SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2002

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 000 - 32983

CBRE HOLDING, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-3391143** (I.R.S. Employer Identification Number)
355 South Grand Avenue, Suite 3100 **Los Angeles, California** (Address of principal executive offices)	**90071-1552** (Zip Code)
(213) 613-3226 (Registrant's telephone number, including area code)	**Not Applicable** (Former name, former address and formal fiscal year if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The number of shares of Class A and Class B common stock outstanding at July 31, 2002 was 1,696,062 and 12,624,813, respectively.

CBRE HOLDING, INC.

FORM 10-Q

June 30, 2002

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CBRE HOLDING, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	June 30, 2002 (Unaudited)	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 18,211	$ 57,450
Receivables, less allowance for doubtful accounts of $13,377 and $11,748 at June 30, 2002 and December 31, 2001, respectively	137,427	156,434
Warehouse receivable	142,300	106,790
Prepaid expenses	11,413	8,325
Deferred taxes, net	32,649	32,155
Other current assets	10,777	8,493
Total current assets	352,777	369,647
Property and equipment, net	64,928	68,451
Goodwill	583,213	609,543
Other intangible assets, net of accumulated amortization of $4,665 and $3,153 at June 30, 2002 and December 31, 2001, respectively	93,549	38,117
Cash surrender value of insurance policies, deferred compensation plan	63,975	69,385
Investments in and advances to unconsolidated subsidiaries	48,120	42,535
Deferred taxes, net	35,096	54,002
Prepaid pension costs	13,956	13,588
Other assets	96,309	94,085
Total assets	$ 1,351,923	$ 1,359,353
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 80,332	$ 82,982
Compensation and employee benefits payable	57,765	68,118
Accrued bonus and profit sharing	33,989	85,188
Income taxes payable	13,009	21,736
Short-term borrowings:		
Warehouse line of credit	142,300	106,790
Revolver and swingline credit facility	30,000	—
Other	49,193	48,828
Total short-term borrowings	221,493	155,618
Current maturities of long-term debt	10,231	10,223
Total current liabilities	416,819	423,865
Long-term debt:		
11¼% senior subordinated notes, net of unamortized discount of $3,163 and $3,263 at June 30, 2002 and December 31, 2001, respectively	225,837	225,737
Senior secured term loans	216,300	220,975
16% senior notes, net of unamortized discount of $5,230 and $5,344 at June 30, 2002 and December 31, 2001, respectively	60,420	59,656
Other long-term debt	12,725	15,695
Total long-term debt	515,282	522,063
Deferred compensation liability	100,034	105,104
Other liabilities	46,990	46,661
Total liabilities	1,079,125	1,097,693
Minority interest	4,608	4,296
Commitments and contingencies		
Stockholders' Equity:		
Class A common stock; $0.01 par value; 75,000,000 shares authorized; 1,759,361 and 1,730,601 shares issued and outstanding (including treasury shares) at June 30, 2002 and December 31, 2001, respectively	18	17
Class B common stock; $0.01 par value; 25,000,000 shares authorized; 12,649,813 shares issued and outstanding (including treasury shares) at June 30, 2002 and December 31, 2001	126	127
Additional paid-in capital	240,786	240,541
Notes receivable from sale of stock	(643)	(1,043)
Accumulated earnings	18,620	17,426
Accumulated other comprehensive income	10,608	296
Treasury stock at cost, 83,634 shares at June 30, 2002	(1,325)	—
Total stockholders' equity	268,190	257,364
Total liabilities and stockholders' equity	$ 1,351,923	$ 1,359,353

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

CBRE HOLDING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except share data)

Company	Company	Company	Company	Predecessor	Predecessor

	CBRE Holding, Inc. Three Months Ended June 30, 2002	CBRE Holding, Inc. Three Months Ended June 30, 2001	CBRE Holding, Inc. Six Months Ended June 30, 2002	CBRE Holding, Inc. February 20, 2001 (inception) through June 30, 2001	CB Richard Ellis Services, Inc. Three Months Ended June 30, 2001	CB Richard Ellis Services, Inc. Six Months Ended June 30, 2001
Revenue	$ 284,893	$ —	$ 508,883	$ —	$ 284,849	$ 557,347
Costs and expenses:						
Commissions, fees and other incentives	130,761	—	231,027	—	133,139	256,105
Operating, administrative and other	120,735	—	233,371	—	131,201	266,712
Depreciation and amortization	4,111	—	11,703	—	11,446	23,142
Merger-related and other nonrecurring charges	23	—	605	—	5,608	5,608
Operating income	29,263	—	32,177	—	3,455	5,780
Interest income	534	580	1,398	580	692	1,492
Interest expense	14,904	1,775	30,921	1,775	9,358	18,413
Income (loss) before provision (benefit) for income tax	14,893	(1,195)	2,654	(1,195)	(5,211)	(11,141)
Provision (benefit) for income tax	7,604	(465)	1,460	(465)	(3,690)	(6,774)
Net income (loss)	$ 7,289	$ (730)	$ 1,194	$ (730)	$ (1,521)	$ (4,367)
Basic income (loss) per share	$ 0.48	$ (11.45)	$ 0.08	$ (16.48)	$ (0.07)	$ (0.20)
Weighted average shares outstanding for basic income (loss) per share	15,034,616	63,801	15,042,584	44,323	21,328,247	21,318,949
Diluted income (loss) per share	$ 0.48	$ (11.45)	$ 0.08	$ (16.48)	$ (0.07)	$ (0.20)
Weighted average shares outstanding for diluted income (loss) per share	15,217,186	63,801	15,212,141	44,323	21,328,247	21,318,949

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

CBRE HOLDING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Company CBRE Holding, Inc. Six Months Ended June 30, 2002	Company CBRE Holding, Inc. February 20, 2001 (inception) through June 30, 2001	Predecessor CB Richard Ellis Services, Inc. Six Months Ended June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 1,194	$ (730)	$ (4,367)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization excluding deferred financing costs	11,703	—	23,142
Deferred compensation plan deferrals	5,043	—	15,127
Gain on sale of properties, businesses and servicing rights	(3,999)	—	(9,728)
Provision for doubtful accounts	2,325	—	2,981
Decrease in receivables	22,969	—	20,254
Increase in prepaid expenses and other assets	(5,422)	(8,814)	(4,257)
Decrease (increase) in cash surrender value of insurance policies, deferred compensation plan	5,410	—	(16,305)
Decrease in compensation and employee benefits and accrued bonus and profit sharing	(58,982)	—	(89,893)
(Decrease) increase in accounts payable and accrued expenses	(822)	9,486	(13,393)
Decrease in income taxes payable	(8,921)	—	(25,695)
Decrease in other liabilities	(10,393)	—	(6,732)
Net change in other operating assets and liabilities	(237)	58	1,612
Net cash used in operating activities	(40,132)	—	(107,254)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(5,363)	—	(14,628)
Proceeds from sale of properties, businesses and servicing rights	2,259	—	9,191
Purchase of investments	(371)	—	(5,484)
Acquisition of businesses including net assets acquired, intangibles and goodwill	(9,892)	—	(1,123)
Other investing activities, net	(2,843)	—	1,476
Net cash used in investing activities	(16,210)	—	(10,568)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from revolver and swingline credit facility	134,250	—	—
Repayment of revolver and swingline credit facility	(104,250)	—	—
(Repayment of) proceeds from senior notes and other loans, net	(6,329)	—	1,315
Repayment of senior secured term loans	(4,676)	—	—
Proceeds from issuance of senior subordinated notes	—	225,629	—
Proceeds from revolving credit facility	—	—	185,000
Repayment of revolving credit facility	—	—	(70,000)
Proceeds from issuance of common stock	180	3,870	—
Other financing activities, net	(1,265)	—	602

Net cash provided by financing activities	17,910	229,499	116,917
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,432)	229,499	(905)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	57,450	—	20,854
Effect of exchange rate changes on cash	(807)	—	(1,401)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 18,211	$ 229,499	$ 18,548
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (none capitalized)	$ 27,205	$ —	$ 17,202
Income taxes, net	$ 10,779	$ —	$ 18,719

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

CBRE HOLDING, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

CBRE Holding, Inc., a Delaware corporation, was incorporated on February 20, 2001 as Blum CB Holding Corporation. On March 26, 2001, Blum CB Holding Corporation changed its name to CBRE Holding, Inc. (the Company). The Company and its former wholly owned subsidiary, Blum CB Corporation (Blum CB), a Delaware corporation, were created to acquire all of the outstanding shares of CB Richard Ellis Services, Inc. (CBRE), an international real estate services firm. Prior to July 20, 2001, the Company was a wholly owned subsidiary of RCBA Strategic Partners, L.P. (RCBA Strategic), and is an affiliate of Richard C. Blum, a director of the Company and CBRE.

On July 20, 2001, the Company acquired CBRE (the merger) pursuant to an Amended and Restated Agreement and Plan of Merger, dated May 31, 2001, among the Company, CBRE and Blum CB. Blum CB was merged with and into CBRE, with CBRE being the surviving corporation. The operations of the Company after the merger are substantially the same as the operations of CBRE prior to the merger. In addition, the Company has no substantive operations other than its investment in CBRE.

2. New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *"Accounting for Asset Retirement Obligations."* This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of leases. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of its fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002, although earlier application is encouraged. The Company is currently evaluating the impact of the adoption of this statement on its results of operations and financial position.

In August 2001, the FASB issued SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets."* This statement supersedes SFAS No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of."* This statement establishes a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The adoption of SFAS No. 144 did not have a material impact on the Company's results of operations and financial position.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "*Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*." This Statement rescinds the following pronouncements:

- Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt;"
- Statement No. 44, "Accounting for Intangible Assets of Motor Carriers;" and
- Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements."

The statement amends Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have
economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative
pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions.

The provisions of this Statement related to the rescission of Statement No. 4 shall be applied in fiscal years beginning after May 15, 2002, with early application encouraged. The provisions of this Statement related to Statement No. 13 shall be effective for transactions occurring after May 15, 2002, with early application encouraged. All other provisions of this Statement shall be effective for financial statements on or after May 15, 2002, with early application encouraged. The Company is currently evaluating the impact of the adoption of this statement on its results of operations and financial position.

3. Basis of Preparation

The accompanying consolidated balance sheets as of June 30, 2002 and December 31, 2001, the consolidated statement of operations for the three months ended June 30, 2002, and the consolidated statements of operations and cash flows for the six months ended June 30, 2002, reflect the consolidated balance sheets, results of operations and cash flows of the Company and also include the consolidated financial statements of CBRE from the date of the merger which include all material adjustments required under the purchase method of accounting. In addition, in accordance with Regulation S-X, CBRE is considered the predecessor to the Company. As such, the historical financial statements of CBRE prior to the merger are included in the accompanying unaudited consolidated financial statements, including the consolidated statement of operations for the three and six months ended June 30, 2001 and the consolidated statement of cash flows for the six months ended June 30, 2001 (collectively "Predecessor financial statements"). The Predecessor financial statements have not been adjusted to reflect the acquisition of CBRE by the Company. As such, the consolidated financial statements of the Company after the merger are not directly comparable to the Predecessor financial statements prior to the merger.

Pro forma results of the Company assuming the merger had occurred as of January 1, 2001 are presented below. These pro forma results have been prepared for comparative purposes only and include certain adjustments, such as the elimination of amortization expense related to goodwill as a result of the implementation of SFAS No. 142, "*Goodwill and Other Intangible Assets*" and increased interest expense as a result of debt acquired to finance the merger. These pro forma results do not purport to be

indicative of what the operating results would have been, and may not be indicative of future operating results (in thousands, except per share amounts):

	Three Months Ended June 30 2001	Six Months Ended June 30 2001
Revenue	$ 284,849	$ 557,347
Operating income	$ 9,888	$ 15,954
Net loss	$ (809)	$ (5,299)
Basic loss per share	$ (0.05)	$ (0.35)
Diluted loss per share	$ (0.05)	$ (0.35)

The accompanying consolidated financial statements have been prepared in accordance with the rules applicable to Form 10-Q and include all information and footnotes required for interim financial statement presentation. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with generally accepted accounting principles 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 inter-company transactions and balances have been eliminated, and certain reclassifications have been made to prior periods' consolidated statements to conform to current period presentation. The results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2002. The consolidated financial statements and notes to the consolidated financial statements should be read in conjunction with the Company's recent filing on form 10-K, which contains the latest available audited consolidated financial statements and notes thereto, as of and for the period ended December 31, 2001.

4. Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141 "*Business Combinations,*" and SFAS No. 142, "*Goodwill and Other Intangible Assets.*" SFAS No. 141 replaces APB 16 and requires the use of the

purchase method of accounting for all business combinations initiated after June 30, 2001. It also provides guidance on purchase accounting related to the recognition of intangible assets. Under SFAS No. 142, goodwill and other intangible assets deemed to have indefinite useful lives are no longer amortized but are subject to impairment tests on an annual basis, at a minimum, or whenever events or circumstances occur indicating goodwill might be impaired. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with SFAS No. 121, "*Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of.*"

The Company adopted SFAS No. 141 for all business combinations completed after June 30, 2001. The Company fully adopted SFAS No. 142 effective January 1, 2002. The Company has identified its reporting units and has determined the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill and intangible assets, to those units.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. The Company obtained third party valuations that were finalized in June 2002, which indicated that there was no goodwill impairment as of January 1, 2002.

Had the Company accounted for goodwill consistent with the provisions of SFAS No. 142 in prior periods, the Company's net income (loss) would have been affected as follows (in thousands, except share data):

	Company CBRE Holding, Inc.	Company CBRE Holding, Inc.	Company CBRE Holding, Inc.	Company CBRE Holding Inc.	Predecessor CB Richard Ellis Services, Inc.	Predecessor CB Richard Ellis Services, Inc.
	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	February 20, 2001 (inception) through June 30, 2001	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
Reported net income (loss)	$ 7,289	$ (730)	$ 1,194	$ (730)	$ (1,521)	$ (4,367)
Add back amortization of goodwill, net of taxes	—	—	—	—	3,452	6,970
Adjusted net income (loss)	$ 7,289	$ (730)	$ 1,194	$ (730)	$ 1,931	$ 2,603
Basic earnings (loss) per share:						
Reported net income (loss) per share	$ 0.48	$ (11.45)	$ 0.08	$ (16.48)	$ (0.07)	$ (0.20)
Add back goodwill amortization per share	—	—	—	—	0.16	0.33
Adjusted basic earnings (loss) per share	$ 0.48	$ (11.45)	$ 0.08	$ (16.48)	$ 0.09	$ 0.13
Diluted earnings (loss) per share:						
Reported net income (loss) per share	$ 0.48	$ (11.45)	$ 0.08	$ (16.48)	$ (0.07)	$ (0.20)
Add back goodwill amortization per share	—	—	—	—	0.16	0.33
Adjusted diluted earnings (loss) per share	$ 0.48	$ (11.45)	$ 0.08	$ (16.48)	$ 0.09	$ 0.13

The Company is in the process of finalizing the fair value of all assets and liabilities as of the merger date. The changes in the carrying amount of goodwill for the six months ended June 30, 2002, are as follows (dollars in thousands):

	Americas (1)	Mortgage Banking	Investment Management (US)	United Kingdom	EMEA (2)	Asia Pacific	Total
Balance at January 1, 2002	$ 422,449	$ 76,219	$ 11,520	$ 85,244	$ 11,393	$ 2,718	$ 609,543
Reclassed (to) from intangible assets	(50,764)	(6,979)	(556)	3,617	—	—	(54,682)
Purchase accounting adjustments related to prior acquisitions	17,498	2,709	148	2,743	1,014	4,240	28,352
Balance at June 30, 2002	$ 389,183	$ 71,949	$ 11,112	$ 91,604	$ 12,407	$ 6,958	$ 583,213

(1) Excludes Mortgage Banking and Investment Management in the United States.
(2) Excludes United Kingdom.

Intangible assets totaled $93.5 million, net of accumulated amortization of $4.7 million, as of June 30, 2002 and are comprised of the following (dollars in thousands):

	As of June 30, 2002	
	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets		
Management contracts	$ 18,542	$ 3,335
Loan servicing rights	15,972	1,330
Total	$ 34,514	$ 4,665
Unamortizable intangible assets		
Trademark	$ 63,700	

The trademark was established as a result of the merger and has an indefinite life. The management contracts and loan servicing rights are amortized over useful lives ranging up to ten years. Amortization expense related to these intangible assets was $1.1 million for the six months ended June 30, 2002. The estimated amortization expense for the year ending December 31, 2002 and for the subsequent four years ending December 31, 2006 approximates $5.0 million, $5.0 million, $3.9 million, $3.4 million and $3.1 million, respectively.

5. Investments in and Advances to Unconsolidated Subsidiaries

Condensed Statements of Operations for the unconsolidated subsidiaries accounted for using the equity method are as follows (in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Revenue	$ 88,576	$ 66,380	$ 168,906	$ 136,029
Operating income	$ 23,344	$ 10,187	$ 40,549	$ 22,876
Net (loss) income	$ (3,771)	$ (15)	$ 9,456	$ 7,831

The Company's investment management business involves investing the Company's own capital in certain real estate investments with clients, including its equity investments in CB Richard Ellis Strategic Partners, L.P., CB Richard Ellis Corporate Partners, L.L.C. and other co-investments. The Company has provided investment management, property management, brokerage, appraisal and other professional services to these equity investees.

6. Debt

The Company has $229.0 million in aggregate principal amount of 11 ¼% Senior Subordinated Notes due June 15, 2011 (the Notes), which were issued and sold by Blum CB Corp. for approximately $225.6 million, net of discount, on June 7, 2001 and assumed by CBRE in connection with the merger. The Notes require semi-annual payments of interest in arrears on June 15 and December 15, commencing on December 15, 2001, and are redeemable in whole or in part on or after June 15, 2006 at 105.625% of par on that date and at declining prices thereafter. In addition, before June 15, 2004, the Company may redeem up to 35.0% of the originally issued amount of the Notes at 111 ¼% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, the Company is obligated to make an offer to purchase the Notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The Notes are fully and unconditionally guaranteed on a senior subordinated basis by the Company and CBRE's domestic subsidiaries. The effective yield on the Notes is 11.5%. The amount included in the accompanying unaudited consolidated balance sheets, net of unamortized discount, was $225.8 million at June 30, 2002.

The Company also entered into a $325.0 million Senior Credit Facility (the Credit Facility) with Credit Suisse First Boston (CSFB) and other lenders. The Credit Facility is jointly and severally guaranteed by the Company and its domestic subsidiaries and is secured by substantially all their assets. The Credit Facility includes the Tranche A term

facility of $50.0 million, maturing on July 20, 2007; the Tranche B term facility of $185.0 million, maturing on July 18, 2008; and the revolving line of credit of $90.0 million, including revolving credit loans, letters of credit and a swingline loan facility, maturing on July 20, 2007. Borrowings under the senior secured credit facilities will bear interest at varying rates based on the Company's option, at either LIBOR plus 2.50% to 3.25% or the alternate base rate plus 1.50% to 2.25% as determined by reference to the Company's ratio of total debt less available cash to EBITDA, as defined in the debt agreement, in the case of the Tranche A and the revolving facility, and LIBOR plus 3.75% or the alternate base rate plus 2.75%, in the case of the Tranche B facility. The alternate base rate is the higher of (1) CSFB's prime rate or (2) the Federal Funds Effective Rate plus one-half of one percent.

The Tranche A facility will fully amortize by July 20, 2007 through quarterly principal payments over 6 years, which total $7.5 million each year through June 30, 2003 and $8.75 million each year thereafter through July 20, 2007. The Tranche B facility requires quarterly principal payments of approximately $0.5 million, with the remaining outstanding principal due on July 18, 2008. The revolving line of credit requires the repayment of any outstanding balance for a period of 45 consecutive days commencing on any day as determined by the Company in the month of December of each year. The Company repaid its revolving credit facility as of December 1, 2001 and at June 30, 2002 had an outstanding line of credit of $30.0 million. The total amount outstanding under the credit facility included in senior secured term loans, current maturities of long-term debt and short-term borrowings in the accompanying consolidated balance sheets was $255.7 million at June 30, 2002.

The Company issued an aggregate principal amount of $65.0 million of 16.0% Senior Notes due on July 20, 2011
(the Senior Notes). The Senior Notes are unsecured obligations, senior to all current and future unsecured indebtedness, but subordinated to all current and future secured indebtedness of the Company. Interest accrues at a rate of 16.0% per year and is payable quarterly in cash in arrears. However, until July 2006, interest in excess of 12.0% may be paid in kind. Additionally, at any time, interest may be paid in kind to the extent CBRE's ability to pay cash dividends is restricted by the terms of the Credit Facility. The Company elected to pay in kind interest in excess of 12.0%, or 4.0% that was payable on April 20, 2002. The Senior Notes are redeemable at the Company's option, in whole or in part, at 116.0% of par commencing on July 20, 2001 and at declining prices thereafter. In the event of a change in control, the Company is obligated to make an offer to purchase all of the outstanding Senior Notes at 101.0% of par. The total amount included in the accompanying consolidated balance sheets was $60.4 million, net of unamortized discount, at June 30, 2002.

The Senior Notes are solely the Company's obligation to repay. CBRE has neither guaranteed nor pledged any of its assets as collateral for the Senior Notes, and is not obligated to provide cashflow to the Company for repayment of these Senior Notes. However, the Company has no substantive assets or operations other than its investment in CBRE to meet any required principal and interest payments on the Senior Notes. The Company will depend on CBRE's cash flows to fund principal and interest payments as they come due.

The Notes, the Credit Facility and the Senior Notes all contain numerous restrictive covenants that, among other things, limit the Company's ability to incur additional indebtedness, pay dividends or distributions to stockholders or repurchase capital stock or debt, make investments, sell assets or subsidiary stock, engage in transactions with affiliates, issue subsidiary equity and enter into consolidations or mergers. The debt agreements require the Company to maintain certain minimum levels of net worth, a minimum coverage ratio of interest and certain fixed charges and a maximum leverage and senior leverage ratio of earnings before interest, taxes, depreciation and amortization to funded debt (all as defined in the agreements). The agreements also restrict the payment of cash dividends. The Credit Facility requires the Company to pay a facility fee based on the total amount of the unused commitment.

The Company has short-tem borrowings of $221.5 million and $155.6 million with related weighted average interest rates of 4.2% and 4.5% as of June 30, 2002 and December 31, 2001, respectively.

A subsidiary of the Company has a credit agreement with Residential Funding Corporation (RFC). The credit agreement provides for a revolving line of credit of up to $350.0 million through February 28, 2002, and $150.0 million for the period from March 1, 2002 through August 31, 2002, and bears interest at 1.0% over the RFC base rate. The agreement expires on August 31, 2002. On April 20, 2002, the Company obtained a temporary line of credit increase of $210.0 million, which resulted in a total line of credit equaling $360.0 million, which expired on July 31, 2002. On August 1, 2002, the Company obtained another temporary line of credit increase of $20.0 million, resulting in a total line

of credit equaling $170.0 million, which expires on August 31, 2002. During the quarter ended June 30, 2002, the Company had a maximum of $309.2 million revolving line of credit principal outstanding. At June 30, 2002, the Company had a $142.3 million warehouse line of credit outstanding, which is included in short-term borrowings in the accompanying consolidated balance sheets. The Company also had a $142.3 million warehouse receivable.

During 2001, the Company incurred certain non recourse debt through a joint venture in order to purchase property that is held for sale. In February 2002, the maturity date on this non recourse debt was extended to September 18, 2002.

7. Commitments and Contingencies

The Company is a party to a number of pending or threatened lawsuits arising out of, or incident to, its ordinary course of business. 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 the Company's own capital in certain real estate investments with its clients. As of June 30, 2002, the Company had committed an additional $29.7 million to fund future co-investments.

8. Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments. Foreign currency translation adjustments exclude income tax expense (benefit) given that the earnings of non-US subsidiaries are deemed to be reinvested for an indefinite period of time.

The following table provides a summary of the comprehensive income (loss) (dollars in thousands):

	Company CBRE Holding, Inc.	Company CBRE Holding, Inc.	Predecessor CB Richard Ellis Services, Inc.
	Six Months Ended June 30, 2002	February 20, 2001 (inception) through June 30, 2001	Six Months Ended June 30, 2001
Net income (loss)	$ 1,194	$ (730)	$ (4,367)
Foreign currency translation gain (loss)	10,312	—	(7,070)
Comprehensive income (loss)	$ 11,506	$ (730)	$ (11,437)

9. Per Share Information

Basic income (loss) per share was computed by dividing the net income (loss) by the weighted average number of common shares outstanding of 15,034,616 and 63,801 for the three months ending June 30, 2002 and 2001, respectively, and 15,042,584 and 44,323 for the six months ended June 30, 2002 and for the period from February 20, 2001 (inception) to June 30, 2001, respectively. Diluted income per share for the three and six months ended June 30, 2002 included the dilutive effect of contingently issuable shares of 182,570 and 169,557, respectively. As of June 30, 2001, the Company had no common stock equivalents outstanding.

Basic loss per share for CBRE was computed by dividing the net loss by the weighted average number of common shares outstanding of 21,328,247 and 21,318,949 for the three and six months ended June 30, 2001, respectively. As a result of operating losses incurred for the three and six months ended June 30, 2001, diluted weighted average shares
outstanding do not give effect to common stock equivalents, as to do so would be anti-dilutive.

Due to the change in equity structure as a result of the merger, the current year per share information is not comparable to that of the prior year.

10. Fiduciary Funds

The consolidated balance sheets do not include the net assets of escrow, agency and fiduciary funds, which amounted to $413.0 million and $373.2 million at June 30,

2002 and December 31, 2001, respectively.

11. Guarantor and Nonguarantor Financial Statements

In connection with the merger with Blum CB, and as part of the financing of the merger, CBRE assumed an aggregate of $229.0 million in Senior Subordinated Notes due June 15, 2011. These Notes are unsecured and rank equally in right of payment with any of the Company's future senior subordinated unsecured indebtedness. The Notes are effectively subordinated to indebtedness and other liabilities of the Company's subsidiaries that are not guarantors of the Notes. The Notes are guaranteed on a full, unconditional, joint and several basis by the Company, CBRE and CBRE's wholly-owned domestic subsidiaries.

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of June 30, 2002 and December 31, 2001; condensed consolidating statements of operations for the three and six months ended June 30, 2002 and 2001, and the period from February 20, 2001 (inception) through June 30, 2001 and condensed consolidating statements of cash flows for the six months ended June 30, 2002 and 2001 and the period from February 20, 2001 (inception) through June 30, 2001 of (a) Holding, the parent, (b) CBRE, which is the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) the Company on a consolidated basis; and (2) Elimination entries necessary to consolidate CBRE Holding, Inc., the parent, with CBRE and its guarantor and nonguarantor subsidiaries.

Investments in consolidated subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in consolidated subsidiaries and inter-company balances and transactions.

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2002
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 216	$ 142	$ 11,255	$ 6,598	$ —	$ 18,211
Receivables, less allowance for doubtful accounts	29	29	57,938	79,431	—	137,427
Warehouse receivable	—	—	142,300	—	—	142,300
Prepaid and other current assets	32,649	17,913	8,709	11,490	(15,922)	54,839
Total current assets	32,894	18,084	220,202	97,519	(15,922)	352,777
Property and equipment, net	—	—	49,003	15,925	—	64,928
Goodwill	—	—	454,253	128,960	—	583,213
Other intangible assets, net	—	—	90,405	3,144	—	93,549
Cash surrender value of insurance policies, deferred compensation plan	—	63,975	—	—	—	63,975
Investment in and advances to unconsolidated subsidiaries	—	4,472	39,390	4,258	—	48,120
Investment in consolidated subsidiaries	301,549	294,902	86,928	—	(683,379)	—
Inter-company loan receivable	—	484,156	—	—	(484,156)	—
Deferred taxes, net	35,096	—	—	—	—	35,096
Prepaid pension costs	—	—	—	13,956	—	13,956
Other assets	6,874	22,542	16,219	50,674	—	96,309
Total assets	$ 376,413	$ 888,131	$ 956,400	$ 314,436	$ (1,183,457)	$ 1,351,923
Current Liabilities:						
Accounts payable and accrued expenses	$ 2,042	$ 4,873	$ 32,643	$ 40,774	$ —	$ 80,332
Inter-company payable	15,922	—	—	—	(15,922)	—
Compensation and employee benefits payable	—	—	37,950	19,815	—	57,765
Accrued bonus and profit sharing	—	—	18,696	15,293	—	33,989
Income taxes payable	13,009	—	—	—	—	13,009
Short-term borrowings:						
Warehouse line of credit	—	—	142,300	—	—	142,300
Revolving credit and swingline facility	—	30,000	—	—	—	30,000
Other	—	188	316	48,689	—	49,193
Total short-term borrowings	—	30,188	142,616	48,689	—	221,493
Current maturities of long-term debt	—	9,350	49	832	—	10,231
Total current liabilities	30,973	44,411	231,954	125,403	(15,922)	416,819
Long-term debt:						
11¼% senior subordinated notes, net of unamortized discount	—	225,837	—	—	—	225,837
Senior secured term loans	—	216,300	—	—	—	216,300
16% senior notes, net of unamortized discount	60,420	—	—	—	—	60,420
Other long-term debt	—	—	12,324	401	—	12,725
Inter-company loan payable	—	—	401,327	82,829	(484,156)	—
Total long-term debt	60,420	442,137	413,651	83,230	(484,156)	515,282
Deferred compensation liability	—	100,034	—	—	—	100,034
Other liabilities	16,830	—	15,893	14,267	—	46,990
Total liabilities	108,223	586,582	661,498	222,900	(500,078)	1,079,125
Minority interest	—	—	—	4,608	—	4,608
Commitments and contingencies						
Stockholders' Equity	268,190	301,549	294,902	86,928	(683,379)	268,190

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Total liabilities and stockholders' equity	$ 376,413	$ 888,131	$ 956,400	$ 314,436	$ (1,183,457)	$ 1,351,923

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2001
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 3	$ 931	$ 42,204	$ 14,312	$ —	$ 57,450
Receivables, less allowance for doubtful accounts	47	71	70,343	85,973	—	156,434
Warehouse receivable	—	—	106,790	—	—	106,790
Prepaid and other current assets	32,155	12,465	6,321	8,353	(10,321)	48,973
Total current assets	32,205	13,467	225,658	108,638	(10,321)	369,647
Property and equipment, net	—	—	51,314	17,137	—	68,451
Goodwill	—	197,748	208,432	203,363	—	609,543
Other intangible assets, net	—	—	31,219	6,898	—	38,117
Cash surrender value of insurance policies, deferred compensation plan	—	69,385	—	—	—	69,385
Investment in and advances to unconsolidated subsidiaries	—	4,132	34,296	4,107	—	42,535
Investment in consolidated subsidiaries	274,402	65,690	168,974	—	(509,066)	—
Inter-company loan receivable	—	465,173	—	—	(465,173)	—
Deferred taxes, net	54,002	—	—	—	—	54,002
Prepaid pension costs	—	—	—	13,588	—	13,588
Other assets	7,320	24,387	14,739	47,639	—	94,085
Total assets	$ 367,929	$ 839,982	$ 734,632	$ 401,370	$ (984,560)	$ 1,359,353
Current Liabilities:						
Accounts payable and accrued expenses	$ 2,022	$ 4,236	$ 37,325	$ 39,399	$ —	$ 82,982
Inter-company payable	10,321	—	—	—	(10,321)	—
Compensation and employee benefits payable	—	—	44,192	23,926	—	68,118
Accrued bonus and profit sharing	—	—	56,821	28,367	—	85,188
Income taxes payable	21,736	—	—	—	—	21,736
Short-term borrowings:						
Warehouse line of credit	—	—	106,790	—	—	106,790
Other	—	178	309	48,341	—	48,828
Total short-term borrowings	—	178	107,099	48,341	—	155,618
Current maturities of long-term debt	—	9,350	129	744	—	10,223
Total current liabilities	34,079	13,764	245,566	140,777	(10,321)	423,865
Long-term debt:						
11¼% senior subordinated notes, net of unamortized discount	—	225,737	—	—	—	225,737
Senior secured term loans	—	220,975	—	—	—	220,975
16% senior notes, net of unamortized discount	59,656	—	—	—	—	59,656
Other long-term debt	—	—	14,974	721	—	15,695
Inter-company loan payable	—	—	393,827	71,346	(465,173)	—
Total long-term debt	59,656	446,712	408,801	72,067	(465,173)	522,063
Deferred compensation liability	—	105,104	—	—	—	105,104
Other liabilities	16,830	—	14,575	15,256	—	46,661
Total liabilities	110,565	565,580	668,942	228,100	(475,494)	1,097,693
Minority interest	—	—	—	4,296	—	4,296
Commitments and contingencies						
Stockholders' Equity	257,364	274,402	65,690	168,974	(509,066)	257,364
Total liabilities and stockholders' equity	$ 367,929	$ 839,982	$ 734,632	$ 401,370	$ (984,560)	$ 1,359,353

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2002
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ 205,051	$ 79,842	$ —	$ 284,893
Costs and expenses:						
Commissions, fees and other incentives	—	—	97,778	32,983	—	130,761
Operating, administrative and other	140	1,031	85,682	33,882	—	120,735
Depreciation and amortization	—	—	2,446	1,665	—	4,111

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Merger-related and other nonrecurring charges	—	23	—	—	—	23
Operating (loss) income	(140)	(1,054)	19,145	11,312	—	29,263
Interest income	40	13,250	297	168	(13,221)	534
Interest expense	2,821	10,943	12,279	2,082	(13,221)	14,904
Equity income of consolidated subsidiaries	9,499	9,240	5,448	—	(24,187)	—
Income before (benefit) provision for income tax	6,578	10,493	12,611	9,398	(24,187)	14,893
(Benefit) provision for income tax	(711)	994	3,371	3,950	—	7,604
Net income	$ 7,289	$ 9,499	$ 9,240	$ 5,448	$ (24,187)	$ 7,289

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2001
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ —	$ —	$ —	$ —
Costs and expenses:						
Commissions, fees and other incentives	—	—	—	—	—	—
Operating, administrative and other	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Operating income	—	—	—	—	—	—
Interest income	580	—	—	—	—	580
Interest expense	1,775	—	—	—	—	1,775
Equity income of consolidated subsidiaries	—	—	—	—	—	—
Loss before benefit for income tax	(1,195)	—	—	—	—	(1,195)
Benefit for income tax	(465)	—	—	—	—	(465)
Net loss	$ (730)	$ —	$ —	$ —	$ —	$ (730)

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ 373,611	$ 135,272	$ —	$ 508,883
Costs and expenses:						
Commissions, fees and other incentives	—	—	169,433	61,594	—	231,027
Operating, administrative and other	240	3,242	165,566	64,323	—	233,371
Depreciation and amortization	—	—	7,647	4,056	—	11,703
Merger-related and other nonrecurring charges	—	605	—	—	—	605
Operating (loss) income	(240)	(3,847)	30,965	5,299	—	32,177
Interest income	85	23,065	1,000	254	(23,006)	1,398
Interest expense	5,615	21,410	21,634	5,268	(23,006)	30,921
Equity income of consolidated subsidiaries	4,288	5,869	163	—	(10,320)	—
(Loss) income before (benefit) provision for income tax	(1,482)	3,677	10,494	285	(10,320)	2,654
(Benefit) provision for income tax	(2,676)	(611)	4,625	122	—	1,460
Net income	$ 1,194	$ 4,288	$ 5,869	$ 163	$ (10,320)	$ 1,194

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 20, 2001 (INCEPTION) THROUGH JUNE 30, 2001
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ —	$ —	$ —	$ —
Costs and expenses:						
Commissions, fees and other incentives	—	—	—	—	—	—
Operating, administrative and other	—	—	—	—	—	—
Depreciation and amortization	—	—	—	—	—	—
Operating income	—	—	—	—	—	—
Interest income	580	—	—	—	—	580
Interest expense	1,775	—	—	—	—	1,775
Equity income of consolidated subsidiaries	—	—	—	—	—	—
Loss before benefit for income tax	(1,195)	—	—	—	—	(1,195)
Benefit for income tax	(465)	—	—	—	—	(465)
Net loss	$ (730)	$ —	$ —	$ —	$ —	$ (730)

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2001
(Unaudited)
(Dollars in thousands)
(Predecessor)

	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ 216,877	$ 67,972	$ —	$ 284,849
Costs and expenses:					
Commissions, fees and other incentives	—	105,602	27,537	—	133,139
Operating, administrative and other	558	93,747	36,896	—	131,201
Depreciation and amortization	—	7,518	3,928	—	11,446
Merger-related and other nonrecurring charges	2,741	2,867	—	—	5,608
Operating (loss) income	(3,299)	7,143	(389)	—	3,455
Interest income	7,803	494	198	(7,803)	692
Interest expense	8,500	6,820	1,841	(7,803)	9,358
Equity income of consolidated subsidiaries	1,125	1,293	—	(2,418)	—
(Loss) income before (benefit) provision for income tax	(2,871)	2,110	(2,032)	(2,418)	(5,211)
(Benefit) provision for income tax	(1,350)	985	(3,325)	—	(3,690)
Net (loss) income	$ (1,521)	$ 1,125	$ 1,293	$ (2,418)	$ (1,521)

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(Unaudited)
(Dollars in thousands)
(Predecessor)

	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ 427,886	$ 129,461	$ —	$ 557,347
Costs and expenses:					
Commissions, fees and other incentives	—	199,736	56,369	—	256,105
Operating, administrative and other	137	193,819	72,756	—	266,712
Depreciation and amortization	—	15,369	7,773	—	23,142
Merger-related and other nonrecurring charges	2,741	2,867			5,608
Operating (loss) income	(2,878)	16,095	(7,437)	—	5,780
Interest income	14,896	932	560	(14,896)	1,492
Interest expense	16,352	13,287	3,670	(14,896)	18,413
Equity losses of consolidated subsidiaries	(1,523)	(3,067)	—	4,590	—
(Loss) income before (benefit) provision for income tax	(5,857)	673	(10,547)	4,590	(11,141)
(Benefit) provision for income tax	(1,490)	2,196	(7,480)	—	(6,774)
Net loss	$ (4,367)	$ (1,523)	$ (3,067)	$ 4,590	$ (4,367)

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 1,055	$ (3,332)	$ (26,271)	$ (11,584)	$ (40,132)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	—	(4,002)	(1,361)	(5,363)
Proceeds from sale of properties, businesses and servicing rights	—	—	897	1,362	2,259
Acquisition of businesses including net assets acquired, intangibles and goodwill	—	(10,334)	442	—	(9,892)
Other investing activities, net	—	—	(3,128)	(86)	(3,214)
Net cash used in investing activities	—	(10,334)	(5,791)	(85)	(16,210)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolver and swingline credit facility	—	134,250	—	—	134,250
Repayment of revolver and swingline credit facility	—	(104,250)	—	—	(104,250)
Repayment of senior notes and other loans, net	—	—	(2,634)	(3,695)	(6,329)
Repayment of senior secured term loans	—	(4,676)	—	—	(4,676)
(Increase) decrease in intercompany receivables, net	—	(12,296)	3,827	8,469	—
Other financing activities, net	(842)	(151)	(80)	(12)	(1,085)

Net cash (used in) provided by financing activities	(842)	12,877	1,113	4,762	17,910
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	213	(789)	(30,949)	(6,907)	(38,432)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	3	931	42,204	14,312	57,450
Effect of exchange rate changes on cash	—	—	—	(807)	(807)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 216	$ 142	$ 11,255	$ 6,598	$ 18,211
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest (none capitalized)	$ 4,550	$ 18,945	$ 895	$ 2,815	$ 27,205
Income taxes, net	$ 10,779	$ —	$ —	$ —	$ 10,779

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM FEBRUARY 20 (INCEPTION) THROUGH JUNE 30, 2001
(Unaudited)
(Dollars in thousands)
(Company)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of senior subordinated notes	225,629	—	—	—	225,629
Proceeds from issuance of common stock	3,870	—	—	—	3,870
Net cash provided by financing activities	229,499	—	—	—	229,499
NET INCREASE IN CASH AND CASH EQUIVALENTS	229,499	—	—	—	229,499
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	—	—	—	—	—
Effect of exchange rate changes on cash	—	—	—	—	—
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 229,499	$ —	$ —	$ —	$ 229,499
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest (none capitalized)	$ —	$ —	$ —	$ —	$ —
Income taxes, net	$ —	$ —	$ —	$ —	$ —

CBRE HOLDING, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(Unaudited)
(Dollars in thousands)
(Predecessor)

	CBRE	Guarantor Subsidiariess	Nonguarantor Subsidiarie	Consolidated Total
CASH FLOWS USED IN OPERATING ACTIVITIES:	$ (33,725)	$ (49,756)	$ (23,773)	$ (107,254)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	—	(11,441)	(3,187)	(14,628)
Proceeds from sale of properties, businesses and servicing rights	—	8,763	428	9,191
Purchases of investments	—	(2,500)	(2,984)	(5,484)
Other investing activities, net	209	195	(51)	353
Net cash provided by (used in) investing activities.	209	(4,983)	(5,794)	(10,568)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from revolving credit facility	185,000	—	—	185,000
Repayment of revolving credit facility	(70,000)	—	—	(70,000)
(Increase) decrease in intercompany receivables, net	(81,454)	58,702	22,752	—
Other financing activities, net	136	(1,721)	3,502	1,917
Net cash provided by financing activities	33,682	56,981	26,254	116,917
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166	2,242	(3,313)	(905)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	62	7,558	13,234	20,854
Effect of exchange rate changes on cash	—	—	(1,401)	(1,401)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 228	$ 9,800	$ 8,520	$ 18,548
SUPPLEMENTAL DATA:				
Cash paid during the period for:				
Interest (none capitalized)	$ 16,131	$ 997	$ 74	$ 17,202
Income taxes, net	$ 18,719	$ —	$ —	$ 18,719

12. Industry Segments

In the third quarter of 2001, subsequent to the merger transaction, the Company reorganized its business segments as part of its efforts to reduce costs and streamline its operations. The Company reports its operations through three geographically organized segments: (1) The Americas, (2) Europe, Middle East, and Africa (EMEA) and (3) Asia Pacific. The Americas consist of the United States, Canada, Mexico, and operations located in Central and South America. EMEA mainly consists of Europe, while Asia Pacific includes the operations in Asia, Australia and New Zealand. Previously, the Company reported its segments based on the applicable type of revenue transaction. The Americas' prior year results include a nonrecurring pre-tax gain of $5.6 million from the sale of mortgage fund contracts in the first quarter of 2001. The following table summarizes the revenue and operating income (loss) by operating segment (dollars in thousands):

	Company CBRE Holding, Inc.	Company CBRE Holding, Inc.	Company CBRE Holding, Inc.	Company CBRE Holding, Inc.	Predecessor CB Richard Ellis Services, Inc.	Predecessor CB Richard Ellis Services, Inc.
	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	February 20, 2001 (inception) through June 30, 2001	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
Revenue						
Americas	$ 215,908	$ —	$ 394,521	$ —	$ 225,914	$ 448,427
EMEA	43,298	—	73,371	—	37,528	70,808
Asia Pacific	25,687	—	40,991	—	21,407	38,112
	$ 284,893	$ —	$ 508,883	$ —	$ 284,849	$ 557,347
Operating income (loss)						
Americas	$ 18,473	$ —	$ 26,620	$ —	$ 1,848	$ 10,625
EMEA	4,950	—	1,936	—	1,245	(1,993)
Asia Pacific	5,840	—	3,621	—	362	(2,852)
	$ 29,263	$ —	$ 32,177	$ —	$ 3,455	$ 5,780
Interest income	534	580	1,398	580	692	1,492
Interest expense	14,904	1,775	30,921	1,775	9,358	18,413
Income (loss) before provision (benefit) for income tax	$ 14,893	$ (1,195)	$ 2,654	$ (1,195)	$ (5,211)	$ (11,141)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction - -

On July 20, 2001, the Company acquired CB Richard Ellis Services, Inc. (CBRE), (the merger), pursuant to an Amended and Restated Agreement and Plan of Merger, dated May 31, 2001 among the Company, CBRE and Blum CB Corp. (Blum CB), a wholly owned subsidiary of the Company. Blum CB was merged with and into CBRE, with CBRE being the surviving corporation. At the effective time of the merger, CBRE became a wholly owned subsidiary of the Company.

The results of operations of the Company for the quarter ended June 30, 2001 have been derived by combining the results of operations of the Company for the quarter ended June 30, 2001 with the results of CBRE, prior to the merger, for the quarter ended June 30, 2001. The results of operations for the six months ended June 30, 2001 reflect the combination of the results of operations of the Company for the period February 20, 2001 (inception) to June 30, 2001 with the results of operations for CBRE, prior to the merger, for the six months ended June 30, 2001. The results of operations and cash flows of CBRE prior to the merger incorporated in this discussion are the historical results and cash flows of CBRE, the predecessor to the Company. These CBRE results do not reflect any purchase accounting adjustments which are included in the results of the Company subsequent to the merger. Due to the effects of purchase accounting applied as a result of the merger and the additional interest expense associated with the debt incurred to finance the merger, the results of operations of the Company may not be comparable in all respects to the results of operations for CBRE prior to the merger. However, the Company's management believes a discussion of the operations is more meaningful by comparing the results of the Company with the results of CBRE.

Management's discussion and analysis of financial condition, results of operations, liquidity and capital resources contained within this report on Form 10-Q is more clearly understood when read in conjunction with the Notes to the Consolidated Financial Statements. The Notes to the Consolidated Financial Statements elaborate on certain terms that are used throughout this discussion and provide information about the Company and the basis of presentation used in this report on Form 10-Q.

Three Months Ended June 30, 2002 Compared to the Three Months Ended June 30, 2001

The Company reported a consolidated net income of $7.3 million for the three months ended June 30, 2002, on revenue of $284.9 million compared to a consolidated net loss of $2.3 million on revenue of $284.8 million for the three months ended June 30, 2001.

Revenue on a consolidated basis for the three months ended June 30, 2002 was comparable to the three months ended June 30, 2001. Increases of $13.8 million in sales revenue and $4.4 million in investment management fees worldwide were offset by a $17.5 million decline in lease revenue in the Company's Americas and Asian operations.

Commissions, fees and other incentives on a consolidated basis totaled $130.8 million, a decrease of $2.4 million or 1.8% from the second quarter of 2001. Lower lease revenue in the Company's Americas division caused the decline in variable commissions. This decline was offset by increased producer compensation within the international operations. Commissions, fees and other incentives as a percentage of revenue decreased slightly to 45.9% in the current quarter, compared to 46.7% in the prior year quarter.

Operating, administrative and other on a consolidated basis was $120.7 million, a decrease of $10.5 million or 8.0% for the three months ended June 30, 2002 as compared to the second quarter of the prior year. This decrease was a result of cost cutting measures and operational efficiencies initiated in May 2001. An organizational restructuring was also implemented after the merger transaction was completed that included the reduction of administrative staff in corporate and divisional headquarters and the scaling back of unprofitable operations.

Depreciation and amortization expense on a consolidated basis decreased by $7.3 million or 64.1% mainly due to the discontinuation of goodwill amortization after the merger, in accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets."* The current quarter also included a one-time reduction of amortization expense of $2.0 million arising from the adjustment of certain intangible assets to their estimated fair values as of the acquisition date as determined by independent third party appraisers.

The three months ended June 30, 2001 included merger-related and other nonrecurring charges on a consolidated basis of $5.6 million. These costs primarily consisted of merger-related costs of $1.3 million, the write-off of an e-business investment of $2.9 million, as well as severance costs of $1.4 million related to the Company's cost reduction program implemented in May 2001.

Consolidated interest expense was $14.9 million, an increase of $3.8 million or 33.9% for the three months ended June 30, 2002, as compared to the three months ended June 30, 2001. This was primarily attributable to the Company's change in debt structure as a result of the merger.

Income tax expense on a consolidated basis was $7.6 million for the three months ended June 30, 2002 as compared to an income tax benefit of $4.2 million for the three months ended June 30, 2001. The income tax provision (benefit) and effective tax rate were not comparable between periods due to the effects of the merger and the adoption of SFAS No. 142, which includes the elimination of the amortization of goodwill created under such merger transactions.

Six Months Ended June 30, 2002 Compared to the Six Months Ended June 30, 2001

The Company reported a consolidated net income of $1.2 million for the six months ended June 30, 2002 on revenue of $508.9 million compared to a consolidated net loss of $5.1 million on revenue of $557.3 million for the six months ended June 30, 2001.

Revenue on a consolidated basis decreased by $48.5 million or 8.7% during the six months ended June 30, 2002 as compared to the six months ended June 30, 2001. This decline was mainly driven by a $48.2 million decrease in worldwide lease revenue during the current year. Other revenue also decreased by $6.3 million, attributable primarily to the sale of mortgage fund contracts in March 2001. These decreases were partially offset by higher investment management fees in Asia and North America.

Commissions, fees and other incentives on a consolidated basis totaled $231.0 million for the six months ended June 30, 2002, a decrease of $25.1 million or 9.8% from the six months ended June 30, 2001. This decrease was primarily due to lower variable commission expense, principally in North America, driven by lower lease revenue. This was slightly offset by higher producer compensation within the international operations. Commissions, fees and other incentives as a percentage of revenue decreased slightly to 45.4% in the current year, compared to 46.0% in the prior year.

Operating, administrative and other on a consolidated basis was $233.4 million for the six months ended June 30, 2002, a decrease of $33.3 million or 12.5% as compared to the six months ended June 30, 2001. This decrease was due to cost cutting measures and operational efficiencies initiated in May 2001. An organizational restructure was also implemented after the merger transaction was completed that included the reduction of administrative staff in corporate and divisional headquarters and the scaling back of unprofitable operations.

Depreciation and amortization expense on a consolidated basis decreased by $11.4 million or 49.4% mainly due to the discontinuation of goodwill amortization after the merger, in accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets."* The six months ended June 30, 2002 also included a one-time reduction of amortization expense of $2.0 million arising from the adjustment of certain intangible assets to their estimated fair values as of the acquisition date as determined by independent third party appraisers.

The six months ended June 30, 2001 included merger-related and other nonrecurring charges on a consolidated basis of $5.6 million. These costs primarily consisted of merger-related costs of $1.3 million, the write-off of an e-business investment of $2.9 million, as well as severance costs of $1.4 million related to the Company's cost reduction program implemented in May 2001.

Consolidated interest expense was $30.9 million, an increase of $10.7 million or 53.2% over the six months ended June 30, 2001. This was primarily attributable to the Company's change in debt structure as a result of the merger.

Income tax expense on a consolidated basis was $1.5 million for the six months ended June 30, 2002 as compared to an income tax benefit of $7.2 million for the six months ended June 30, 2001. The income tax provision (benefit) and effective tax rate were not comparable between periods due to the effects of the merger and the adoption of SFAS No. 142, which includes the elimination of the amortization of goodwill created under such merger transactions.

Segment Operations

In the third quarter of 2001, subsequent to the merger transaction, the Company reorganized its business segments as part of its efforts to reduce costs and streamline its operations. The Company now conducts and reports its operations through three geographically organized segments: (1) The Americas, (2) Europe, Middle East and Africa (EMEA), and (3) Asia Pacific. The Americas consist of the United States (US), Canada, Mexico and operations located in Central and South America. EMEA mainly consists of Europe, while Asia Pacific includes the operations in Asia, Australia and New Zealand. The Americas' prior year results include a nonrecurring pre-tax gain of $5.6 million from the sale of mortgage fund contracts in the first quarter of 2001. The following unaudited table summarizes the revenue, cost and expenses, and operating income (loss) by operating segment for the periods ended June 30, 2002 and 2001 (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Americas				
Revenue	$ 215,908	$ 225,914	$ 394,521	$ 448,427
Costs and expenses:				
Commissions, fees and other incentives	103,643	110,431	181,254	210,753
Operating, administrative and other	91,053	99,975	177,835	204,994
Depreciation and amortization	2,716	8,052	8,207	16,447
Merger-related and other nonrecurring charges	23	5,608	605	5,608
Operating income	$ 18,473	$ 1,848	$ 26,620	$ 10,625
EBITDA, excluding merger-related and other nonrecurring charges	$ 21,212	$ 15,508	$ 35,432	$ 32,680
EBITDA, excluding merger-related and other nonrecurring charges, margin.	9.8%	6.9%	9.0%	7.3%
EMEA				
Revenue	$ 43,298	$ 37,528	$ 73,371	$ 70,808
Costs and expenses:				
Commissions, fees and other incentives	16,615	14,014	31,131	28,401
Operating, administrative and other	20,872	20,092	38,330	40,121
Depreciation and amortization	861	2,177	1,974	4,279

Operating income (loss)	$ 4,950	$ 1,245	$ 1,936	$ (1,993)
EBITDA, excluding merger-related and other nonrecurring charges	$ 5,811	$ 3,422	$ 3,910	$ 2,286
EBITDA, excluding merger-related and other nonrecurring charges, margin	13.4%	9.1%	5.3%	3.2%
Asia Pacific				
Revenue	$ 25,687	$ 21,407	$ 40,991	$ 38,112
Costs and expenses:				
Commissions, fees and other incentives	10,503	8,694	18,642	16,951
Operating, administrative and other	8,810	11,134	17,206	21,597
Depreciation and amortization	534	1,217	1,522	2,416
Operating income (loss)	$ 5,840	$ 362	$ 3,621	$ (2,852)
EBITDA, excluding merger-related and other nonrecurring charges	$ 6,374	$ 1,579	$ 5,143	$ (436)
EBITDA, excluding merger-related and other nonrecurring charges, margin	24.8%	7.4%	12.5%	-1.1%
Total operating income	$ 29,263	$ 3,455	$ 32,177	$ 5,780
Total EBITDA, excluding merger-related and other nonrecurring charges	$ 33,397	$ 20,509	$ 44,485	$ 34,530

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization of intangible assets relating to acquisitions, merger-related and other nonrecurring charges. Management believes that the presentation of EBITDA will enhance a reader's understanding of the Company's 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 the Company to service its debt and for other required or discretionary purposes. Additionally, many of the Company's debt covenants are based upon EBITDA. Net cash that will be available to the Company for discretionary purposes represents remaining cash after debt service and other cash requirements, such as capital expenditures, are deducted from EBITDA. EBITDA should not be considered as an alternative to (i) operating income determined in accordance with accounting principles generally accepted in the US or (ii) operating cash flow determined in accordance with accounting principles generally accepted in the US. The Company's 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 (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Americas				
Operating income	$ 18,473	$ 1,848	$ 26,620	$ 10,625
Add:				
Depreciation and amortization	2,716	8,052	8,207	16,447
Merger-related and other nonrecurring charges	23	5,608	605	5,608
EBITDA, excluding merger-related and other nonrecurring charges	$ 21,212	$ 15,508	$ 35,432	$ 32,680
EMEA				
Operating income (loss)	$ 4,950	$ 1,245	$ 1,936	$ (1,993)
Add:				
Depreciation and amortization	861	2,177	1,974	4,279
EBITDA, excluding merger-related and other nonrecurring charges	$ 5,811	$ 3,422	$ 3,910	$ 2,286
Asia Pacific				
Operating income (loss)	$ 5,840	$ 362	$ 3,621	$ (2,852)
Add:				
Depreciation and amortization	534	1,217	1,522	2,416
EBITDA, excluding merger-related and other nonrecurring charges	$ 6,374	$ 1,579	$ 5,143	$ (436)

Three Months Ended June 30, 2002 Compared to Three Months Ended June 30, 2001

Americas

Revenue decreased by $10.0 million or 4.4% for the three months ended June 30, 2002, compared to the three months ended June 30, 2001, attributable primarily to a decline in lease revenue, slightly offset by an increase in sales revenue. The lease revenue decrease was due to a lower average value per transaction. The sales revenue increase was driven by a higher number of transactions and a higher average value per transaction. *Commissions, fees and other incentives* decreased by $6.8 million or 6.1% for the three months ended June 30, 2002 as compared to the three months ended June 30, 2001, caused primarily by lower variable commissions and producer bonuses driven by lower lease revenue. As a result, commissions as a percentage of revenue decreased from 48.9% for the second quarter of the prior year to 48.0% for the second quarter in the current year. *Operating, administrative and other* decreased by $8.9 million or 8.9% as a result of cost reduction and efficiency measures initiated during May 2001, as well as the organizational restructure implemented after the merger.

EMEA

Revenue increased by $5.8 million or 15.4% for the three months ended June 30, 2002 as compared to the three months ended June 30, 2001. This was mainly driven by higher revenue in France, Italy and Spain. *Commissions, fees and other incentives* increased $2.6 million or 18.6% due to higher producer compensation which was mainly driven by higher personnel requirements. *Operating, administrative and other* increased by $0.8 million or 3.9% mainly attributable to increases in executive bonuses and profit share due to the higher current quarter results.

Asia Pacific

Revenue increased by $4.3 million or 20% for the three months ended June 30, 2002 as compared to the three months ended June 30, 2001. The increase was primarily driven by higher revenue in Japan and Australia, partially offset by lower revenues as a result of partner office conversions in Asia. *Commissions, fees, and other incentives* increased by $1.8 million or 20.8% primarily due to higher producer compensation resulting from increased personnel requirements in Australia. *Operating, administrative, and other* decreased by $2.3 million or 20.9% as a result of partner office conversions in Asia and cost containment measures put in place following May 2001, as well as the organizational restructure implemented after the merger.

Six Months Ended June 30, 2002 Compared to Six Months Ended June 30, 2001

Americas

Revenue decreased by $53.9 million or 12.0% for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001, attributable primarily to lower lease, sales and other revenue. Lease revenue decreased due to a lower average value per transaction and a decrease in the number of transactions. Sales revenue declined as a result of a lower number of transactions during the current year period as compared to the prior year period. Other revenue declined due to the sale of mortgage fund contracts in the prior year. *Commissions, fees and other incentives* decreased by $29.5 million or 14.0% for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001, caused primarily by lower variable commissions and producer bonuses due to lower lease and sales revenue. Accordingly, commissions as a percentage of revenue decreased from 47.0% for the prior year to 45.9% for the current year. *Operating, administrative and other* decreased by $27.2 million or 13.2% as a result of cost reduction and efficiency measures initiated during May 2001, as well as the organizational restructure implemented after the merger. Key executive bonuses and profit share also declined, due to the lower results.

EMEA

Revenue increased by $2.6 million or 3.6% for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001. This was mainly driven by higher revenue in Spain and Italy. *Commissions, fees and other incentives* increased $2.7 million or 9.6% due to higher producer compensation as a result of increased personnel requirements. *Operating, administrative and other* decreased by $1.8 million or 4.5% mainly attributable to cost containment measures.

Asia Pacific

Revenue increased by $2.9 million or 7.6% for the six months ended June 30, 2002 as compared to the six months ended June 30, 2001. This increase was primarily driven by higher revenue in Japan and Australia, partially offset by lower revenues as a result of partner office conversions in Asia. *Commissions, fees, and other incentives* increased by $1.7 million or 10.0% primarily driven by higher producer compensation due to increased personnel requirements in Australia. *Operating, administrative, and other* decreased by $4.4 million or 20.3% as a result of partner office conversions in Asia and other cost containment measures put in place following May 2001, as well as the organizational restructure implemented after the merger.

Liquidity and Capital Resources

The Company believes it can satisfy its non-acquisition obligations, as well as its working capital requirements and funding of investments, with internally generated cash flow, borrowings under the revolving line of credit with CSFB or any replacement credit facilities. Material acquisitions, if any, that necessitate cash will require new sources of capital such as an expansion of the revolving credit facility and raising money by issuing additional debt or equity. The Company anticipates that its existing sources of liquidity, including cash flow from operations, will be sufficient to meet its anticipated non-acquisition cash requirements for the foreseeable future.

The 11¼% Senior Subordinated Notes, the Senior Credit Facility (the Credit Facility) and the 16% Senior Notes (Senior Notes) all contain numerous restrictive covenants that, among other things, limit the Company's ability to incur additional indebtedness, pay dividends or distributions to stockholders or repurchase capital stock or debt, make investments, sell assets or subsidiary stock, engage in transactions with affiliates, issue subsidiary equity and enter into consolidations or mergers. The debt agreements require the Company to maintain certain minimum levels of net worth, a minimum coverage ratio of interest and certain fixed charges and a maximum leverage and senior leverage ratio of earnings before interest, taxes, depreciation and amortization to funded debt (all as defined in the agreements). The agreements also restrict the payment of cash dividends. The Credit Facility requires the Company to pay a facility fee based on the total amount of the unused commitment.

The Senior Notes are solely the Company's obligation to repay. CBRE has neither guaranteed nor pledged any of its assets as collateral for the Senior Notes, and is not obligated to provide cashflow to the Company for repayment of these Senior Notes. However, the Company has no substantive assets or operations other than its investment in CBRE
to meet any required principal and interest payments on the Senior Notes. The Company will depend on CBRE's cash
flows to fund principal and interest payments as they come due.

On May 21, 2002, Standard and Poor's affirmed the Company's senior secured term loans and Senior Subordinated Notes ratings at BB- and B, respectively. The outlook was revised from stable to negative. This does not impact the Company's ability to borrow or affect the Company's interest rate for the senior secured term loans.

A subsidiary of the Company has a credit agreement with Residential Funding Corporation (RFC). The credit agreement provides for a revolving line of credit of up to $350.0 million through February 28, 2002, and $150.0 million for the period from March 1, 2002 through August 31, 2002, and bears interest at 1.0% over the RFC base rate. The agreement expires on August 31, 2002. On April 20, 2002, the Company obtained a temporary line of credit increase of $210.0 million, which resulted in a total line of credit equaling $360.0 million, which expired on July 31, 2002. On August 1, 2002, the Company obtained another temporary line of credit increase of $20.0 million, resulting in a total line of credit equaling $170.0 million, which expires on August 31, 2002. During the quarter ended June 30, 2002, the Company had a maximum of $309.2 million revolving line of credit principal outstanding. At June 30, 2002, the Company had a $142.3 million warehouse line of credit outstanding, which is included in short-term borrowings in the accompanying consolidated balance sheets. The Company also had a $142.3 million warehouse receivable. Subsequent to June 30, 2002, the warehouse line of credit was repaid with the proceeds from the warehouse receivable.

Net cash used in operating activities totaled $40.1 million for the six months ended June 30, 2002, a decrease of $67.1 million compared to the six months ended June 30, 2001. This decline was primarily due to lower payments for 2001 bonus and profit sharing made in the current year. In addition, the cash surrender value of insurance policies related to the deferred compensation plan decreased by $5.4 million during the current period as compared to a $16.3 million increase in the prior year.

The Company utilized $16.2 million in investing activities during the six months ended June 30, 2002, an increase of $5.6 million compared to the prior year. This increase was primarily due to the current year payment of expenses related to the acquisition of CBRE by the Company.

Net cash provided by financing activities totaled $17.9 million for the six months ended June 30, 2002, compared to $346.4 million for the six months ended June 30, 2001. This decrease was mainly attributable to the debt and equity financing required by the merger in the prior year.

Litigation

The Company is a party to a number of pending or threatened lawsuits arising out of, or incident to, its ordinary course of business. 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.

Net Operating Losses

The Company had US federal income tax net operating losses (NOLs) of approximately $10.6 million at December 31, 2001.

The Company's ability to utilize NOLs of CBRE has been limited for the period from July 21, 2001 to December
31, 2001 and will be limited in subsequent years because CBRE experienced a change in ownership greater than 50%

on July 20, 2001. As a result of the ownership change, the limitation was approximately $5.2 million of its NOLs for the period from July 21, 2001 through December 31, 2001 and will be approximately $11.4 million in year 2002 and in each subsequent year until fully utilized. The amount of NOLs is, in any event, subject to some uncertainty until the statute of limitations lapses after their utilization to offset taxable income.

Critical Accounting Policies

The Company has identified revenue recognition and the principles of consolidation as critical accounting policies. The Company records real estate commissions on sales upon close of escrow or upon transfer of title. Real estate commissions on leases are generally recorded as income once the Company satisfies all obligations under the commission agreement. A typical commission agreement provides that the Company earns a portion of the lease commission upon the execution of the lease agreement by the tenant, while the remaining portion(s) of the lease commission is earned at a later date, usually upon tenant occupancy. The existence of any significant future contingencies will result in the delay of recognition of revenue until such contingencies are satisfied. For example, if the Company does not earn all or a portion of the lease commission until the tenant pays their first month's rent, and the

lease agreement provides the tenant with a free rent period, the Company delays revenue recognition until cash rent is paid by the tenant. Investment management and property management fees are recognized when earned under the provisions of the related agreements. Appraisal fees are recorded after services have been rendered. Loan origination fees are recognized at the time the loan closes and the Company has no significant remaining obligations for performance in connection with the 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 Company consolidates majority-owned investments and separately discloses the equity attributable to minority shareholders' interests in subsidiaries in the consolidated balance sheets. Investments in unconsolidated subsidiaries in which the Company 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 impairment in value.

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, *"Accounting for Asset Retirement Obligations."* This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of leases. The statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of its fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002, although earlier application is encouraged. The Company is currently evaluating the impact of the adoption of this statement on its results of operations and financial position.

In August 2001, the FASB issued SFAS No. 144*, "Accounting for the Impairment or Disposal of Long-Lived Assets."* This statement supersedes SFAS No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of."* This statement establishes a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The adoption of SFAS No. 144 did not have a material impact on the Company's results of operations and financial position.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "*Rescission of FASB* Statements *No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*." This Statement rescinds the following pronouncements:

- Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt;"
- Statement No. 44, "Accounting for Intangible Assets of Motor Carriers;" and
- Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements."

The statement amends Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have
economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative
pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions.

The provisions of this Statement related to the rescission of Statement No. 4 shall be applied in fiscal years beginning after May 15, 2002, with early application encouraged. The provisions of this Statement related to Statement No. 13 shall be effective for transactions occurring after May 15, 2002, with early application encouraged. All other provisions of this Statement shall be effective for financial statements on or after May 15, 2002, with early application encouraged. The Company is currently evaluating the impact of the adoption of this statement on its results of operations and financial position.

Safe Harbor Statement Regarding Outlook and Other Forward-Looking Data

Portions of this Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contain forward-looking statements within the meaning of the ''safe harbor'' provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results and performance in future periods to be materially different from any future results or performance suggested in forward-looking statements in this Form 10-Q. Any forward-looking statements speak only as of the date of this report and the Company expressly disclaims any obligation to update or revise any forward-looking statements found herein to reflect any changes in its expectations or results or any change in events. Factors that could cause results to differ materially include, but are not limited to: commercial real estate vacancy levels; employment conditions and their effect on vacancy rates; property values; rental rates; any general economic recession domestically or internationally; and general conditions of financial liquidity for real estate transactions.

Report of Management

The Company's management is responsible for the integrity of the financial data reported by it and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of consolidated financial statements in accordance with accounting principles generally accepted in the US. Management uses internal accounting controls, corporate-wide policies and procedures and judgment so that these statements reflect fairly the consolidated financial position, results of operations and cash flows of the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk consists of foreign currency exchange rate fluctuations related to international operations and changes in interest rates on debt

obligations.

Approximately 25% of the Company's business is transacted in local currencies of foreign countries. The Company attempts to manage its exposure primarily by balancing monetary assets and liabilities, and maintaining cash positions only at levels necessary for operating purposes. While the international results of operations as measured in dollars are subject to foreign exchange rate fluctuations, the related risk is not considered material. The Company routinely monitors its transaction exposure to currency rate changes, and enters into currency forward and option contracts to limit its exposure, as appropriate. The Company does not engage in any speculative activities.

The Company manages its interest expense by using a combination of fixed and variable rate debt. The Company utilizes sensitivity analyses to assess the potential effect of its variable rate debt. If interest rates were to increase by 49 basis points, which would comprise approximately 10% of the weighted average variable rate at June 30, 2002, the net impact would be a decrease of $1.1 million on pre-tax income and cash provided by operating activities for the six months ending June 30, 2002.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to a number of pending or threatened lawsuits arising out of, or incident to, its ordinary course of business. Management believes that any liability that may result from the disposition of these lawsuits will not have a material effect on the Company's consolidated financial position or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit	Description
10.1	Employment Agreement, dated as of June 13, 2002, between CBRE Holding, Inc. and Kenneth J. Kay.

(b) Reports on Form 8-K

The registrant filed a Current Report on Form 8-K on May 24, 2002 with regard to the Company's conference call to discuss first quarter 2002 operating results.

The registrant filed a Current Report on Form 8-K on May 17, 2002 with regard to a press release issued on May 14, 2002 discussing the Company's operating results for the first quarter of 2002.

SIGNATURES

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

CBRE HOLDING, INC.

Date: August 13, 2002

/s/ KENNETH J. KAY
Kenneth J. Kay
Chief Financial Officer

EXHIBIT 10.1

Employment Agreement

June 13, 2002

Ken Kay
1015 Wallace Ridge
Beverly Hills, CA 90210

Dear Ken:

Congratulations on your new opportunity with CB Richard Ellis! We hope you will find challenge and satisfaction as an employee of our Company. This letter serves to confirm the full and complete terms of our employment offer.

Position: Chief Financial Officer

Start Date: To be determined.

Base Salary: $17,307.69 per bi-weekly pay period ($450,000 annual equivalency)

Sign-on Bonus: You will receive a sign-on bonus of $300,000, to be paid within15 days of your employment date. If you should leave the company for any reason prior to the one-year anniversary of your Start Date, then you will return the entire unprorated sign-on bonus to CB Richard Ellis. (If you prefer to have this payment in the form of a loan, which is forgivable on the first anniversary of your Start Date, we can prepare the appropriate promissory note.)

Bonus: You will be eligible to receive a discretionary performance bonus pursuant to the terms of the bonus plan applicable to your position, which currently is the Executive Bonus Plan ("EBP" or "the Plan"). The EBP is the replacement for the former bonus plan, which was referred to as the "RPA Bonus Plan." I have enclosed a copy of the EBP for your review. Your Target Bonus pursuant to the EBP shall be 66 2/3 % of your Base Salary. The amount of your bonus will be determined by profitability targets for the company, line of business and individual performance. Each of the three factors is weighted based on your position with the total weighting being 100%. The weightings that apply to your position are 50% company performance, 30% line of business, and 20% individual performance. Further detail is available in the enclosed EBP plan. For calendar year 2002 only, your bonus amount will solely be based on individual performance, as discussed with and evaluated by the CEO, and be pro-rated against your Start Date. Bonus payments are contingent upon Company profitability and in all cases, are paid at the sole discretion of the Company. An express condition of earning this bonus is your continued employment through the date bonuses are paid. This date is presently in March of the succeeding year, but the Company reserves the right to change this date as it deems appropriate. Should you leave our employment for any reason prior to the date on which bonuses are paid, no bonus will have been earned and none will be payable.

Equity: You will be eligible, for up to six months after your effective date of employment, to purchase up to 23,000 shares of CB Richard Ellis stock at $16 a share. You will be eligible to participate in our existing loan program to borrow cash equal to 50% of the cash requirement to purchase these shares under standard company terms and conditions for such loans. These shares do not have any additional options attached to them. In addition, you will be granted an option to purchase 62,000 shares of CB Richard Ellis stock at a $16 per share exercise price, vesting 20% over the next five years on the anniversary date of the grant.

Benefits: Participation in the corporate fringe benefits package including medical, dental, disability,

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dependent care, life and AD&D insurance commences on the first day of the month following 31 days of continuous employment with CB Richard Ellis. During the second week of the month following your first day of employment, a personalized benefit enrollment work sheet and instructions for enrolling via the web will be sent to your home address.

You are eligible to participate in the 401(K) Plan on your date of hire. However, your active participation begins with the first pay period after you have called Vanguard to designate your contribution percentage and make your investment selections. You will receive a personal identification number (PIN) and an enrollment kit under separate cover from Vanguard within four weeks from your date of hire. You may then call Vanguard at 800/523-1188 to enroll.

Severance: If you are terminated for any reason in the first twenty-four (24) months of your employment, you will be eligible to receive a severance payment equal to 100% of one year's Base Salary. Should you voluntarily resign as an employee within twenty-four (24) months of your Start Date, you would not be eligible for this severance payment. You will no longer be eligible for this severance payment after the second anniversary of your Start Date.

Termination from Change of Control: In the event that your employment with CB Richard Ellis is terminated as the result of a "Change of Control", as defined in the attached Exhibit "A", you will be eligible to receive a payment equal to one hundred fifty percent (150%) of one year's base salary as a severance payment. This severance payment is in lieu of any other severance payment that you would be entitled to under this Offer Letter or by company policy. If a new company policy or plan results in a more favorable change of control termination arrangement than reflected here, you will be eligible to replace this arrangement with the more favorable one.

Paid Time Off (PTO): You will be subject to the company's standard HCE/PTO policy, which provides that highly compensated employees earning a base salary of $75,000 and above are eligible to take unlimited Paid Time Off ("PTO") subject to the prior authorization of their manager and so long as the employee is performing satisfactorily and meeting employee's performance priorities. You have indicated that you plan to take time off during August 8th-15th and August 21st – 26th, which is fine. As part of the HCE/PTO Program, employees within this income category are also entitled to enhanced Severance and Leave of Absence benefits as outlined by Company policy.

Confidentiality: The protection of confidential information and trade secrets is essential for CB Richard Ellis, its companies and employees' future security. To protect such information, employees may not disclose any trade secrets of confidential information (defined further in the Employee Handbook). The Company's Confidentiality Policy is ongoing even after employment with the Company terminates.

Right to Work: This offer is contingent upon our verification of your employment eligibility as required by Federal Immigration law. Upon your start date, you will be required to provide us with documentation establishing identification and employment eligibility. Acceptable forms of identification are listed on the back of the I-9 form.

Termination: CB Richard Ellis is an "at will" employer, which means that either you or CB Richard Ellis may terminate the employment agreement at any time with or without notice or cause.

A New Hire Packet containing information for you to read prior to your first day of employment will be sent to you separately. Please take time to read this information thoroughly and bring it with you, as you will be asked to complete paperwork regarding this information.

Your signature on this letter indicates your acknowledgment and acceptance of these as the full and complete terms

of our employment agreement. Please return the signed original to me.

On behalf of all of us at CB Richard Ellis, we are excited that you have joined us and we hope that you find your association with our Company to be challenging and fulfilling in every respect!

Very truly yours,

/s/ RAY WIRTA

Ray Wirta
Chief Executive Officer