders' Agreement among CBRE Holding, Inc., CB Richard Ellis Services, Inc., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., DLJ Investment Partners II, L.P., The Koll Holding Company, Frederic V. Malek and the Management Investors named therein, I, \_\_\_\_\_, the spouse of Frederic V. Malek, do hereby join with my spouse in executing the foregoing Securityholders' Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of \_\_\_\_\_, 2001 -----  
[Spouse]

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Securityholders' Agreement among CBRE Holding, Inc., CB Richard Ellis Services, Inc., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., DLJ Investment Partners II, L.P., The Koll Holding Company, Frederic V. Malek and the Management Investors named therein, I, \_\_\_\_\_, the spouse of Raymond E. Wirta, do hereby join with my spouse in executing the foregoing Securityholders' Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of \_\_\_\_\_, 2001 -----  
[Spouse]

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Securityholders' Agreement among CBRE Holding, Inc., CB Richard Ellis Services, Inc., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., DLJ Investment Partners II, L.P., The Koll Holding Company, Frederic V. Malek and the Management Investors named therein, I, \_\_\_\_\_, the spouse of W. Brett White, do hereby join with my spouse in executing the foregoing Securityholders' Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of \_\_\_\_\_, 2001 -----  
[Spouse]

Exhibit A

FORM OF ASSUMPTION AGREEMENT

[DATE]

To the Parties to the Securityholders' Agreement dated as of \_\_\_\_\_, 2001

Dear Sirs or Madams:

Reference is made to the Securityholders' Agreement, dated as of \_\_\_\_\_, 2001 (the "Securityholders' Agreement"), among CBRE Holding, Inc., CB Richard Ellis Services, Inc., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, DLJ Investment Partners II, L.P., The Koll Holding Company, Frederic V. Malek, and the individuals identified on the signature pages thereto as "Management Investors."

In consideration of the representations, covenants and agreements contained in the Securityholders' Agreement, the undersigned hereby confirms and agrees that it shall be bound by all or certain of the provisions thereof in the manner set forth in Section 6.5 thereto.

This Assumption Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, applicable to contracts executed and to be performed entirely within that state.

Very truly yours,

[Transferee]

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Assumption Agreement with respect to the Securityholders' Agreement among CBRE Holding, Inc., CB Richard Ellis Services, Inc., RCBA Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., DLJ Investment

Partners II, L.P., The Koll Holding Company, Frederic V. Malek and the Management Investors named therein, I, \_\_\_\_\_, the spouse of [Transferee], do hereby join with my spouse in executing the foregoing Assumption Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of \_\_\_\_\_, 20\_\_ -----  
[Spouse]



## FORM OF WARRANT AGREEMENT

THIS WARRANT AGREEMENT (the "Agreement") is made and entered into as of \_\_\_\_\_, 2001 between BLUM CB Holding Corp., a Delaware corporation (the "Company") and FS Equity Partners III, L.P., a Delaware limited partnership ("FSEP"), and FS Equity Partners International, L.P., a Delaware limited partnership ("FSEP International," and together with FSEP, the "FS Parties").

WHEREAS, pursuant to that certain Agreement and Plan of Reorganization, dated as of May 14, 1997 by and among CB Richard Ellis Services, Inc. (successor to CB Commercial Real Estate Services Group, Inc.) ("CBRE"), Koll Real Estate Services ("KRES") and the other parties listed therein, KRES merged with a subsidiary of CBRE and the holders of shares of common stock of KRES, including the FS Parties, and options exercisable into shares of common stock of KRES received warrants (the "Old Warrants") to purchase up to an aggregate of 500,000 shares of the Common Stock of CBRE;

WHEREAS, pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 23, 2001, by and among, CBRE, the Company and BLUM CB Corp., a Delaware corporation and wholly owned subsidiary of the Company ("Acquiror"), the Acquiror will merge with and into CBRE, such that CBRE shall become a wholly owned subsidiary of the Company; and

WHEREAS, pursuant to that certain Contribution and Voting Agreement, dated as of February 23, 2001, by and among, the Company, the FS Parties and the other parties thereto, upon the Closing, among other things, (i) the Company shall cancel the Old Warrants, and (ii) the FS Parties shall receive, in the aggregate, warrants (the "Warrants") to purchase up to an aggregate of [number of shares of Common Stock equal to the number that represents the same percentage of the total outstanding shares of Common Stock immediately after consummation of the Merger (with respect to the Company) as the warrants to acquire 364,884 shares of CBRE Common Stock entitled Freeman Spogli immediately prior to the consummation of the Merger (with respect to CBRE)] shares (the "Warrant Shares") of the Common Stock, par value \$.01 per share (the "Common Stock"), of the Company.

NOW THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows (capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Merger Agreement):

## SECTION 1. Optional Exercise of Warrant.

Subject to the terms of this Agreement, each holder of a Warrant may, at any time on and after August 26, 2007, but not later than August 27, 2007 (the "Expiration Date"), exercise this Warrant in whole at any time or in part from time to time for the number of Warrant Shares which such holder is then entitled to purchase hereunder.

Each holder of a Warrant may exercise such Warrant, in whole or in part by either of the following methods:

(a) delivering to the Company at its office maintained for such purpose pursuant to Section 12(d): (i) a written notice of

such holder's election to exercise this Warrant, which notice shall specify the number of Warrant Shares to be purchased, (ii) this Warrant and (iii) a sum equal to the Exercise Price (as set forth in the Warrant Certificate attached hereto) therefor payable in immediately available funds; or

(b) The holder of this Warrant may also exercise this Warrant, in whole or in part, in a "cashless" or "net-issue" exercise by delivering to the Company at its office maintained for such purpose pursuant to Section 12(d): (i) a written notice of such holder's election to exercise this Warrant, which notice shall specify the number of Warrant Shares to be delivered to such holder and the number of Warrant Shares with respect to which this Warrant is being surrendered in payment of the aggregate Exercise Price for the Warrant Shares to be delivered to the holder, and (ii) the Warrant. For purposes of this provision, all Warrant Shares as to which the Warrant is surrendered will be attributed a value equal to (x) the current market price per share of Common Stock (determined in the manner set forth in Section 7(f)) minus (y) the current Exercise Price per share of Common Stock.

Such notice may be in the form of Election to Purchase set out at the end of this Warrant Agreement. Upon delivery thereof, together with the Warrant and the Exercise Price, as applicable, and such holder becoming a party to the Stockholders' Agreement, dated as of the date hereof (the "Stockholder Agreement"), by and among the Company, the FS Parties and the other parties thereto if such holder shall not already be a party thereto, the Company shall cause to be executed and delivered to such holder within five business days a

certificate or certificates representing the aggregate number of fully-paid and nonassessable shares of Common Stock issuable upon such exercise.

The stock certificate or certificates for Warrant Shares so delivered shall be in such denominations as may be specified in said notice and shall be registered in the name of such holder or such other name or names as shall be designated in said notice. Such certificate or certificates shall be deemed to have been issued and such holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares, including to the extent permitted by law the right to vote such shares or to consent or to receive notice as a stockholder (subject to the terms of the Stockholders' Agreement), as of the time said notice is delivered to the Company as aforesaid; provided that such shares shall be subject to the provisions of the Stockholders' Agreement. If a Warrant shall have been exercised only in part, the Company shall, at the time of delivery of said certificate or certificates, deliver to such holder a new Warrant dated the date it is issued, evidencing the rights of such holder to purchase the remaining Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant, or, at the request of such holder, appropriate notation may be made on this Warrant and the Warrant shall be returned to such holder.

All Warrant Shares issuable upon the exercise of a Warrant shall be validly issued, fully paid and nonassessable and free from all liens and other encumbrances thereon, other than liens or other encumbrances created by the holder thereof or the restrictions set forth in the Stockholders' Agreement.

The Company will not close its books against the transfer of a Warrant or of any Warrant Shares in any manner which interferes with the timely exercise of a Warrant. The Company will from time to time take all such action as may be necessary to assure that the par value per share of the unissued Common Stock acquirable upon exercise of a Warrant is at all times equal to or less than the Exercise Price then in effect.

#### SECTION 2. Automatic Exercise of Warrant.

Notwithstanding the prior delivery of a notice pursuant to Section 1 hereto, in the event an Automatic Exercise Event (as defined below) occurs prior to the Expiration Date, without any action by the Company or the FS Parties, the Warrants shall automatically be exercised in a "cashless" or "net issue" exercise pursuant to which (i) the Exercise Price shall be paid to the Company entirely in Warrant Shares (or such other consideration as set forth in Section 7(1) hereto), which for purposes of this provision, will be attributed a value equal to (x) the current market price per share of Common Stock (determined in the manner set forth in Section 7(f)) to the holders thereof minus (y) the current Exercise Price per share of Common Stock, and (ii) the Company, subject to the following paragraph of this Section 2, shall deliver to the holders thereof the number of Warrant Shares remaining after subtracting the Exercise Price; provided, however that if, upon an Automatic Exercise Event, the amount set forth in subclause (y) of the foregoing clause (i) shall be equal to or greater than the amount set forth in subclause (x) of the foregoing clause (i), then the Warrants, without any action by the Company or the FS Parties, shall be cancelled and shall cease to represent the right to receive any Warrant Shares or other security, property or asset of the Company or any surviving entity.

As soon as practicable after an Automatic Exercise Event, the Company shall deliver a notice of such Automatic Exercise Event to each of the holders of the Warrants. Upon delivery of the Warrants to the Company by a holder thereof and such holder becoming a party to the Stockholders' Agreement, if such holder shall not already be a party thereto, the Company shall cause to be executed and delivered to such holder within five business days a certificate or certificates representing the aggregate number of fully-paid and nonassessable shares of Common Stock issuable as a result of such Automatic Exercise Event.

The stock certificate or certificates for Warrant Shares so delivered shall be in such denominations as may be specified by the Warrant holders and shall be registered in the name of such holder or such other name or names as shall be designated by the Warrant holders. Such certificate or certificates shall be deemed to have been issued and such holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares, including to

the extent permitted by law the right to vote such shares or to consent or to receive notice as a stockholder (subject to the terms of the Stockholders' Agreement), as of the time of the Automatic Exercise Event; provided that such shares shall be subject to the provisions of the Stockholders' Agreement.

All Warrant Shares issuable upon an Automatic Exercise Event shall be validly issued, fully paid and nonassessable and free from all liens and other encumbrances thereon, other than liens or other encumbrances created by the holder thereof or the restrictions set forth in the Stockholders' Agreement.

The Company will not close its books against the transfer of a Warrant or of any Warrant Shares in any manner which interferes with the exercise of a Warrant pursuant to an Automatic Exercise Event. The Company will from time to

time take all such action as may be necessary to assure that the par value per share of the unissued Common Stock acquirable upon exercise of a Warrant pursuant to an Automatic Exercise Event is at all times equal to or less than the Exercise Price then in effect.

For purposes of this Agreement, an "Automatic Exercise Event" shall mean either (a) the completion of a sale of shares of any class of the Common Stock to the public pursuant to an effective registration statement (other than a registration statement on Form S-8 or any similar or successor form) filed under the Securities Act pursuant to which the Company becomes listed on a national securities exchange or on the NASDAQ Stock Market (the "Initial Public Offering"), (b) any "person" or "group," (each as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than BLUM Capital Partners, L.P. ("BLUM") and its affiliates, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the outstanding voting stock of the Company, including by way of merger, consolidation or otherwise, and BLUM and its affiliates cease to control the Company's Board of Directors, (c) any sale of all or substantially all of the assets of the Company and its subsidiaries to any "person" or "group," (each as defined in Rules 13d-3 and 13d-5 under the Exchange Act) other than BLUM and its affiliates, or (d) any merger, consolidation or other transaction or series or related transactions after the consummation of which the shares owned by the holders of the Company's outstanding voting stock possessing a majority of the voting power to elect the Company's Board of Directors immediately prior to the occurrence of such transaction or transactions cease to constitute a majority of the Company's outstanding voting stock possessing the voting power to elect the Company's Board of Directors (or equivalent governing body).

### SECTION 3. Transfer, Division and Combination.

The Warrants are, and all rights thereunder are, transferable, in whole or in part, on the books of the Company to be maintained for

such purpose, upon (a) surrender of a Warrant at the office of the Company maintained for such purpose pursuant to Section 12(d), together with a written assignment of such Warrant duly executed by the holder thereof or its agent or attorney and payment of funds sufficient to pay any stock transfer taxes payable upon the making of such transfer, and (b) a signed agreement by the assignee or assignees to become a party to the Stockholders' Agreement prior to the exercise of such Warrant. Upon such surrender and, if required, such payment, the Company shall, execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denominations specified in such instrument of assignment, and the surrendered Warrant shall promptly be canceled. If and when a Warrant is assigned in blank, the Company may (but shall not be obligated to) treat the bearer thereof as the absolute owner of such Warrant for all purposes and the Company shall not be affected by any notice to the contrary. A Warrant, if properly assigned in compliance with this Section 2, may be exercised by an assignee for the purchase of shares of Common Stock without having a new Warrant issued.

A Warrant may, be divided or combined with other Warrants upon presentation at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the holder hereof or its agent or attorney. Subject to compliance with the preceding paragraph, as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice.

The Company agrees to maintain at its aforesaid office books for the registration and transfer of the Warrants.

### SECTION 4. Payment of Taxes.

The Company will pay all documentary stamp taxes attributable to the initial issuance of Warrant Shares upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue of any Warrant Certificates or any certificates for Warrant Shares in a name other than that of the registered holder of a Warrant Certificate surrendered upon the exercise of a Warrant, and the Company shall not be required to issue or deliver such Warrant Certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

### SECTION 5. Mutilated or Missing Warrant Certificates.

In case any of the Warrant Certificates shall be mutilated, lost, stolen or destroyed, the Company may in its discretion issue, in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of and substitution for the Warrant

Certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants, but only upon receipt of

evidence satisfactory to the Company of such loss, theft or destruction of such Warrant Certificate and indemnity, if requested, also satisfactory to them. Applicants for such substitute Warrant Certificates shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company may prescribe.

SECTION 6. Reservation of Warrant Shares.

The Company will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock or its authorized and issued Common Stock held in its treasury, for the purpose of enabling it to satisfy any obligation to issue Warrant Shares upon exercise of Warrants, the maximum number of shares of Common Stock which may then be deliverable upon the exercise of all outstanding Warrants.

The Company or, if appointed, the transfer agent for the Common Stock (the "Transfer Agent") and every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of any of the rights of purchase aforesaid will be irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be required for such purpose. The Company will keep a copy of this Agreement on file with the Transfer Agent and with every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Company will furnish such Transfer Agent a copy of all notices of adjustments and certificates related thereto transmitted to each holder pursuant to Section 9 hereof.

SECTION 7. Adjustment of Exercise Price.

The Exercise Price and the number of Warrant Shares issuable upon the exercise of each Warrant are subject to adjustment from time to time upon the occurrence of the events enumerated in this Section 7. For purposes of this Section 7, "Common Stock" means shares now or hereafter authorized of any class of common stock of the Company and any other stock of the Company, however designated, that has the right (subject to any prior rights of any class or series of preferred stock) to participate in any distribution of the assets or earnings of the Company without limit as to per share amount.

(a) Adjustment for Change in Capital Stock.

If the Company:

- (1) pays a dividend or makes a distribution on its Common Stock in shares of its Common Stock;
- (2) subdivides its outstanding shares of Common Stock into a greater number of shares;
- (3) combines its outstanding shares of Common Stock into a smaller number of shares;
- (4) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock; or
- (5) issues by reclassification of its Common Stock any shares of its capital stock;

then the Exercise Price in effect immediately prior to such action and the number and kind of shares into which a Warrant is exercisable shall all be adjusted appropriately so that the holder of any Warrant thereafter exercised may receive the aggregate number and kind of shares of capital stock of the Company which he would have owned immediately following such action if such Warrant had been exercised immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment a holder of a Warrant upon exercise of it may receive shares of two or more classes of capital stock of the Company, the Board of Directors of the Company shall determine the allocation of the adjusted Exercise Price between the classes of capital stock. After such allocation, the exercise privilege and the Exercise Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section.

Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Adjustment for Rights Issue.

If the Company distributes any rights, options or warrants to all holders of its Common Stock entitling them for a period expiring within 60 days after the record date for such distribution to purchase shares of Common Stock

at a price per share less than the current market price per share on that record date, the Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + N \times P}{O + N}$$

where:

- E' = the adjusted Exercise Price.
- E = the current Exercise Price.
- O = the number of shares of Common Stock outstanding on the record date.
- N = the number of additional shares of Common Stock offered pursuant to such rights issue.
- P = the offering price per share of the additional shares.
- M = the current market price per share of Common Stock on the record date.

The adjustment shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights, options or warrants. If at the end of the period during which such rights, options or warrants are exercisable, not all rights, options or warrants shall have been exercised, the Exercise Price shall be immediately readjusted to what it would have been if "N" in the above formula had been the number of shares actually issued.

(c) Adjustment for Other Distributions.

If the Company distributes to all holders of its Common Stock any assets (excluding cash) or debt securities or any rights or warrants to purchase debt securities, assets or other securities, the Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{M - F}{M}$$

where:

- E' = the adjusted Exercise Price.
- E = the current Exercise Price.
- M = the current market price per share of Common Stock on the record date mentioned below.
- F = the aggregate fair market value on the record date of the assets, securities, rights or warrants divided by the number of outstanding shares of Common Stock on the record date for such distribution. The Board of Directors of the Company shall determine the fair market value.

The adjustment shall be made successively whenever any such distribution is made and shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution.

(d) Adjustment for Common Stock Issue:

If the Company issues shares of Common Stock for a consideration per share less than the current market price per share on the date the Company fixes the offering price of such additional shares, the Exercise Price shall be adjusted in accordance with the formula:

$$E' = E \times \frac{O + M}{A}$$

where:

- E' = the adjusted Exercise Price.
- E = the then current Exercise Price.
- O = the number of shares outstanding immediately prior to the issuance of such additional shares.
- P = the aggregate consideration received for the issuance of such additional shares.
- M = the current market price per share on the date of issuance of such additional shares.
- A = the number of shares outstanding immediately after the issuance of such additional shares.

The adjustment shall be made successively whenever any such issuance is made, and shall become effective immediately after such issuance.

This subsection (d) does not apply to:

(1) any of the transactions described in subsections (b) and (c) of this Section 7,

(2) the exercise of Warrants, or the conversion or exchange of other securities convertible into, or exchangeable or exercisable for, Common Stock,

(3) Common Stock issued to the Company's employees under bona fide employee benefit plans adopted by the Board of Directors and approved by the holders of Common Stock when required by law, if such Common Stock would otherwise be covered by this subsection (d),

(4) Common Stock issued upon the exercise of rights or warrants issued to the holders of Common Stock,

(5) Common Stock issued to shareholders of any person which merges into the Company in proportion to their stock holdings of such person immediately prior to such merger, upon such merger,

(6) Common Stock issued in a bona fide public offering pursuant to a firm commitment underwriting,

(7) Common Stock issued in a bona fide private placement to, or through a placement agent which is, a member firm of the National Association of Securities Dealers, Inc., or

(8) Common Stock issued as a dividend on any preferred stock in accordance with the stated terms of such preferred stock and in lieu of cash dividends otherwise payable on such preferred stock pursuant to the instrument under which the preferred stock was issued.

(e) Adjustment for Convertible Securities Issue.

If the Company issues any securities convertible into or exchangeable or exercisable for Common Stock (other than securities issued in transactions described in subsections (b) and (c) of this Section 7) for a consideration per share of Common Stock initially deliverable upon conversion or exchange of such securities less than the current market price per share on the date of issuance of such securities, the Exercise Price shall be adjusted in accordance with this formula:

$$E' = E \times \frac{P - O + M}{O + D}$$

where:

E' = the adjusted Exercise Price.  
E = the then current Exercise Price.  
O = the number of shares outstanding immediately prior to the issuance of such securities.  
P = the aggregate consideration received for the issuance of such securities.  
M = the current market price per share of Common Stock on the date of issuance of such securities.  
D = the maximum number of shares deliverable upon conversion or in exchange for such securities at the initial conversion or exchange rate.

The adjustment shall be made successively whenever any such issuance is made, and shall become effective immediately after such issuance.

If all of the Common Stock deliverable upon conversion or exchange of such securities has not been issued when such securities are no longer outstanding, then the Exercise Price shall promptly be readjusted to the Exercise Price which would then be in effect had the adjustment upon the issuance of such securities been made on the basis

of the actual number of shares of Common Stock issued upon conversion or exchange of such securities.

This subsection (e) does not apply to:

(1) convertible securities issued to shareholders of any person which merges into the Company, or with a subsidiary of the Company, in proportion to their stock holdings of such person immediately prior to such merger, upon such merger,

(2) convertible securities issued in a bona fide public offering pursuant to a firm commitment underwriting,

(3) convertible securities issued in a bona fide private placement through a placement agent which is a member firm of the National Association of Securities Dealers, Inc.,

(4) rights, warrants and convertible and exchangeable securities outstanding on or prior to the date of issuance of the Warrant, or

(5) convertible securities or warrants issued in connection with the incurrence of debt by the Company or any of its subsidiaries, so long as the fair value allocable to such convertible securities or warrants (taking into account the terms of the debt), together with any consideration payable to the Company upon conversion or exercise of such convertible securities or warrants, treating such convertible securities or warrants on an as converted basis, is no less than the then current market price of Common Stock on the date of issuance of such convertible securities or warrants.

(f) Current Market Price.

Subject to the last two sentences of this subsection (f), in subsections (b), (c), (d) and (e) of this Section 7, the current market price per share of Common Stock on any date is the average of the Quoted Prices of the Common Stock for 30 consecutive trading days commencing 45 trading days before the date in question. The "Quoted Price" of the Common Stock is the last reported sales price of the Common Stock as reported by NASDAQ National Market, or if the Common Stock is listed on a securities exchange, the last reported sales price of the Common Stock on such exchange which shall be for consolidated trading if applicable to such exchange, or if neither so reported or listed, the last reported bid price of the Common Stock. In the absence of one or more such quotations (including, without limitation, during the period prior to the Initial Public Offering), the Board of Directors of the Company shall determine the current market price on the basis of such quotations, if available, or other valuation information as it in good faith considers appropriate. In the event of the Initial Public Offering, the current market price per share of Common Stock shall be the Quoted Price on the day of such Initial Public Offering.

(g) Consideration Received.

For purposes of any computation respecting consideration received pursuant to subsections (d) and (e) of this Section 7, the following shall apply:

(1) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(2) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors (irrespective of the accounting treatment thereof), whose determination shall be conclusive; and

(3) in the case of the issuance of securities convertible into or exchangeable for shares, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof (the consideration in each case to be determined in the same manner as provided in clauses (1) and (2) of this subsection).

(h) When De Minimis Adjustment May Be Deferred.

No adjustment in the Exercise Price need be made unless the adjustment would require an increase or decrease of at least 1% in the Exercise Price. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.

All calculations under this Section shall be made to the nearest cent or nearest 1/100th of a share as the case may be.

(i) When No Adjustment Required.

No adjustment need be made for a transaction referred to in subsection (a), (b), (c), (d) or (e) of this Section 7 if Warrant holders are permitted to participate in the transaction (without being required to exercise their Warrants in order to do so) on a basis and with notice that the Board of Directors of the Company determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest.

No adjustment need be made for a change in the par value or no par value of the Common Stock.

To the extent the Warrants become convertible into cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

(j) Notice of Adjustment.

Whenever the Exercise Price is adjusted, the Company shall provide the notices required by Section 9 hereof.

(k) Voluntary Reduction.

The Company from time to time may reduce the Exercise Price by any amount for any period of time if the period is at least 20 days and if the reduction is irrevocable during the period; provided, however, that in no event may the Exercise Price be less than the par value of a share of Common Stock.

Whenever the Exercise Price is reduced, the Company shall mail to Warrant holders a notice of the reduction. The Company shall mail the notice at least 15 days before the date the reduced Exercise Price takes effect. The notice shall state the reduced Exercise Price and the period it will be in effect.

A reduction of the Exercise Price pursuant to this clause (k) does not change or adjust the Exercise Price otherwise in effect for purposes of subsections (a), (b), (c), (d) and (e) of this Section 7.

(l) Reorganization of Company.

If the Company consolidates or merges with or into, or sells, transfers or leases all or substantially all of its assets to, any person (including, without limitation, in a transaction that is an Automatic Exercise Event), upon consummation of such transaction the Warrants shall automatically become exercisable (or, in the event of an Automatic Exercise Event, be exercised) for the kind and amount of securities, cash or other assets which the holder of a Warrant would have owned immediately after the consolidation, merger, sale, transfer or lease if the holder had exercised the Warrant immediately before the effective date of the transaction. Unless such transaction shall have been an Automatic Exercise Event, concurrently with the consummation of such transaction, the corporation formed by or surviving any such consolidation or merger, if other than the Company, or the person to which such transfer, sale or lease shall have been made, shall enter into a supplemental Warrant Agreement so providing and further providing for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Section. The successor Company shall mail to warrant holders a notice describing the supplemental Warrant Agreement.

If the issuer of securities deliverable upon exercise of Warrants under the supplemental Warrant Agreement is an affiliate of the

formed, surviving, transferee or lessee corporation, that issuer shall join in the supplemental Warrant Agreement.

If this subsection (l) applies, subsections (a), (b), (c), (d) and (e) of this Section 7 do not apply.

(m) Determinations Conclusive.

Any determination that the Company or the Board of Directors of the Company must make pursuant to subsection (a), (c), (d), (e), (f), (g) or (i) of this Section 7 is conclusive, provided the Board of Directors has acted reasonably.

(n) When Issuance or Payment May Be Deferred.

In any case in which this Section 7 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event (i) issuing to the holder of any Warrant exercised after such record date the Warrant Shares and such securities or assets, if any, issuable upon such exercise over and above the Warrant Shares and such securities or assets, if any, issuable upon such exercise on the basis of the Exercise Price and (ii) paying to such holder any amount in cash in lieu of a fractional share pursuant to Section 8; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional warrant Shares, other capital stock and cash upon the occurrence of the event requiring such adjustment.

(o) Adjustment in Number of Shares.

Upon each adjustment of the Exercise Price pursuant to this Section 7, each Warrant outstanding prior to the making of the adjustment in the Exercise Price shall thereafter evidence the right to receive upon payment of the adjusted Exercise Price that number of shares of Common Stock (calculated to



the nearest hundredth) obtained from the following formula:

$$N' = N \times \frac{E}{E'}$$

where:

- N' = the adjusted number of Warrant Shares issuable upon exercise of a Warrant by payment of the adjusted Exercise Price.  
N = the number of Warrant Shares previously issuable upon exercise of a Warrant by payment of the Exercise Price prior to adjustment.  
E' = the adjusted Exercise Price.  
E = the Exercise Price prior to adjustment.

#### SECTION 8. Fractional Interests.

The Company shall not be required to issue fractional Warrant Shares on the exercise of Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same holder, the number of full Warrant Shares which shall be issuable upon the exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of the Warrants so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 8 be issuable on the exercise of any Warrants (or specified portion thereof), the Company shall pay an amount in cash equal to the current Exercise Price, multiplied by such fraction.

#### SECTION 9. Notices to Warrant Holders.

Upon any adjustment of the Exercise Price pursuant to Section 7, the Company shall promptly thereafter cause to be given to each of the registered holders of the Warrant Certificates at its address appearing on the Warrant register written notice of such adjustment by first-class mail, postage prepaid. Where appropriate, such notice may be given in advance and included as a part of the notice required to be mailed under the other provisions of this Section 7.

In case:

(a) the Company shall authorize the issuance to all holders of shares of Common Stock of rights, options or warrants to subscribe for or purchase shares of Common Stock or of any other subscription rights or warrants; or

(b) the Company shall authorize the distribution to all holders of shares of Common Stock of evidences of indebtedness or assets, including cash dividends or cash distributions payable out of consolidated current or retained earnings, but not including dividends payable in shares of Common Stock or distributions referred to in subsection (a) of Section 7 hereof; or

(c) of any consolidation or merger to which the Company is a party and of which approval of any shareholders of the Company is required, or of the conveyance, sale, transfer or lease of the properties and assets of the Company substantially as an entirety, or of any reclassification or change of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or a tender offer or exchange offer for shares of Common Stock; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(e) the Company proposes to take any action (other than actions of the character described in Section 7(a)) that would require an adjustment of the Exercise Price pursuant to Section 7;

then the Company shall cause to be given to each of the registered holders of the Warrant Certificates at his address appearing on the Warrant register, at least 20 days (or 10 days in any case specified in clause (a) or (b) above) prior to the applicable record date hereinafter specified, or promptly in the case of events for which there is no record date, by first-class mail, postage prepaid, a written notice stating (i) the date as of which the holders of record of shares of Common Stock to be entitled to receive any such rights, options, warrants or distribution are to be determined, or (ii) the initial expiration date set forth in any tender offer or exchange offer for shares of Common Stock, or (iii) the date on which any such consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up is expected to become effective or consummated, and the date as of which it is expected that holders of record of shares of Common Stock shall be entitled to exchange such shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, conveyance, sale, transfer, lease, dissolution, liquidation, winding up or other action. The failure to give the notice required by this Section 9 or any defect therein shall not affect the legality or validity of any distribution, right, option, warrant, consolidation, merger,

conveyance, transfer, dissolution, liquidation or winding up, or the vote upon any action.

Nothing contained in this Agreement or in any of the Warrant Certificates shall be construed as conferring upon the holders thereof the right to vote or to consent or to receive notice as shareholders in respect of the meetings of shareholders or the election of directors of the Company or any other matter or any rights whatsoever as shareholders of the Company.

SECTION 10. Amendments.

The terms of this Warrant Agreement and the Warrants may be amended by the Company, and the observance of any term herein or therein may be waived, but only with the written consent of the holders of Warrants representing a majority in number of the total Warrant Shares at the time purchasable upon the exercise of all then outstanding Warrants, provided that no such action may change the Exercise Price (other than in accordance with Section 7(k) hereof) without the written consent of all holders of Warrants affected thereby.

SECTION 11. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been issued and delivered by the Company on the date hereof.

(b) Successors. This Warrant shall be binding upon any successors or assigns of the Company.

(c) Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware.

(d) Office of the Company. So long as the Warrants remain outstanding, the Company shall maintain an office where the Warrants may be presented for exercise, transfer, division and combination. Such office shall be at 200 North Sepulveda Boulevard, El Segundo, California 90245-4380, unless and until the Company shall designate and maintain another office for such purposes, in which case the Company shall deliver notice of such change to all holders of outstanding Warrants in the manner set forth herein.

(e) Headings. The headings used in this Warrant are used for convenience only and are not to be considered in construing or interpreting this agreement.

(f) Notices. Unless otherwise provided, any notice required or permitted under this Warrant shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or three days after being sent via air courier, in all cases addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten days advance written notice to the other party. Notwithstanding the foregoing, notice may be given by telex or facsimile provided that appropriate confirmation of receipt is received.

(g) Saturdays, Sundays, Holidays. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday in the State of California, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BLUM CB HOLDING CORP.

By: \_\_\_\_\_  
Name:  
Title:

FS EQUITY PARTNERS III, L.P.

By: FS Capital Partners, L.P.  
Its: General Partner

By: FS Holdings, Inc.  
Its: General Partner

By: \_\_\_\_\_  
Name:  
Title:

FS EQUITY PARTNERS INTERNATIONAL, L.P.

By: FS&Co. International, L.P.  
Its: General Partner

By: FS International Holdings Limited  
Its: General Partner

By: \_\_\_\_\_  
Name:  
Title:

ELECTION TO PURCHASE  
(To Be Executed Upon Exercise Of Warrant Pursuant To Section 1)

The undersigned hereby irrevocably elects to exercise the right represented by this Warrant Certificate, to receive \_\_\_\_\_ shares of Common Stock and hereby tenders payment for such shares [to the order of BLUM CB Holding Corp. by cash or immediately available funds in the amount of \$ \_\_\_\_\_] [by delivery to the Company of \_\_\_\_\_ Warrant Shares with respect to which this Warrant is being surrendered in payment of the aggregate Exercise Price for the Warrant Shares to be delivered to the holder] in accordance with the terms hereof. The undersigned requests that a certificate for such shares be registered in the name of \_\_\_\_\_, whose address is \_\_\_\_\_. If said number of shares is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of such shares be registered in the name of \_\_\_\_\_, whose address is \_\_\_\_\_, and that such Warrant Certificate be delivered to \_\_\_\_\_, whose address is \_\_\_\_\_.

Date: \_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature Guaranteed<F1>

EXERCISABLE ON OR AFTER AUGUST 26, 2007  
AND ON OR BEFORE AUGUST 27, 2007  
OR UPON AN AUTOMATIC EXERCISE EVENT

No. \_\_\_\_\_ Warrants

WARRANT CERTIFICATE  
BLUM CB HOLDING CORP

This Warrant Certificate certifies that \_\_\_\_\_, or registered assigns, is the registered holder of \_\_\_\_\_ Warrants expiring \_\_\_\_\_ (the "Warrants") to purchase shares of Common Stock (the "Common Stock") of BLUM CB Holding Corp. (the "Company"). Each Warrant entitles the holder, (i) unless an Automatic Exercise Event shall occur on or prior to August 27, 2007, upon exercise to receive from the Company on or after August 26, 2007 and on or before 5:00 p.m. Los Angeles Time on August 27, 2007 one fully paid and nonassessable share of Common Stock (a "Warrant Share") at the initial exercise price (the "Exercise Price") of \$30.00, payable in lawful money of the United States of America or in Warrant Shares by "cashless exercise," upon surrender of this Warrant Certificate and payment of the Exercise Price at the principal office of the Company, but only subject to the conditions set forth herein and in the Warrant Agreement referred to on the reverse hereof, or (ii) upon the occurrence of an Automatic Exercise Event on or prior to August 27, 2007, to receive automatically from the Company a Warrant Share at the Exercise Price, payable by "cashless exercise," upon surrender of this Warrant Certificate and payment of the Exercise Price at the principal office of the Company, but only subject to the conditions set forth herein and in the Warrant Agreement referred to on the reverse hereof. The Exercise Price and number of Warrant Shares issuable upon exercise of the Warrants are subject to adjustment upon the occurrence of certain events set forth in the Warrant Agreement.

Except in connection with an Automatic Exercise Event, no warrant may be exercised before August 26, 2007 or after 5:00 PM, Los Angeles time, on August 27, 2007 and to the extent not exercised by, or an Automatic Exercise Event shall not have occurred by, such time, such Warrants shall become void.

This Warrant Certificate shall be governed and construed in accordance with the internal laws of the State of Delaware.

IN WITNESS WHEREOF, BLUM CB Holding Corp. has caused this Warrant Certificate to be signed by its President and by its Secretary, each by his signature or a facsimile of his signature.

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Secretary

[FORM OF WARRANT CERTIFICATE]

[REVERSE]

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants expiring August 27, 2007 entitling the holder on exercise to receive shares of Common Stock, of the Company (the "Common Stock"), \$.01 par value, and are issued or to be issued pursuant to a Warrant Agreement dated as of \_\_\_\_\_, 2001 (the "Warrant Agreement"), duly executed and delivered by the Company, which Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Warrants. A copy of the Warrant Agreement may be obtained by the holder hereof upon written request to the Company.

Unless an Automatic Exercise Event shall occur on or prior to August 27, 2007, warrants may be exercised at any time on or after August 26, 2007 and on or before August 27, 2007. The holder of Warrants evidenced by this Warrant Certificate may exercise them, subject to the limitations set forth in the Warrant Agreement, by surrendering this Warrant Certificate, with the form of election to purchase set forth hereon properly completed and executed, together with payment of the Exercise Price in cash or immediately available funds or in Warrant Shares by "cashless exercise," at the principal office of the Company. In the event that upon any exercise of Warrants evidenced hereby the number of Warrants exercised shall be less than the total number of Warrants evidenced hereby, there shall be issued to the holder hereof or his assignee a new Warrant Certificate evidencing the number of Warrants not exercised.

Upon the occurrence of an Automatic Exercise Event on or prior to August 27, 2007, the Warrants evidenced by this Warrant Certificate shall automatically be exercised, subject to the limitations set forth in the Warrant Agreement, and the holder thereof shall be entitled to receive, upon surrendering this Warrant Certificate, together with payment of the Exercise Price in Warrant Shares by "cashless exercise," at the principal office of the Company, the number of Warrant Shares resulting after subtracting such Exercise Price.

The Warrant Agreement provides that upon the occurrence of certain events the Exercise Price and the number of Warrant Shares into which this Warrant is exercisable set forth on the face hereof may, subject to certain conditions, be adjusted. No fractions of a share of Common stock will be issued upon the exercise of any Warrant, but the Company will pay the cash value thereof determined as provided in the Warrant Agreement. No adjustment shall be made for any dividends on any Common Stock issuable upon exercise of this Warrant.

Warrant Certificates, where surrendered at the principal office of the Company by the registered holder thereof in person or by legal representative or attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor evidencing in the aggregate a like number of Warrants.

Upon due presentation for registration of transfer of this Warrant Certificate at the principal office of the Company a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee(s) in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement (including, without limitation, delivery to the Company of the written agreement of such transferee(s) to become party to the Stockholders' Agreement, dated as of \_\_\_\_\_, 2001, by and among the Company and the other parties thereto, if such transferee(s) are not already party thereto, prior to receipt from the Company of any Warrant Shares as a result of the exercise of the Warrants represented by such Warrant Certificate), without charge except for any tax or other governmental charge imposed in connection therewith.

The Company may deem and treat the registered holder(s) hereof as the absolute owner(s) of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the holder(s) hereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary. Neither the Warrants nor this Warrant Certificate entitle any holder hereof to any rights of a stockholder of the Company.

- -----  
[FN]  
<F1>

The signature must be guaranteed by a bank or trust company having an office in Los Angeles, California, or by a firm having membership on the New York Stock Exchange.

EXHIBIT 12.1

CB RICHARD ELLIS SERVICES, INC.  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

(Dollars in thousands)

Forma									Pro		
Combined									Pro Forma		
for the									Combined		
Quarter		Quarter Ended							Year Ended		
Ended		Year Ended December 31,				March 31,			December 31,		
March 31,		1996	1997	1998	1999	2000	2000	2001	2000	--	
2001		-----							-----		
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Income before provision for income tax.....		\$25,809	\$45,906	\$50,483	\$ 39,461	\$ 68,139	\$ 43	\$ (5,930)	\$ 36,116		
Less: Equity earnings of unconsolidated subsidiaries.....		145	--	3,443	7,528	7,112	1,742	1,042	7,112		
1,042											
Preferred stock dividends (1).....		1,639	6,557	--	--	--	0	--	--		
--											
Add: Distributed earnings of unconsolidated subsidiaries.....		89	1,440	2,267	12,662	8,389	1,304	1,809	8,389		
1,809											
Fixed charges.....		32,136	30,654	42,089	56,524	60,448	14,140	14,069	86,989		
21,098		-----							-----	-----	--
-----											
Total earnings before fixed charges.....		\$56,250	\$71,443	\$91,396	\$101,119	\$129,864	\$13,745	\$ 8,906	\$124,382	\$	
7,899		=====							=====	=====	
=====											
Fixed Charges:											
Portion of rent expense representative of the interest factor (2).....		\$ 6,374	\$ 8,317	\$11,042	\$ 17,156	\$ 18,748	\$ 4,455	\$ 5,014	\$ 18,748	\$	
5,014											
Interest expense.....		24,123	15,780	31,047	39,368	41,700	9,685	9,055	68,241		
16,084											
Preferred stock dividends (1).....		1,639	6,557	--	--	--	0	--	--		
--		-----							-----	-----	--
-----											
Total fixed charges.....		\$32,136	\$30,654	\$42,089	\$ 56,524	\$ 60,448	\$14,140	\$14,069	\$ 86,989	\$	
21,098		=====							=====	=====	
=====											
Ratio of earnings to fixed charges.....		1.75	2.33	2.17	1.79	2.15	0.97 (/3/)	0.63 (/3/)	1.43 (/3/)		
0.37 (/3/)		=====							=====	=====	
=====											

</TABLE>

(1) Preferred stock dividend requirements have been reflected at their pre-tax amounts. The 1998 amount does not reflect the deemed dividend associated with the Company's repurchase of convertible preferred stock for \$32.3 million.

(2) Represents one-third of operating lease costs which approximates the portion that relates to the interest portion.

(3) Includes a deficiency of \$0.4 million for the quarter ended March 31, 2000, a deficiency of \$5.2 million for the quarter ended March 31, 2001 and a deficiency of \$13.2 million for the pro forma quarter ended March 31, 2001.



## SIGNIFICANT SUBSIDIARIES OF CBRE HOLDING, INC.

<TABLE>		
<CAPTION>	Name	State (or Country) of Incorporation
	----	-----
<S>	<S>	<C>
	CB Commercial Ltd.	United Kingdom
	CB Richard Ellis Services, Inc.	Delaware
	CB Richard Ellis Investors KK	Japan
	CB Richard Ellis, Inc.	Delaware
	CB Richard Ellis Services Stewardship	United Kingdom

&lt;/TABLE&gt;



CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP  
Arthur Andersen LLP

Los Angeles, California

June 8, 2001