As filed with the Securities and Exchange Commission on April 30, 2004

Registration No. 333-112867

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2
to
FORM S-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

CB Richard Ellis Group, Inc.

(Exact name of registrant as specified in its charter)

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

865 South Figueroa Street, Suite 3400
Los Angeles, CA 90017
(213) 438-4880
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Kenneth J. Kay
Chief Financial Officer
CB Richard Ellis Group, Inc.
(formerly known as CBRE Holding, Inc.)
865 South Figueroa Street, Suite 3400
Los Angeles, CA 90017
(213) 438-4880
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

William B. Brentani	**Stephen L. Burns**
Simpson Thacher & Bartlett LLP	**Cravath, Swaine & Moore LLP**
3330 Hillview Avenue	**825 Eighth Avenue**
Palo Alto, CA 94304	**New York, NY 10019**
(650) 251-5000	**(212) 474-1000**
Fax: (650) 251-5002	**Fax: (212) 474-3700**

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee (3)
Class A common stock, $0.01 par value per share	$ 607,200,000	$ 76,933

(1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee.
(2) Including shares of common stock that may be purchased by the underwriters to cover over-allotments, if any.
(3) The registrant previously paid $19,005 upon the original filing of this Registration Statement on February 17, 2004 and so is submitting herewith the net amount of $57,928.

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

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 30, 2004

24,000,000 Shares

CB Richard Ellis Group, Inc.

Class A Common Stock

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price of our Class A common stock is expected to be between $20.00 and $22.00 per share. We have applied to list our Class A common stock on the New York Stock Exchange under the symbol "CBG."

We are selling 7,142,857 shares of Class A common stock and the selling stockholders are selling 16,857,143 shares of Class A common stock. We will not receive any of the proceeds from the shares of Class A common stock sold by the selling stockholders.

The underwriters have an option to purchase a maximum of 3,600,000 additional shares of Class A common stock from the selling stockholders to cover over-allotments of shares.

Investing in our Class A common stock involves risks. See " **Risk Factors" beginning on page 8.**

	Price to Public	Underwriting Discounts and Commissions	Proceeds to CB Richard Ellis Group	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

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

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

Credit Suisse First Boston **Citigroup**

JPMorgan **Lehman Brothers**

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

Merrill Lynch & Co.

The date of this prospectus is , 2004.

[Table of Contents](#)

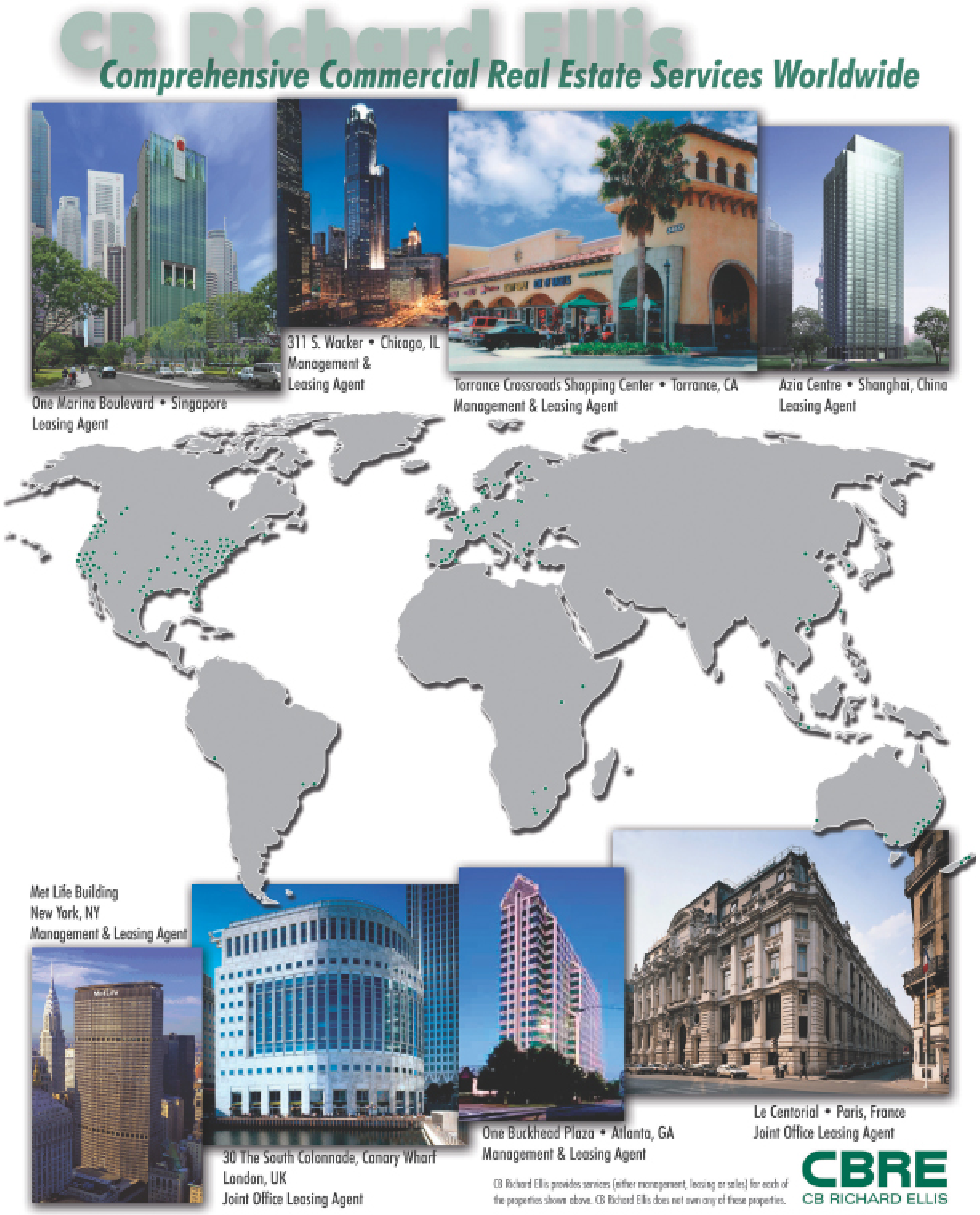

TABLE OF CONTENTS

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

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

Industry and market data used in this prospectus were obtained from our own research, publicly available studies conducted by third parties and publicly available industry and general publications published by third parties and, in some cases, are management estimates based on its industry and other knowledge. While we believe our research and management estimates are reliable, they have not been verified by independent sources.

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

Dealer Prospectus Delivery Obligation

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

PROSPECTUS SUMMARY

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

CB Richard Ellis Group, Inc.

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

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

Industry Overview

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

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

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

- ***Outsourcing.*** Motivated by reduced costs, lower overhead, improved execution across markets, increased operational efficiency and a desire to focus on their core competencies, property owners and occupiers have increasingly contracted out for commercial real estate services, including transaction management, facilities management, project management, lease administration, property management and property accounting.
- ***Consolidation.*** The commercial real estate services industry remains highly fragmented, and we believe that major property owners and corporate users are motivated to consolidate their service provider relationships on a regional, national and global basis to obtain more consistent execution across markets, to achieve economies of scale and enhanced purchasing power and to benefit from streamlined management oversight and the efficiency of "single point of contact" service delivery.
- ***Institutional Ownership of Commercial Real Estate.*** Institutional owners, such as real estate investment trusts, or REITs, pension funds, foreign institutions and other financial entities, increasingly are acquiring more real estate assets and financing them in the capital markets. We believe it is likely that these owners will consolidate their use of commercial real estate services vendors and outsource management of their portfolios.

Our Regions of Operation and Principal Services

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

The Americas

The Americas is our largest segment of operations and provides a comprehensive range of services throughout the United States and in the largest metropolitan regions in Canada, Mexico and other selected parts of Latin America. Our Americas segment accounted for 73.5% of our 2003 revenue.

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

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

- ***Real Estate Services***. We provide strategic advice and execution assistance to owners, investors and occupiers of real estate in connection with leasing, disposition and acquisition of property.
- ***Mortgage Loan Origination and Servicing***. Our wholly owned subsidiary, L.J. Melody & Company, originates and services commercial mortgage loans without incurring principal risk.
- ***Valuation***. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions.

Outsourcing Services. Our outsourcing services business line accounted for 11.2% of our 2003 revenue. As of December 31, 2003, we managed approximately 422.8 million square feet of commercial space for property owners and occupiers, which we believe represents one of the largest portfolios in the Americas.

- ***Asset Services***. We provide property management, construction management, marketing, leasing, accounting and financial services on a contractual basis for income-producing office, industrial and retail properties owned by local, regional and institutional investors.

- ***Corporate Services***. We provide a comprehensive set of portfolio management, transaction management, project management, strategic consulting, facilities management and other corporate real estate services to leading global companies and public sector institutions with large, geographically-diverse real estate portfolios.

Investment Management Services. Our investment management services business line accounted for 2.6% of our 2003 revenue. Our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., provides investment management services to clients that include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate and sponsors funds and investment programs that span the risk/return spectrum.

Europe, Middle East and Africa

Our EMEA segment has offices in 28 countries, with its largest operations located in the United Kingdom, France, Spain, The Netherlands and Germany. Operations within the EMEA countries generally include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services, facilities management and other services similar to our Americas segment. We hold strong commercial real estate services market positions in a number of European metropolitan areas, including the leading market position in London in terms of 2003 leased square footage. The EMEA segment accounted for 19.2% of our 2003 revenue.

Asia Pacific

Our Asia Pacific segment has offices in 11 countries, with our principal operations located in China (including Hong Kong), Singapore, South Korea, Japan, Australia and New Zealand. The services we provide in our Asia Pacific segment are generally similar to those provided by our Americas and EMEA segments. We believe we are one of only a few companies that can provide a full range of commercial real estate services to large corporations throughout the Asia Pacific region. The Asia Pacific segment accounted for 7.3% of our 2003 revenue.

Our Competitive Position

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

- ***Global Brand and Market Leading Positions***. For nearly a century, we and our predecessors have built the CB Richard Ellis brand into the largest commercial real estate services provider in the world, based on 2003 revenue.
- ***Full Service Capabilities***. We provide a full range of commercial real estate services to meet the needs of our clients, and we believe this suite of services represents a broader range globally than nearly all of our competitors.
- ***Strong Client Relationships and Client-tailored Service***. We have forged long-term relationships with many of our clients. Our clients include more than 60% of the *Fortune 100*, with nearly half of these clients purchasing more than one service from us.
- ***Attractive Business Model***. Our business model features a diversified client base, recurring revenue streams, a variable cost structure, low capital requirements and strong cash flow generation.
- ***Strong Management Team and Workforce***. We have recruited a talented and motivated workforce of over 13,500 employees worldwide, who are supported by a strong and deep senior management team

consisting of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry.

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

- ***Significant Leverage.*** We have significant debt service obligations and the agreements governing our long-term debt impose operating and financial restrictions on the conduct of our business.
- ***Geographic Concentration.*** A significant portion of our U.S. operations is concentrated in California and the New York metropolitan area. Adverse effects on these local economies may affect us more than our competitors.
- ***Exposure to Risks of International Operations.*** Because a significant portion of our revenue is derived from operations outside the United States, we are exposed to exchange rate and other foreign social, political and economic risks.
- ***Smaller Presence in Some Markets than our Local Competitors.*** Although we have a large global presence, many of our competitors may be larger on a local or regional basis and devote more resources to these markets.

Our Growth Strategy

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

- ***Increase Revenue from Large Clients***. We plan to capitalize on our client management strategy for our large clients, by using relationship management teams to provide these clients with a full range of services globally while maximizing our revenue per client.
- ***Capitalize on Cross-selling Opportunities***. Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, we have dedicated substantial resources and implemented several management initiatives to better enable our workforce to capitalize on these opportunities among our various lines of business.
- ***Continue to Grow our Investment Management Business***. Our growing investment management business provides us with an attractive revenue source through fees on assets under management and gains on the sale of assets.
- ***Focus on Best Practices to Improve Operating Efficiency***. In 2001, we launched a best practices initiative, branded "People, Platform & Performance," to achieve operating cost reductions, and we continue to strive for efficiency improvements and cost savings in order to maximize our operating margins and cash flow.

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

The Offering

Common stock offered by us	7,142,857 shares
Common stock offered by the selling stockholders	16,857,143 shares (or 20,457,143 shares if the underwriters exercise the over-allotment option in full)
Common stock to be outstanding after the offering	73,125,031 shares
Proposed New York Stock Exchange symbol	CBG
Use of proceeds	We estimate that our net proceeds from the offering will be $138.7 million, based on an assumed initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus. We intend to use these net proceeds of the offering to redeem all $38.3 million of our outstanding 16% senior notes due 2011 and $70.0 million in aggregate principal amount of our 9 3/4% senior notes due 2010, and to prepay $19.9 million in principal amount of the term loans under our amended and restated credit agreement. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.
Dividend Policy	Following the consummation of the offering, we do not expect to pay any dividends on our common stock for the foreseeable future.
Risk Factors	You should carefully read and consider the information set forth under “Risk Factors” and all other information set forth in this prospectus before deciding to invest in shares of our common stock.

The number of shares shown to be outstanding after the offering is based upon 65,580,711 shares outstanding as of March 31, 2004, reflects the automatic conversion at a one-to-one ratio of all outstanding shares of our Class B common stock into shares of Class A common stock in connection with the completion of the offering and excludes:

- 7,455,936 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $5.33 per share;
- 3,387,543 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to elections made by plan participants or distributions made by us and which shares include 2,108,943 underlying stock fund units that had vested; and
- 7,500,000 additional shares available for future issuance under our 2004 stock incentive plan.

The number of shares shown to be outstanding after the offering includes 401,463 shares that will be issued by us in connection with the automatic “cashless exercise” of outstanding warrants to acquire 766,431 shares of our common stock at an exercise price of $10.00 per share as a result of the completion of the offering. This number of shares issued upon exercise of these warrants assumes an initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus. For additional information regarding these warrants, including the “cashless exercise” terms, you should read the description of these warrants under the heading “Description of Capital Stock—Warrants.”

Except as otherwise indicated, all information in this prospectus, other than our audited financial statements, assumes:

- the amendment and restatement of our certificate of incorporation prior to the completion of the offering;
- no exercise by the underwriters of their option to purchase up to 3,600,000 additional shares from the selling stockholders to cover over-allotments of shares; and
- a 3-for-1 stock split of our outstanding Class A common stock and Class B common stock prior to the closing of the offering, which split will be effected by a stock dividend.

Table of Contents

Summary Historical and Pro Forma Financial Data

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

	CB Richard Ellis Group				Predecessor Company		
	Year Ended December 31, 2003		Year Ended December 31,	Period from February 20 (inception) to December 31,	Period from January 1 to July 20,	Year Ended December 31,	
	Pro Forma	Actual (1)	2002	2001 (2)	2001	2000	1999
	(Dollars in thousands, except share data)						
Statement of Operations Data:							
Revenue	$ 1,948,827	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934	$ 1,323,604	$ 1,213,039
Operating income (loss)	18,852	25,830	96,736	61,178	(17,048)	100,780	71,387
Interest expense, net	55,774	81,175	57,229	27,290	18,736	39,146	37,438
Net (loss) income	(22,936)	(34,704)	18,727	17,426	(34,020)	33,388	23,282
Historical EPS (3):							
Basic		(1.89)	1.25	2.22	(1.60)	1.60	1.11
Diluted		(1.89)	1.23	2.20	(1.60)	1.58	1.10
Historical weighted average shares (4):							
Basic		18,373,118	15,025,308	7,845,004	21,306,584	20,931,111	20,998,097
Diluted		18,373,118	15,222,111	7,909,797	21,306,584	21,097,240	21,072,436
As adjusted EPS (5):							
Basic	(0.31)	(0.63)	0.42	0.74			
Diluted	(0.31)	(0.63)	0.41	0.73			
As adjusted weighted average shares (5):							
Basic	75,177,373	55,119,354	45,075,924	23,535,012			
Diluted	75,177,373	55,119,354	45,666,333	23,729,391			
Statement of Cash Flow Data:							
Net cash provided by (used in) operating activities		$ 63,941	$ 64,882	$ 91,334	$ (120,230)	$ 80,859	$ 70,340
Net cash used in investing activities		(284,795)	(24,130)	(261,393)	(12,139)	(32,469)	(23,096)
Net cash provided by (used in) financing activities		303,664	(17,838)	213,831	126,230	(53,523)	(37,721)
Other Data:							
EBITDA (6)	136,602	132,817	130,676	74,930	11,482	150,484	117,369

	CB Richard Ellis Group				Predecessor Company	
	As of December 31,				As of December 31,	
	2003					
	Pro Forma	Actual	2002	2001	2000	1999
	(In thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 148,881	$ 163,881	$ 79,701	$ 57,450	$ 20,854	$ 27,844
Total assets	2,204,286	2,213,481	1,324,876	1,354,512	963,105	929,483
Long-term debt, including current portion	677,351	802,705	509,715	517,423	289,447	348,135
Total liabilities	1,748,542	1,873,896	1,067,920	1,097,693	724,018	715,874
Total stockholders’ equity	449,088	332,929	251,341	252,523	235,339	209,737

(footnotes on following page)

Table of Contents

(footnotes for previous page)

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

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

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

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

(5) As adjusted EPS and As adjusted weighted average shares assume a 3-for-1 stock split of our outstanding Class A common stock and Class B common stock prior to the offering, which will be effected by a stock dividend.

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

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

EBITDA is calculated as follows:

	CB Richard Ellis Group				Predecessor Company		
	Year Ended December 31, 2003		Year Ended December 31,	Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	Pro Forma	Actual	2002	2001	2001	2000	1999
				(In thousands)			
Net (loss) income	$ (22,936)	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)	$ 33,388	$ 23,282
Add:							
Depreciation and amortization	103,385	92,622	24,614	12,198	25,656	43,199	40,470
Interest expense	63,340	87,216	60,501	29,717	20,303	41,700	39,368
Provision (benefit) for income taxes	379	(6,276)	30,106	18,016	1,110	34,751	16,179
Less:							
Interest income	7,566	6,041	3,272	2,427	1,567	2,554	1,930
EBITDA	$ 136,602	$ 132,817	$ 130,676	$ 74,930	$ 11,482	$ 150,484	$ 117,369

RISK FACTORS

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

Risks Relating to Our Business

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

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

As an example of this risk, during 2002 and 2001, we were adversely affected by the slowdown in the U.S. economy, which negatively impacted the commercial real estate market. This caused a decline in our leasing activities within the United States. Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent conflict with Iraq, the economic climate in the United States became very uncertain, which had an adverse effect on commercial real estate market conditions and, in turn, our operating results for 2002 and 2001.

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

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

- our ability to attract and retain creditworthy tenants;
- the magnitude of defaults by tenants under their respective leases;
- our ability to control operating expenses;
- governmental regulations, local rent control or stabilization ordinances which are in, or may be put into, effect;
- various uninsurable risks;
- financial conditions prevailing generally and in the areas in which these properties are located;
- the nature and extent of competitive properties; and
- the real estate market generally.

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

We compete across a variety of business disciplines within the commercial real estate industry, including investment management, tenant representation, corporate services, construction and development management, property management, agency leasing, valuation and mortgage banking. In general, with respect to each of our business disciplines, we cannot give assurance that we will be able to continue to compete effectively or maintain our current fee arrangements or margin levels or that we will not encounter increased competition. Each of the business disciplines in which we compete is highly competitive on an international, national, regional and local level. Although we are the largest commercial real estate services firm in the world in terms of 2003 revenue, our relative competitive position varies significantly across product and service categories and geographic areas. Depending on the product or service, we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms, some of which may have greater financial resources than we do. Many of our competitors are local or regional firms. Although substantially smaller than us, some of these competitors are larger on a local or regional basis. We are also subject to competition from other large national and multi-national firms that have similar service competencies to ours.

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

We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During 2003, we generated approximately 30.2% of our revenue from operations outside the United States. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

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

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

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

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

Our revenue from non-U.S. operations is denominated primarily in the local currency where the associated revenue was earned. During 2003, approximately 30.2% of our business was transacted in currencies of foreign countries, the majority of which included the Euro, the British Pound Sterling, the Hong Kong dollar, the Singapore dollar and the Australian dollar. Thus, we may experience fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. For example, during 2003, the U.S. dollar dropped in value against many of the currencies in which we conduct business.

We have made significant acquisitions of non-U.S. companies, and, although we currently have no specific acquisition plans, we may acquire additional foreign companies in the future. As we increase our foreign operations, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Due to the constantly changing currency exposures to which we will be subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

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

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

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

Although we currently have no specific acquisition plans, if we acquire companies in the future, we may experience integration costs and the acquired business may not perform as we expect.

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

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

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

During 2003, approximately 23.8% of our revenue was generated from transactions originating in California and approximately 6.9% was generated from transactions originating in the greater New York metropolitan area. In addition, due to our acquisition of Insignia on July 23, 2003, we expect that the percentage of our revenue generated in the New York metropolitan area in future years will increase. As a result of the geographic concentrations in California and New York, any future economic downturn in the California or New York commercial real estate markets and in the local economies in San Diego, Los Angeles, Orange County or the greater New York metropolitan area could further harm our results of operations.

Our results of operations vary significantly among quarters during each calendar year, which makes comparisons of our quarterly results difficult.

A significant portion of our revenue is seasonal. Historically, this seasonality has caused our revenue, operating income, net income and cash flow from operating activities to be lower in the first two quarters and higher in the third and fourth quarters of each year. The concentration of earnings and cash flow in the fourth quarter is due to an industry-wide focus on completing transactions toward the fiscal year-end. This has historically resulted in lower profits or a loss in the first and second quarters, with profits growing (or losses decreasing) in each subsequent quarter. This variance among quarters during each calendar year makes comparison between such quarters difficult, but does not generally affect the comparison of the same quarters during different calendar years.

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

We are highly leveraged and have significant debt service obligations. For 2003, on a pro forma basis, our interest expense was $63.3 million. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

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

- we could be required to use a substantial portion, if not all, of our cash flow from operations to pay principal and interest on our debt;
- our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, strategic acquisitions, investments, joint ventures and other general corporate requirements;
- our interest expense could increase if interest rates increase because, under our amended and restated credit agreement governing our senior secured credit facilities that will become effective in connection with the offering, the $295.0 million term loan will bear interest at floating rates generally between LIBOR plus 2.25% to 2.50% or the alternative base rate plus 1.25% to 1.50% and the $90 million revolving credit and the $60 million incremental revolving credit facility (which would require additional lender consents) will bear interest at floating rates generally between LIBOR plus 2.25% to 3.75% or the alternate base rate plus 1.25% to 2.75%. The alternate base rate is the higher of (1) Credit Suisse First Boston's prime rate or (2) the federal funds effective rate plus 0.50%;
- our substantial leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry;

- our failure to comply with the financial and other restrictive covenants in the documents governing our indebtedness, which, among others, require us to maintain specified financial ratios and limit our ability to incur additional debt and sell assets, could result in an event of default that, if not cured or waived, could harm our business or prospects and could result in our filing for bankruptcy; and
- from time to time, Moody's Investor Service and Standard and Poor's Ratings Service rate our outstanding senior secured term loans, our 9¾% senior notes and our 11¼% senior subordinated notes. These ratings may impact our ability to borrow under any new agreements in the future, as well as the interest rates and other terms of any such future borrowings and could also cause a decline in the market price of our common stock or changes in the interest rate under our new amended and restated credit agreement.

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

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

The amended and restated credit agreement, as will be effective following this offering, governing our senior secured credit facilities and the indentures relating to our 9¾% senior notes due 2010 and our 11¼% senior subordinated notes due 2011 permit us, subject to specified conditions, to incur a significant amount of additional indebtedness, including up to $90.0 million of additional indebtedness under our revolving credit facility. Our amended and restated credit agreement also permits us to increase the term facility by up to $25.0 million and to increase the revolving facility by up to $60.0 million, in each case subject to additional lender consents. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

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

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

- incur or guarantee additional indebtedness;
- pay dividends or make distributions on capital stock or redeem or repurchase capital stock;
- repurchase equity interests;
- make investments;
- create restrictions on the payment of dividends or other amounts to us;
- sell stock of subsidiaries;
- transfer or sell assets;
- create liens;
- enter into transactions with affiliates;
- enter into sale/leaseback transactions; and
- enter into mergers or consolidations.

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

The restrictions contained in our debt instruments could:

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

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

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

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

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

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. As of December 31, 2003, we had committed $26.6 million to fund future co-investments. We expect that approximately $23 million of these commitments will be funded during 2004. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments. These adverse consequences could include damage to our reputation with our co-investment partners and clients, as well as the necessity of obtaining alternative funding from other sources that may be on disadvantageous terms for us and the other co-investors. Providing co-investment financing is also a very important part of CBRE Investor’s investment management business, which would suffer if we were unable to make these investments. Although our debt instruments contain restrictions that will limit our ability to provide capital to the entities holding direct or indirect interests in co-investments, we may provide this capital in many instances.

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

- losses from investments;
- difficulties associated with international co-investments described in "—Our international operations subject us to social, political and economic risks of doing business in foreign countries" and "—Our revenue and earnings may be adversely affected by foreign currency fluctuations;" and
- potential lack of control over the disposition of any co-investments and the timing of the recognition of gains, losses or potential incentive participation fees.

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

We have utilized joint ventures for commercial investments and local brokerage and other partnerships both in the United States and internationally, and although we currently have no specific plans to do so, we may acquire minority interests in other joint ventures in the future. In many of these joint ventures, we may not have the right or power to direct the management and policies of the joint ventures and other participants may take action contrary to our instructions or requests and against our policies and objectives. In addition, the other participants may become bankrupt or have economic or other business interests or goals that are inconsistent with ours. If a joint venture participant acts contrary to our interest, it could harm our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to the Offering and Ownership of Our Common Stock

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

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

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

- the introduction of new services by us or our competitors;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving us or our competitors; and
- market conditions in our industry, the financial markets and the economy as a whole.

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

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

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

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

Our current stockholders will hold a substantial majority of our outstanding common stock after the offering. Sales of the shares in the public market, as well as shares we may issue upon the exercise of outstanding options and in connection with future distributions pursuant to stock fund units under our deferred compensation plan, could cause the market price of our common stock to decline significantly. The perception among investors that these sales may occur could produce the same effect. After the offering, shares owned by our current stockholders, holders of options and warrants to acquire our common stock and participants in our deferred compensation plan who have stock fund units, assuming the exercise of all options and warrants and the distribution of shares underlying all stock fund units, are expected to constitute approximately 91.5% of our total outstanding common stock, or 87.2% if the underwriters' over-allotment option is exercised in full. Shares beneficially owned by our current stockholders constituting approximately 65.8% of our total outstanding common stock immediately after the offering, or 60.9% if the underwriters' over-allotment option is exercised in full, will be subject to a 180-day lock-up agreement with the underwriters. However, the underwriters may release all or a portion of these shares subject to lock-up agreements at any time without notice.

After the offering, the holders of approximately 47.7 million shares of our common stock, including shares that will be issuable upon the automatic exercise of outstanding warrants in connection with the completion of the offering, will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file. By exercising these registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline. Furthermore, if we were to include their shares in a registration statement, those sales could impair our ability to raise needed capital by depressing the price at which we could sell our common stock.

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

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

After the completion of the offering, affiliates of Blum Capital Partners will beneficially own approximately 44.0% of our outstanding common stock, or approximately 40.5% if the underwriters exercise in full their over-allotment option to purchase additional shares. In addition, pursuant to a securityholders' agreement, these affiliates of Blum Capital Partners, following the offering and subject to the applicable listing rules of the New York Stock Exchange, are entitled to nominate a percentage of our total number of directors that is equivalent to the percentage of the outstanding common stock beneficially owned by these affiliates, with this percentage of our directors being rounded up to the nearest whole number of directors. Also pursuant to this agreement, some of our other stockholders will be obligated to vote their shares in favor of the directors nominated by these affiliates of Blum Capital Partners. These other stockholders, collectively, will beneficially own approximately 14.4% of our outstanding common stock, or approximately 13.5% if the underwriters exercise in full their over-allotment option to purchase additional shares. There are no restrictions in the securityholders' agreement on the ability of these affiliates of Blum Capital Partners to sell their shares to any third party or to assign their rights under the securityholders' agreement in connection with a sale of a majority of their shares to a third party.

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

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

In addition, as a result of supermajority requirements under our restated certificate of incorporation and restated by-laws that we expect will become effective prior to the completion of the offering, these affiliates of Blum Capital Partners will be able to prevent removal of our directors and amendments to our certificate of incorporation and by-laws by our stockholders for so long as these affiliates of Blum Capital Partners beneficially own over 20% of the outstanding shares of Class A common stock.

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

Delaware law and provisions of our restated certificate of incorporation and restated by-laws will contain provisions that could delay, deter or prevent a change of control.

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

- limitations on the ability to remove our directors;
- a requirement that special meetings of our stockholders may be called only by our board of directors, our chief executive officer and the chairman of the board;
- removal of the ability of our stockholders to act by written consent in lieu of a meeting;
- advance notice requirements for stockholder proposals and nominations;
- supermajority requirements for the amendment of a number of provisions in our certificate of incorporation and restated by-laws; and
- the authority of our board to issue, without stockholder approval, preferred stock with such terms as our board may determine.

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

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

The net tangible book value per share of our common stock, adjusted to reflect the net proceeds we receive from the offering, will be substantially below the initial public offering price. You therefore will incur immediate and substantial dilution of $29.58 per share at an initial public offering price of $21.00 per share, which is the mid-point of the initial offering price range per share set forth on the cover page of this prospectus. In addition, as of March 31, 2004, we had options outstanding to acquire 7,455,936 shares of our common stock with a weighted average exercise price of $5.33 per share and stock units under our deferred compensation plan with 3,387,543 underlying shares of our common stock. To the extent these securities are exercised or otherwise issued, you will incur further dilution. As a result, if we are liquidated, you may not receive the full amount of your investment. See the heading titled "Dilution" for a more complete description of the dilution you will incur.

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

Affiliates of Credit Suisse First Boston LLC, one of the representatives of the underwriters for the offering, own approximately $34.8 million in aggregate principal amount of our 16% senior notes due 2011, all of which we expect to redeem with the net proceeds we receive from the offering. In connection with the redemption, they also will receive a premium payment of approximately $3.4 million, plus accrued but unpaid interest through the redemption date.

Affiliates of Credit Suisse First Boston LLC are also selling stockholders in the offering. As of March 31, 2004, these affiliates of Credit Suisse First Boston LLC were the beneficial owners of 2,155,032 shares, or approximately 3.3% of our outstanding common stock. After the offering, these affiliates of Credit Suisse First Boston LLC will beneficially own 2.2% of our common stock, or 2.0% if the underwriters exercise their over-allotment option in full. See "Principal and Selling Stockholders."

These affiliations may present a conflict of interest since Credit Suisse First Boston LLC may have an interest in the successful completion of the offering in addition to the underwriting discounts and commissions it would receive. This offering is therefore being made using a "qualified independent underwriter" in compliance with Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc., which is intended to address potential conflicts of interest involving underwriters. See the information under the heading "Underwriting" for a more detailed description of the independent underwriting procedures that are being used in connection with the offering.

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

- changes in general economic and business conditions;
- the failure of properties managed by us to perform as anticipated;
- competition;
- changes in social, political and economic conditions in the foreign countries in which we operate;
- foreign currency fluctuations;
- future acquisitions;
- integration issues relating to acquired businesses;
- an economic downturn in the California and New York real estate markets;
- significant variability in our results of operations among quarters;
- our substantial leverage and debt service obligations;
- our ability to incur additional indebtedness;
- our ability to generate a sufficient amount of cash to service our existing and future indebtedness;
- the success of our co-investment and joint venture activities;
- our ability to retain our senior management and attract and retain qualified and experienced employees;
- our ability to comply with the laws and regulations applicable to real estate brokerage and mortgage transactions;
- our exposure to liabilities in connection with real estate brokerage and property management activities;
- the significant influence of our largest stockholders; and
- the other factors described under the heading "Risk Factors."

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

USE OF PROCEEDS

The net proceeds from the sale of the 7,142,857 shares of common stock offered by us will be approximately $138.7 million, based on an assumed initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of the shares to be sold by the selling stockholders.

The primary purposes of the offering are to create a public market for our common stock, obtain additional equity capital and facilitate future access to public markets. We expect to use our net proceeds from the offering to redeem the remaining $38.3 million aggregate principal amount of our 16% senior notes due 2011 and $70.0 million in aggregate principal amount of our 9 3/4% senior notes due 2010 and to prepay $19.9 million in aggregate principal amount of the term loans under our amended and restated credit agreement. The amended and restated credit agreement governing our senior secured credit facilities currently would limit our ability to complete such redemptions or prepayment. We have entered into an amendment to such agreement that will be effective upon the completion of the offering and, among other things, will permit such redemptions and prepayment to be completed.

In addition to repayment of the outstanding principal amount, the redemption of the 16% senior notes will require payment of a $3.7 million premium, plus accrued but unpaid interest through the date of redemption. Affiliates of Credit Suisse First Boston LLC, one of the representatives of the underwriters of the offering, hold a substantial majority of the outstanding 16% senior notes and, as a result, will receive a payment of approximately $38.6 million, representing principal and premium, in connection with the redemption of their notes, together with accrued but unpaid interest through the date of redemption. The redemption of $70.0 million in aggregate principal amount or our 9 3/4% senior notes due 2010 will require payment of a $6.8 million premium, plus accrued but unpaid interest through the date of redemption. The prepayment of $19.9 million in principal amount of our term loans also will require payment of any accrued but unpaid interest through the date of prepayment.

Our 9 3/4% senior notes due 2010 were issued by our indirect, wholly owned subsidiary, CBRE Escrow, Inc., on May 22, 2003, with the proceeds from the offering of these notes being placed in escrow pending our acquisition of Insignia. On July 23, 2003, CBRE Escrow merged into our direct, wholly owned subsidiary CB Richard Ellis Services, Inc., and the net proceeds from the offering were released from escrow and used to partially finance our acquisition of Insignia.

The term loans that we will prepay with net proceeds we receive from the offering will be a portion of the term loans under our current amended and restated credit agreement, which will be refinanced in connection with the completion of the offering. Pursuant to the terms of the new amended and restated credit agreement that will become effective with such refinancing, the term loans will bear interest at varying rates based, at our option, at either LIBOR plus 2.25% to 2.50% or the alternate base rate plus 1.25% to 1.50% (in each case determined by reference to the credit rating assigned to the term facility by Moody's Investor Services and Standard and Poor's). The alternate base rate is the higher of (1) Credit Suisse First Boston's prime rate or (2) the effective rate for federal funds plus 0.50%. A portion of the term loans outstanding under our current amended and restated credit agreement was borrowed during the past year in order to finance partially our acquisition of Insignia on July 23, 2003 and for other general corporate purposes.

DIVIDEND POLICY

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

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2003:

- on an actual basis; and
- on an as adjusted basis, giving effect to:
  - the conversion at a 1-to-1 ratio of all outstanding shares of our Class B common stock into shares of Class A common stock in connection with the completion of the offering;
  - our sale of 7,142,857 shares of our common stock in the offering at an assumed initial public offering price of $21.00 per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and estimated expenses payable by us;
  - the redemption by us of the remaining $38.3 million aggregate principal amount of our 16% senior notes due 2011 and $70.0 million in aggregate principal amount of our 9 3/4% senior notes due 2010 and the prepayment of $19.9 million in principal amount of the term loans under our amended and restated credit agreement; and
  - the payment of bonuses that are payable to several of our non-executive real estate services employees pursuant to their employment agreements as a result of the completion of the offering.

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

	As of December 31, 2003	
	Actual	**As Adjusted**
	(In thousands)	
Cash and cash equivalents	$ 163,881	$ 148,881
Long-term debt, including current portion:		
CB Richard Ellis Group:		
16% senior notes due 2011 (1)	$ 35,472	$ —
CB Richard Ellis Services:		
Revolving credit facility (2)	—	—
Senior secured term loan (3)	297,500	277,618
9¾% senior notes due 2010	200,000	130,000
11¼% senior subordinated notes due 2011 (4)	226,173	226,173
Other long-term debt	43,560	43,560
Total long-term debt, including current portion	802,705	677,351
Stockholders' equity:		
Preferred stock, $0.01 par value per share; no shares authorized, no shares issued or outstanding, actual; and 25,000,000 shares authorized, no shares issued or outstanding, as adjusted	—	—
Class A common stock, $0.01 par value per share; 325,000,000 shares authorized, 8,185,323 shares issued and outstanding, actual; and 325,000,000 shares authorized, 73,545,487 shares issued and outstanding, as adjusted (5)(6)	82	735
Class B common stock, $0.01 par value per share; 100,000,000 authorized, 57,815,844 shares issued and outstanding, actual; and no shares authorized, no shares issued or outstanding, as adjusted	578	—
Additional paid-in capital	361,472	500,097
Notes receivable from sale of stock	(4,680)	(4,680)
Accumulated earnings (deficit)	1,449	(21,092)
Accumulated other comprehensive loss	(23,780)	(23,780)
Treasury stock at cost, 416,874 shares	(2,192)	(2,192)
Total stockholders' equity	332,929	449,088
Total capitalization	$ 1,135,634	$ 1,126,439

(footnotes on following page)

(footnotes for previous page)

(1) The amount shown for our actual capitalization is net of unamortized discount of $2.8 million associated with the issuance of our 16% senior notes dues 2011.

(2) As of December 31, 2003, there were no borrowings outstanding under our revolving credit facility and an aggregate of $10.8 million of letters of credit drawn under our revolving credit facility, which reduces the amount we may borrow under our revolving credit facility. Borrowings of up to $90.0 million are available at any one time for general corporate purposes under our revolving credit facility.

(3) Includes current portion of $10.0 million due and payable on or prior to December 31, 2004.

(4) The amount shown for our actual and as adjusted capitalization is net of unamortized discount of $2.8 million associated with the issuance of our 11¼% senior subordinated notes due 2011.

(5) The number of shares of Class A common stock outstanding after the offering excludes as of December 31, 2003:

- 7,465,683 shares subject to options issued under our 2001 stock incentive plan at a weighted average exercise price of $5.33 per share;
- 3,401,208 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to elections made by plan participants or distributions made by us; and
- 7,500,000 additional shares available for future issuance under our 2004 stock incentive plan that we expect to adopt prior to the completion of the offering.

(6) The number of shares of Class A common stock outstanding on an as adjusted basis includes 401,463 shares that will be issued by us in connection with the automatic "cashless exercise" of outstanding warrants to acquire 766,431 shares of our common stock at an exercise price of $10.00 per share in connection with the offering. This number of shares issued upon exercise of these warrants assumes an initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus. For additional information regarding these warrants, including the "cashless exercise" terms, you should read the description of these warrants under the heading "Description of Capital Stock—Warrants."

DILUTION

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

Our net tangible book deficit as of December 31, 2003 was $738.1 million, or $11.25 per share of common stock. Net tangible book deficit per share before the offering is equal to the total book value of tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of December 31, 2003. After giving effect to the sale of 7,142,857 shares of our common stock in the offering and the automatic "cashless exercise" of warrants in connection with the offering, in each case at the assumed initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us and giving effect to the other transactions described under the heading "Use of Proceeds," the pro forma net tangible book deficit as of December 31, 2003 would have been $627.8 million, or $8.58 per share. This represents an immediate increase in pro forma net tangible book value per share of $2.67 to existing stockholders and dilution in net tangible book value per share of $29.58 to new investors purchasing shares in the offering. The following table summarizes this per share dilution:

Assumed initial public offering price per share		$21.00
Net tangible book deficit per share as of December 31, 2003	$(11.25)	
Decrease in pro forma net tangible book deficit per share attributable to the offering	2.67	
Pro forma net tangible book deficit per share after the offering		(8.58)
Dilution in net tangible book value per share to new investors		$29.58

The following table summarizes, on a pro forma basis as of March 31, 2004, the differences between our existing stockholders and new investors with respect to the number of shares of common stock issued by us, the total consideration paid and the average price per share paid before deducting underwriting discounts and commissions and our estimated offering expenses:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
	(In thousands)		(In thousands)		
Existing stockholders	65,982	90.2%	$ 357,976	70.5%	$ 5.43
New investors	7,143	9.8	150,000	29.5	21.00
Total	73,125	100.0%	$ 507,976	100.0%	

If the underwriters exercise their over-allotment option in full, (1) the number of shares of common stock held by existing stockholders will decrease to 62,382, or approximately 85.3% of the total number of shares of common stock outstanding after the offering, and (2) the number of newly issued shares of common stock held by new investors will increase to 10,743, or approximately 14.7% of the total number of shares of our common stock outstanding after the offering.

As of March 31, 2004, there was an aggregate of (1) 7,455,936 shares of common stock issuable upon the exercise of outstanding options granted under our 2001 stock incentive plan at a weighted average exercise price of $5.33 per share, of which options to purchase 1,733,568 shares were then exercisable; and (2) 3,387,543 shares underlying outstanding stock fund units under our deferred compensation plan, which shares are issuable in connection with future distributions under the plan pursuant to the elections made by participants or distributions made by us, of which stock fund units with 2,109,243 underlying shares were then vested. In connection with the completion of the offering, our 2001 stock incentive plan will terminate and our 2004 stock incentive plan will become effective, which new plan will have 7,500,000 shares reserved for future issuance pursuant to awards made under the plan.

The following table adjusts the information set forth in the table above to reflect the assumed exercise of options and the distribution of shares underlying stock fund units, in each case outstanding as of March 31, 2004, that are described in the preceding paragraph:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
	(In thousands)		(In thousands)		
Existing stockholders	65,982	78.6%	$ 357,976	63.3%	$ 5.43
Option holders	7,456	8.9	39,740	7.0	5.33
Stock fund unit holders	3,388	4.0	18,056	3.2	5.33
New investors	7,143	8.5	150,000	26.5	21.00
Total	83,969	100.0%	$ 565,772	100.0%	

Assuming the exercise of the foregoing outstanding options and the distribution of shares underlying the foregoing stock fund units, dilution to new investors in net tangible book value per share would be $28.48.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is based on the historical financial statements of CB Richard Ellis Group and Insignia included elsewhere in this prospectus. The unaudited pro forma statement of operations for the year ended December 31, 2003 gives effect to the following transactions as if they had occurred on January 1, 2003:

- Disposition of Real Estate Investment Assets by Insignia —
  - the disposition by Insignia Financial Group, Inc. to Island Fund I LLC, immediately prior to the completion of the merger described below on July 23, 2003 and for aggregate cash consideration of $36.9 million, of Insignia's real estate investment assets, which consisted of Insignia subsidiaries and joint ventures that held (1) minority investments in office, retail, industrial, apartment and hotel properties, (2) minority investments in office development projects and a related undeveloped parcel of land, (3) wholly owned or consolidated investments in Norman, Oklahoma, New York City and the U.S. Virgin Islands and (4) investments in private equity funds that invest in mortgage-backed debt securities and other real estate-related assets;
- Insignia Acquisition and Related Transactions —
  - the acquisition of Insignia by our wholly owned subsidiary, CB Richard Ellis Services, Inc., which occurred pursuant to the merger of Apple Acquisition Corp., a wholly owned subsidiary of CB Richard Ellis Services, with and into Insignia on July 23, 2003;
  - the issuance on May 22, 2003 by CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, of $200.0 million aggregate principal amount of 9¾% senior notes due 2010, which notes were assumed by CB Richard Ellis Services on July 23, 2003 in connection with the merger of CBRE Escrow with and into CB Richard Ellis Services on the same day;
  - the term loan borrowing by CB Richard Ellis Services of $75.0 million on July 23, 2003 pursuant to our amended and restated credit agreement dated May 22, 2003; and
  - fees and expenses related to each of the transactions and financings described in the "Insignia Acquisition and Related Transactions" bullet points above; and
- The Offering —
  - the redemptions on October 27, 2003 and December 29, 2003 of $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes due 2011, and the payment of premiums of $2.9 million in connection with such redemptions; and
  - the offering and the application of net proceeds of the offering, assuming the sale of 7,142,857 shares by us at an initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus, to (1) the redemption of the remaining $38.3 million outstanding principal amount of our 16% senior notes due 2011, including payment of a $3.7 million premium in connection with such redemption, (2) the redemption of $70.0 million in aggregate principal amount of our 9 3/4% senior notes due 2010, including payment of a $6.8 million premium in connection with such redemption, and (3) the prepayment of $19.9 million in principal amount of the term loans under our amended and restated credit agreement.

The following unaudited pro forma balance sheet as of December 31, 2003 gives effect to the second bullet point under "The Offering" above, as well as the payment of contractual bonuses in the aggregate amount of $15.0 million that are payable to several of our non-executive real estate services employees pursuant to their employment agreements as a result of the completion of the offering, in each case as if such transactions had occurred on December 31, 2003.

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

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

The unaudited pro forma financial information does not give effect to the refinancings of all outstanding borrowings under our amended and restated credit agreement on either October 14, 2003 or the date of completion of the offering.

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

Table of Contents

CB RICHARD ELLIS GROUP, INC.
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS

For the Year Ended December 31, 2003
(In thousands, except share data)

	Historical		Pro Forma Adjustments			
	CB Richard Ellis Group for the Year Ended December 31, 2003	Insignia from January 1, 2003 to July 23, 2003	Disposition of Real Estate Investment Assets by Insignia (a)	Insignia Acquisition and Related Transactions	The Offering	Pro Forma As Adjusted
Revenue	$ 1,630,074	$ 325,600	$ (6,847)	$ —	$ —	$ 1,948,827
Costs and expenses:						
Cost of services	796,408	—	—	—	—	796,408
Operating, administrative and other	678,397	—	—	—	—	678,397
Cost and expenses—Insignia	—	320,319	(8,039)	2,688 (b)	—	314,968
Depreciation and amortization	92,622	10,148	(792)	(2,134)(c)	—	103,385
				3,541 (d)		
Merger-related charges	36,817	21,627	(12,832)	(8,795)(e)	—	36,817
	1,604,244	352,094	(21,663)	(4,700)	—	1,929,975
Operating income (loss)	25,830	(26,494)	14,816	4,700	—	18,852
Equity income (loss) from unconsolidated subsidiaries	14,365	(4,439)	4,439	—	—	14,365
Interest income	6,041	1,924	—	(399)(f)	—	7,566
Interest expense	87,216	6,045	(841)	196 (g)	(29,276)(i)	63,340
(Loss) income from continuing operations before (benefit) provision for income taxes	(40,980)	(35,054)	20,096	4,105	29,276	(22,557)
(Benefit) provision for income taxes	(6,276)	(12,104)	8,239	1,642 (h)	8,878 (j)	379
(Loss) income from continuing operations	$ (34,704)	$ (22,950)	$ 11,857	$ 2,463	$ 20,398	$ (22,936)
Basic loss per share from continuing operations	$ (0.63)					$ (0.31)
Weighted average shares outstanding for basic loss per share	55,119,354					75,177,373(k)
Diluted loss per share from continuing operations	$ (0.63)					$ (0.31)
Weighted average shares outstanding for diluted loss per share	55,119,354					75,177,373(k)

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

Table of Contents

Notes to Unaudited Pro Forma Statements of Operations
For the Year Ended December 31, 2003

(a) Reflects the elimination of the historical results of the real estate investment assets that were sold by Insignia to Island Fund immediately prior to the closing of the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, these dispositions were assumed to have occurred prior to January 1, 2003.

(b) This adjustment mainly represents pro forma broker draw expense as a result of conforming the accounting for Insignia's historical draws to our policy. Insignia's policy was to record cash draws to brokers as a receivable. Our policy is to expense such cash draws at the time of payment to the broker. Accordingly, we have included an adjustment for pro forma broker draw expense as if we acquired Insignia on January 1, 2003 and expensed the advances to brokers when paid rather than recording them as a receivable due from brokers as Insignia did in its financial statements. Additionally, the adjustment includes incremental pro forma deferred rent expense resulting from the recalculation of deferred rent expense from the Insignia acquisition, assumed to have closed on January 1, 2003 for purposes of the unaudited pro forma combined statement of operations.

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

(d) Represents an adjustment to amortization expense resulting from the recalculation of amortization expense relating to intangible assets acquired in the Insignia acquisition. For purposes of the unaudited pro forma combined statement of operations, the Insignia acquisition is assumed to have occurred on January 1, 2003. The largest intangible asset acquired in the Insignia acquisition relates to net revenue backlog. The net revenue backlog consists of net commissions receivable on Insignia's revenue producing transactions, which were at various stages of completion prior to the Insignia acquisition, for which Insignia recognized no revenue. The net revenue backlog is amortized as cash is received or upon final closing of these pending transactions, a large portion of which is expected to occur within twelve months after the date of the Insignia acquisition. The pro forma amortization adjustment can be summarized as follows (in thousands):

Insignia historical intangible amortization—January 1 to July 23, 2003						$(1,447)
Adjustment to CB Richard Ellis Group amortization of intangibles acquired in the Insignia acquisition:						
	Amortization Period	**Cost**	**Pro forma YTD 2003 Amortization (Assumes 1/1/03 Acquisition Date)**	**Historical CB Amortization 7/23-12/31/03**	**Pro forma Amortization Adjustment Required**	
Backlog	Various	72,503	62,431	59,108	3,323	
Management contracts	Various	4,611	1,115	490	625	
Other	Various	5,808	1,861	821	1,040	
Total		82,922	65,407	60,419	4,988	4,988
Pro forma adjustment to amortization expense						$ 3,541

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

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

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

	(In thousands)
Interest on $200.0 million in aggregate principal amount senior notes at 9¾% per annum	$ 19,500
Incremental interest on $75.0 million in additional tranche B term loan borrowings at LIBOR plus 4.25% (1)	2,355
Additional 0.50% interest rate margin on existing senior secured term loan facilities	649
Incremental amortization of deferred financing costs over the term of each respective debt instrument	1,688
Incremental commitment and administration fees	196
Subtotal	24,388
Less: historical interest expense of CB Richard Ellis Group for $200.0 million in aggregate principal amount of 9¾% senior notes	(11,918)
Less: historical interest expense of Insignia	(1,978)
Less: historical amortization of deferred financing costs of CB Richard Ellis Group (credit facility in effect prior to Insignia acquisition)	(7,950)
Less: historical amortization of deferred financing costs of Insignia	(2,346)
Subtotal	(24,192)
Net increase in interest expense	$ 196

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

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

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

	(In thousands)
Historical interest expense on our 16% senior notes	$ (13,203)
Historical amortization of deferred financing costs related to our 16% senior notes	(2,350)
Historical amortization of discount related to our 16% senior notes	(2,262)
Historical premiums on early redemptions of our 16% senior notes	(2,880)
Interest expense on portion of our 9¾% senior notes repaid	(6,825)
Amortization of deferred financing costs related to portion of our 9¾% senior notes repaid	(419)
Interest expense on portion of our senior secured term loans repaid	(1,167)
Amortization of deferred financing costs related to portion of our senior secured term loans repaid	(170)
Net decrease in interest expense	$ (29,276)

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

(k) The pro forma number of weighted average shares gives effect to the 2,558,595 shares of Class A common stock of CB Richard Ellis Group and the 19,941,405 shares of Class B common stock of CB Richard Ellis Group issued in connection with the Insignia acquisition, as though such shares were issued on January 1, 2003. In connection with the offering, all outstanding shares of our Class B common stock will be converted into shares of Class A common stock at a 1-to-1 ratio. Additionally, the pro forma weighted average shares gives effect to 7,142,857 shares of Class A common stock that we expect to issue and sell in the offering and 401,463 shares of Class A common stock that will be issued by us as a result of the automatic "cashless exercise" of outstanding warrants in connection with the offering, in each case as though such shares were issued on January 1, 2003.

CB RICHARD ELLIS GROUP, INC.
UNAUDITED PRO FORMA BALANCE SHEET

As of December 31, 2003
(In thousands, except share data)

	Historical	Pro Forma Adjustments for the Offering	Pro Forma As Adjusted
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 163,881	$ (15,000)(a)(b)(c)	$ 148,881
Restricted cash	14,899	—	14,899
Receivables, less allowance for doubtful accounts of $16,181	322,416	—	322,416
Warehouse receivable	230,790	—	230,790
Prepaid expenses	22,854	—	22,854
Deferred tax assets, net	57,681	12,330 (d)	70,011
Other current assets	26,461	—	26,461
Total current assets	838,982	(2,670)	836,312
Property and equipment, net	113,569	—	113,569
Goodwill	819,558	—	819,558
Other intangible assets, net of accumulated amortization of $73,449	131,731	—	131,731
Deferred compensation assets	76,389	—	76,389
Investments in and advances to unconsolidated subsidiaries	68,361	—	68,361
Deferred tax assets, net	32,179	—	32,179
Other assets, net	132,712	(6,525)(e)	126,187
Total assets	$ 2,213,481	$ (9,195)	$ 2,204,286

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

Table of Contents

	Historical	Pro Forma Adjustments for the Offering	Pro Forma As Adjusted
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable and accrued expenses	$ 189,787	$ —	189,787
Compensation and employee benefits payable	148,874	—	148,874
Accrued bonus and profit sharing	200,343	—	200,343
Short-term borrowings:			
Warehouse line of credit	230,790	—	230,790
Other	39,347	—	39,347
Total short-term borrowings	270,137	—	270,137
Current maturities of long-term debt	11,285		11,285
Other current liabilities	12,991	—	12,991
Total current liabilities	833,417	—	833,417
Long-Term Debt:			
Senior secured term loans	287,500	(19,882)(a)	267,618
9¾% senior notes	200,000	(70,000)(a)	130,000
11¼% senior subordinated notes, net of unamortized discount of $2,827	226,173	—	226,173
16% senior notes, net of unamortized discount of $2,844	35,472	(35,472)(a)(f)	—
Other long-term debt	42,275	—	42,275
Total long-term debt	791,420	(125,354)	666,066
Deferred compensation liability	138,037	—	138,037
Pension liability	35,998	—	35,998
Other liabilities	75,024	—	75,024
Total liabilities	1,873,896	(125,354)	1,748,542
Minority interest	6,656	—	6,656
Commitments and contingencies			
Stockholders' Equity:			
Preferred stock, $0.01 par value per share; no shares authorized, no shares issued or outstanding, actual; and 25,000,000 shares authorized, no shares issued or outstanding, pro forma as adjusted	—	—	—
Class A common stock, $0.01 par value per share; 325,000,000 shares authorized, 8,185,323 shares issued and outstanding actual; and 325,000,000 shares authorized, 73,545,487 shares issued and outstanding, pro forma as adjusted	82	653 (a)(g)(h)	735
Class B common stock; $0.01 par value per share; 100,000,000 shares authorized, 57,815,844 shares issued and outstanding, actual; and no shares authorized, no shares issued or outstanding, pro forma as adjusted	578	(578)(g)	—
Additional paid-in capital	361,472	138,625 (a)(h)	500,097
Notes receivable from sale of stock	(4,680)	—	(4,680)
Accumulated earnings (deficit)	1,449	(22,541)(b)(c)(d)(e)(f)	(21,092)
Accumulated other comprehensive loss	(23,780)	—	(23,780)
Treasury stock at cost, 416,874 shares	(2,192)	—	(2,192)
Total stockholders' equity	332,929	116,159	449,088
Total liabilities and stockholders' equity	$ 2,213,481	$ (9,195)	$ 2,204,286

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

Notes to Unaudited Pro Forma Balance Sheet
as of December 31, 2003

(a) Reflects the net proceeds received from the offering as well as the application of those net proceeds to pay down debt. The decrease in pro forma cash and cash equivalents as a result of the pro forma transactions is summarized as follows:

	(In thousands)
Proceeds from the offering	$ 150,000
Less: estimated expenses related to the offering	(11,300)
Net proceeds related to the offering	138,700
Less: repayment of our 16% senior notes	(38,316)
Less: premium in connection with repayment of our 16% senior notes	(3,677)
Less: repayment of our $9^{3}/4$% senior notes	(70,000)
Less: premium in connection with repayment of our $9^{3}/4$% senior notes	(6,825)
Less: repayment of senior secured term loans	(19,882)
Net decrease in cash and cash equivalents	$ —

(b) Includes $10.5 million of premium payments in connection with the full redemption of the 16% senior notes as well as the partial redemption of our $9^{3}/4$% senior notes using the net proceeds from the offering.

(c) Includes the impact of the payment of bonuses in connection with the offering in an aggregate amount of $15.0 million to be paid to several of our non-executive real estate services employees pursuant to their employment agreements as a result of completion of the offering. The pro forma income statement does not reflect this $15.0 million of compensation expense because this is a nonrecurring expense.

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

(e) Represents the write-off of unamortized deferred financing costs associated with the redemption of the remaining outstanding principal amount of our 16% senior notes, with proceeds from the offering.

(f) Represents the write-off of unamortized discount associated with the redemption of the remaining outstanding principal amount of our 16% senior notes with proceeds from the offering.

(g) In connection with the offering, all outstanding shares of our Class B common stock will be converted into shares of Class A common stock at a 1-to-1 ratio.

(h) Reflects 7,142,857 shares of Class A common stock at an initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus, that we expect to issue in connection with the offering. Additionally, includes 401,463 shares that will be issued by us in connection with the automatic "cashless exercise" of outstanding warrants to acquire 766,431 shares of our common stock at an exercise price of $10.00 per share as a result of the completion of the offering. The number of shares issued upon exercise of these warrants assumes an initial public offering price of $21.00 per share.

SELECTED HISTORICAL FINANCIAL DATA

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

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

	CB Richard Ellis Group			Predecessor Company		
	Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	2003(1)	2002	2001(2)	2001	2000	1999
	(Dollars in thousands, except share data)					
Statement of Operations Data:						
Revenue	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934	$ 1,323,604	$ 1,213,039
Operating income (loss)	25,830	96,736	61,178	(17,048)	100,780	71,387
Interest expense, net	81,175	57,229	27,290	18,736	39,146	37,438
Net (loss) income	(34,704)	18,727	17,426	(34,020)	33,388	23,282
Historical EPS (3):						
Basic	(1.89)	1.25	2.22	(1.60)	1.60	1.11
Diluted	(1.89)	1.23	2.20	(1.60)	1.60	1.10
Historical weighted average shares (4):						
Basic	18,373,118	15,025,308	7,845,004	21,306,584	20,931,111	20,998,097
Diluted	18,373,118	15,222,111	7,909,797	21,306,584	21,097,240	21,072,436
As adjusted EPS (5):						
Basic	(0.63)	0.42	0.74			
Diluted	(0.63)	0.41	0.73			
As adjusted Weighted average shares (5):						
Basic	55,119,354	45,075,924	23,535,012			
Diluted	55,119,354	45,666,333	23,729,391			
Statement of Cash Flow Data:						
Net cash provided by (used in) operating activities	$ 63,941	$ 64,882	$ 91,334	$ (120,230)	$ 80,859	$ 70,340
Net cash used in investing activities	(284,795)	(24,130)	(261,393)	(12,139)	(32,469)	(23,096)
Net cash provided by (used in) financing activities	303,664	(17,838)	213,831	126,230	(53,523)	(37,721)
Other Data:						
EBITDA (6)	132,817	130,676	74,930	11,482	150,484	117,369

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

(footnotes on following page)

(footnotes for previous page)

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

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

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

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

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

(5) As adjusted EPS and As adjusted weighted average shares assume a 3-for-1 stock split of our outstanding Class A common stock and Class B common stock prior to the offering, which will be effected by a stock dividend.

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

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

EBITDA is calculated as follows:

	CB Richard Ellis Group			Predecessor Company		
	Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,	Year Ended December 31,	
	2003	2002	2001	2001	2000	1999
	(In thousands)					
Net (loss) income	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)	$ 33,388	$ 23,282
Add:						
Depreciation and amortization	92,622	24,614	12,198	25,656	43,199	40,470
Interest expense	87,216	60,501	29,717	20,303	41,700	39,368
(Benefit) provision for income taxes	(6,276)	30,106	18,016	1,110	34,751	16,179
Less:						
Interest income	6,041	3,272	2,427	1,567	2,554	1,930
EBITDA	$ 132,817	$ 130,676	$ 74,930	$ 11,482	$ 150,484	$ 117,369

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

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

Macroeconomic Conditions

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

During 2002 and 2001, we were adversely affected by the slowdown in the U.S. economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the United States. Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent conflict with Iraq, the economic climate in the United States became very uncertain, which had an adverse effect on commercial real estate market conditions and, in turn, our operating results for 2002 and 2001. During 2003, economic conditions in the United States improved, which positively impacted the commercial real estate market generally. This caused an improvement in our Americas segment's sales and leasing activities. We expect this trend to continue in the near term.

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

Effects of Prior Acquisitions

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

Although our management believes that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets, our management also believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenses and charges and the costs of integrating the acquired business and its financial and accounting systems into our own. For example, we incurred approximately $159.4 million of transaction-related expenses in connection with our acquisition of Insignia in 2003 and approximately $87.6 million of transaction-related expenses in connection with our acquisition of CB Richard Ellis Services in 2001. Transaction-related expenses include severance costs, lease termination costs, transaction costs, deferred financing costs and merger-related costs, among others. In addition, during 2003, we incurred approximately $13.6 million of costs in connection with the integration of Insignia’s business lines, as well as accounting and other systems, into our own.

International Operations

We have made significant acquisitions of non-U.S. companies and, although we currently have no specific plans to do so, we may acquire additional foreign companies in the future. As we increase our foreign operations through either acquisitions or organic growth, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Our management team generally seeks to mitigate our exposure by balancing assets and liabilities that are denominated in the same currency and by maintaining cash positions outside the United States only at levels necessary for operating purposes. In addition, from time to time we enter into foreign currency exchange contracts to mitigate our exposure to exchange rate changes related to particular transactions. However, our management historically has not entered into agreements to hedge the risks associated with the translation of foreign currencies into U.S. dollars but may consider doing so in the future. As a result, due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, our management cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations.

Our international operations also are subject to, among other things, political instability and changing regulatory environments, which may adversely affect our future financial condition and results of operations.
Our management routinely monitors these risks and costs and evaluates the appropriate amount of resources to allocate towards business activities in foreign countries where such risks and costs are particularly significant. For example, in late 2001 and early 2002 we decided to sell our wholly owned operations in Thailand, the Philippines and India. These operations had highly cyclical financial performance due to continuing economic and political instability in the region. By selling the operations and entering into cross-referral and royalty agreements with the purchasers, we were able to maintain our presence, brand and service capability in those countries while generally eliminating our financial risk. However, these measures have only mitigated our overall exposure to the risks associated with operating outside the United States.

Leverage

We are highly leveraged and have significant debt service obligations. Although our management believes that the incurrence of this long-term indebtedness has been important in the development of our business, including facilitating our acquisition of Insignia Financial Group in 2003, the cash flow necessary to service this debt is not available for other general corporate purposes, which may limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry. Our management seeks to mitigate this exposure both through the refinancing of debt when available on attractive terms and through selective repayment and retirement of indebtedness. For example, we refinanced our senior secured credit facilities in October 2003 to obtain more attractive interest rates and other terms and we redeemed $30.0 million of our 16% senior notes in late 2003. In addition, we expect to use the net proceeds we receive from the offering to redeem all of the remaining outstanding 16% senior notes and $70.0 million in aggregate principal amount of our 9 $^{3}/_{4}$% senior notes due 2010 and to prepay $19.9 million in principal amount of the term loans under our amended and restated credit agreement. Notwithstanding such activities, our level of indebtedness and the operating and financial restrictions in our debt agreements both place significant constraints on the operation of our business.

Basis of Presentation

Recent Significant Acquisitions and Dispositions

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

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

On July 23, 2003, pursuant to an amended and restated agreement and plan of merger, dated as of May 28, 2003, by and among CB Richard Ellis Services, CB Richard Ellis Group, Apple Acquisition Corp., a Delaware corporation and wholly owned subsidiary of CB Richard Ellis Services, and Insignia Financial Group, Inc., Apple Acquisition was merged with and into Insignia Financial Group. Insignia Financial Group was the surviving corporation in the merger and at the effective time of the merger became a wholly owned subsidiary of CB Richard Ellis Services. Also on July 23, 2003, immediately prior to the completion of the merger, Insignia Financial Group completed the sale of its real estate investment assets to Island Fund I LLC for cash consideration of $36.9 million pursuant to a purchase agreement, dated as of May 28, 2003, among CB Richard Ellis Group, CB Richard Ellis Services, Apple Acquisition, Insignia Financial Group and Island Fund. These real estate investment assets consisted of Insignia Financial Group subsidiaries and joint ventures that held (1) minority investments in office, retail, industrial, apartment and hotel properties, (2) minority investments in office development projects and a related undeveloped parcel of land, (3) wholly owned or consolidated investments in Norman, Oklahoma, New York City and the U.S. Virgin Islands and (4) investments in private equity funds that invest in mortgage-backed debt securities and other real estate-related assets.

Segment Reporting

We report our operations through three geographically organized segments: (1) the Americas, (2) Europe, the Middle East and Africa, or EMEA, and (3) Asia Pacific. The Americas consists of operations located in the United States, Canada, Mexico and South America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand.

In 1998, CB Richard Ellis Services, our predecessor company, expanded internationally through acquisitions. Over the ensuing few years, it was determined that the line of business segments around which the company had previously been organized, were not applicable internationally since those jurisdictions were managed on a geographic basis by country. In order to achieve global consistency, the company decided to segment itself by geographic region starting in the 2001 fiscal year.

Results of Operations

The following table sets forth items derived from the consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001, presented in dollars and as a percentage of revenue:

	Year Ended December 31,					
	2003		2002		2001	
	(Dollars in thousands)					
Revenue	$ 1,630,074	100.0%	$ 1,170,277	100.0%	$ 1,170,762	100.0%
Costs and expenses:						
Cost of services	796,408	48.8	547,093	46.7	542,804	46.4
Operating, administrative and other	678,397	41.6	501,798	42.9	517,405	44.2
Depreciation and amortization	92,622	5.7	24,614	2.1	37,854	3.2
Merger-related and other nonrecurring charges	36,817	2.3	36	—	28,569	2.5
Operating income	25,830	1.6	96,736	8.3	44,130	3.8
Equity income from unconsolidated subsidiaries	14,365	0.9	9,326	0.8	4,428	0.4
Interest income	6,041	0.4	3,272	0.3	3,994	0.4
Interest expense	87,216	5.4	60,501	5.2	50,020	4.3
(Loss) income before (benefit) provision for income taxes	(40,980)	(2.5)	48,833	4.2	2,532	0.2
(Benefit) provision for income taxes	(6,276)	(0.4)	30,106	2.6	19,126	1.6
(Loss) net income	$ (34,704)	(2.1)%	$ 18,727	1.6%	$ (16,594)	(1.4)%
EBITDA	$ 132,817	8.1%	$ 130,676	11.2%	$ 86,412	7.4%

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

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

EBITDA is calculated as follows:

	Year Ended December 31,		
	2003	2002	2001
		(In thousands)	
Net (loss) income	$ (34,704)	$ 18,727	$ (16,594)
Add:			
Depreciation and amortization	92,622	24,614	37,854
Interest expense	87,216	60,501	50,020
(Benefit) provision for income taxes	(6,276)	30,106	19,126
Less:			
Interest income	6,041	3,272	3,994
EBITDA	$ 132,817	$ 130,676	$ 86,412

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

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

Our revenue on a consolidated basis increased $459.8 million, or 39.3%, during the year ended December 31, 2003 as compared to the year ended December 31, 2002. The increase was driven by higher revenue as a result of our capturing a larger market share in our Americas real estate services business line through our acquisition of Insignia, particularly leasing activity in the New York area. Additionally, as a result of the improvement of general economic conditions in the United States, we experienced significantly higher sales transaction revenue as well as increased lease transaction revenue and appraisal fees. Internationally, the Insignia acquisition helped us to expand our reach in Europe as evidenced by increased sales and lease transaction revenue, as well as higher consultation and appraisal fees, particularly in London and Paris. We expect that this increased revenue level will be maintained in the near term. Lastly, foreign currency translation had a $54.4 million positive impact on total revenue during the year ended December 31, 2003.

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

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

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

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

Our merger-related charges on a consolidated basis were $36.8 million for the year ended December 31, 2003. These charges primarily consisted of lease termination costs associated with vacated spaces, change of control payments, consulting costs and severance costs, all of which were attributable to the Insignia acquisition.

Our consolidated interest expense was $87.2 million for the year ended December 31, 2003, an increase of $26.7 million, or 44.2%, as compared to the year ended December 31, 2002. This increase was primarily driven by a one-time $6.8 million write-off of unamortized deferred financing fees associated with our prior credit facility and $6.6 million of nonrecurring write-offs of unamortized deferred financing fees and unamortized discount, as well as premiums paid, in connection with the $30.0 million of redemptions of our 16% senior notes in the fourth quarter of 2003. Additionally, interest expense was higher in 2003 as a result of the new debt incurred in connection with the Insignia acquisition.

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

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

We reported consolidated net income of $18.7 million for the year ended December 31, 2002 on revenue of $1.2 billion as compared to a consolidated net loss of $16.6 million on revenue of $1.2 billion for the year ended December 31, 2001.

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

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

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

Our depreciation and amortization expense on a consolidated basis decreased by $13.2 million, or 35.0%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001 was mainly due to the discontinuation of goodwill amortization after our acquisition of CB Richard Ellis Services in 2001 in accordance with Statement of Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*," or SFAS No. 142, and lower depreciation expense, principally due to lower capital expenditures for the year ended December 31, 2002. The lower capital expenditures resulted from cost reduction measures initiated in 2001. Our capital expenditures increased in 2003 primarily as a result of our planned relocation to a new facility in the United Kingdom in 2003. The year ended December 31, 2002 also included a one-time reduction of amortization expense of $2.0 million arising from the adjustment of certain intangible assets to their estimated fair values as of July 20, 2001, the date we acquired CB Richard Ellis Services.

Our equity income from unconsolidated subsidiaries increased by $4.9 million, or 110.6%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001, primarily due to a $2.2 million nonrecurring disposition fee received upon liquidation of one of our joint ventures in the United States in the normal course of business upon completion of the investment strategy set forth in its joint venture agreement as well as the improved performance from several of our other domestic joint ventures. Earnings from these domestic joint ventures continued to increase during 2003 as general economic conditions improved in the United States.

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

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

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

Segment Operations

The following table summarizes our revenue, costs and expenses and operating income (loss) by our Americas, EMEA and Asia Pacific operating segments for the years ended December 31, 2003, 2002 and 2001. Our Americas 2003 results include merger-related charges of $20.4 million attributable to the acquisition of Insignia. Our Americas 2001 results include a nonrecurring sale of mortgage fund contracts of $5.6 million, as well as merger-related and other nonrecurring charges of $26.9 million attributable to our acquisition of CB Richard Ellis Services. Our EMEA 2003 results include merger-related charges of $16.0 million attributable to the Insignia acquisition. Our Asia Pacific 2001 results include merger-related and other nonrecurring charges of $1.2 million attributable to the acquisition of CB Richard Ellis Services.

	Year Ended December 31,					
	2003		2002		2001	
	(Dollars in thousands)					
The Americas						
Revenue	$ 1,197,626	100.0%	$ 896,064	100.0%	$ 928,799	100.0%
Costs and expenses:						
Cost of services	609,619	50.9	438,842	49.0	448,813	48.3
Operating, administrative and other	474,317	39.6	367,360	41.0	388,645	41.8
Depreciation and amortization	58,216	4.9	16,958	1.9	27,452	3.0
Merger-related and other nonrecurring charges	20,367	1.7	36	—	26,923	2.9
Operating income	$ 35,107	2.9%	$ 72,868	8.1%	$ 36,996	4.0%
EBITDA	$ 107,503	9.0%	$ 98,251	11.0%	$ 68,226	7.3%
EMEA						
Revenue	$ 313,686	100.0%	$ 182,222	100.0%	$ 161,306	100.0%
Costs and expenses:						
Cost of services	135,854	43.3	70,309	38.6	60,309	37.4
Operating, administrative and other	151,077	48.1	90,047	49.4	84,762	52.5
Depreciation and amortization	31,287	10.0	4,579	2.5	6,492	4.0
Merger-related and other nonrecurring charges	15,958	5.1	—	—	451	0.3
Operating (loss) income	$ (20,490)	(6.5)%	$ 17,287	9.5%	$ 9,292	5.8%
EBITDA	$ 10,609	3.4%	$ 21,948	12.0%	$ 15,786	9.8%
Asia Pacific						
Revenue	$ 118,762	100.0%	$ 91,991	100.0%	$ 80,657	100.0%
Costs and expenses:						
Cost of services	50,935	42.9	37,942	41.2	33,682	41.7
Operating, administrative and other	53,003	44.6	44,391	48.3	43,998	54.5
Depreciation and amortization	3,119	2.6	3,077	3.3	3,910	4.9
Merger-related and other nonrecurring charges	492	0.4	—	—	1,195	1.5
Operating income (loss)	$ 11,213	9.4%	$ 6,581	7.2%	$ (2,128)	(2.6)%
EBITDA	$ 14,705	12.4%	$ 10,477	11.4%	$ 2,400	3.0%

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. Our management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our management believes that EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and

Table of Contents

the accounting effects of capital spending and acquisitions, which items may vary for different companies for reasons unrelated to overall operating performance. As a result, our management uses EBITDA as a measure to evaluate the performance of our various business lines and for other discretionary purposes, including as a significant component when measuring our performance under our employee incentive programs.

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

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

	Year Ended December 31,		
	2003	2002	2001
		(In thousands)	
The Americas			
Operating income	$ 35,107	$ 72,868	$ 36,966
Add:			
Depreciation and amortization	58,216	16,958	27,452
Equity income from unconsolidated subsidiaries	14,180	8,425	3,808
EBITDA	$ 107,503	$ 98,251	$ 68,226
EMEA			
Operating (loss) income	$ (20,490)	$ 17,287	$ 8,292
Add:			
Depreciation and amortization	31,287	4,579	6,492
Equity (loss) income from unconsolidated subsidiaries	(188)	82	2
EBITDA	$ 10,609	$ 21,948	$ 15,786
Asia Pacific			
Operating income (loss)	$ 11,213	$ 6,581	$ (2,128)
Add:			
Depreciation and amortization	3,119	3,077	3,910
Equity income from unconsolidated subsidiaries	373	819	618
EBITDA	$ 14,705	$ 10,477	$ 2,400

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

The Americas

Revenue increased by $301.6 million, or 33.7%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002 primarily driven by the expansion of our market share in our real estate services business line through our acquisition of Insignia, particularly in the leasing industry in the New York area. Additionally, the improvement of general economic conditions in the United States led to an increase in volume of transactions resulting in significantly higher sales transaction revenue as well as increased lease transaction revenue and appraisal fees. Cost of services increased by $170.8 million, or 38.9%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002 primarily due to higher commission expense, bonus accruals and producer retention expense as a result of the Insignia acquisition as well as the higher sales and lease transaction revenue. The producer retention expense represents bonuses paid to the top advisory services professionals of Insignia that we retained at the time of the acquisition that is being amortized through cost of services over the respective lives of the underlying employment agreements. The producer retention expense is considered an integration cost associated with the Insignia acquisition and amounted to $1.5 million for the year ended December 31, 2003. Operating, administrative and other expenses increased $107.0 million, or 29.1%, mainly caused by higher costs as a result of the Insignia acquisition, including integration expenses of $9.1 million, increased bonuses and payroll related costs mainly resulting from improved operating performance, and a nonrecurring legal settlement in the United States. Included in the 2003 bonus was an accrual for a one-time performance award of approximately $6.9 million. These increases were partially offset by net foreign currency transaction gains resulting from the weakened U.S. dollar, a trend that we have experienced in 2003 and 2002.

EMEA

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

Asia Pacific

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

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

The Americas

Revenue decreased by $32.7 million, or 3.5%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001, primarily driven by a lower average value per transaction in lease transaction revenue resulting from the continued softness in the leasing industry in the United States combined with a nonrecurring sale of mortgage fund contracts of $5.6 million in 2001. These decreases were partially offset by higher sales transaction revenue, which was driven by a higher number of transactions as well as a higher average value per transaction, primarily due to investment property sales. The improvement in sales transaction revenue continued in 2003. Cost of services decreased by $10.0 million, or 2.2%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001, caused primarily by lower variable commissions commensurate with lower lease transaction revenue. Operating, administrative and other expenses decreased by $21.3 million, or 5.5%, as a result of cost reduction and efficiency measures, the organizational restructuring implemented after our acquisition of CB Richard Ellis Services in 2001, and foreign currency transaction and settlement gains resulting from the weaker U.S. dollar. The trend of foreign currency transaction gains resulting from the weakening U.S. dollar continued throughout 2003.

EMEA

Revenue increased by $20.9 million, or 13.0%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001. This was mainly driven by higher sales transaction revenue across Europe as the general economy in this region improved. Foreign currency translation had an $8.9 million positive impact on total revenue during the year ended December 31, 2002. Cost of services increased by $10.0 million, or 16.6%, due to higher producer compensation as a result of increased revenue arising from expanded activities in Europe. Foreign currency translation had a $3.4 million negative impact on cost of services during the year ended December 31, 2002. Operating, administrative and other expenses increased by $5.3 million, or 6.2%, mainly attributable to higher incentives due to improved results, higher occupancy costs and consulting fees. Foreign currency translation also had a $3.7 million negative impact on total operating expenses during the year ended December 31, 2002.

Asia Pacific

Revenue increased by $11.3 million, or 14.1%, for the year ended December 31, 2002 as compared to the year ended December 31, 2001. This increase was primarily driven by higher investment management fees in Japan and an increase in overall revenue in Australia and New Zealand due to increased efforts to expand our market share in these locations, partially offset by lower revenues as a result of the sale of our wholly owned operations in Thailand, the Philippines and India. Foreign currency translation had a $2.8 million positive impact on total revenue during the year ended December 31, 2002. Cost of services increased by $4.3 million, or 12.6%, primarily driven by higher producer compensation expense due to increased personnel in Australia, New Zealand and China, slightly offset by lower commissions due to conversions to affiliate offices elsewhere in Asia. Foreign currency translation had a $1.3 million negative impact on cost of services for the year ended December 31, 2002. Operating, administrative and other expenses increased by $0.4 million, or 0.9%, primarily due to increased bonuses as a result of improved results in Australia and New Zealand, partially offset by lower expenses as a result of sales of operations in Asia. Foreign currency translation also had a $1.1 million negative impact on total operating expenses during the year ended December 31, 2002.

Liquidity and Capital Resources

We believe we can satisfy our working capital requirements and funding of investments with internally generated cash flow and borrowings under the revolving credit facility or our amended and restated credit agreement described below. Included in the capital requirements that we expect to be able to fund are approximately $40 million of anticipated capital expenditures, net of concessions received, during 2004. The capital expenditures for 2004 are primarily composed of information technology costs, which are driven largely by computer replacement costs as well as costs associated with upgrading various servers and systems, and leasehold improvements.

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

Although we currently do not have any specific acquisition plans, our management believes that any future material acquisitions that we make most likely would require us to obtain additional debt or equity financing. In the past, we have been able to obtain such financing for other material transactions on terms that our management believed to be reasonable. However, we may not be able to find acquisition financing on favorable terms in the future, if we decide to make any material acquisitions.

Our current long-term liquidity needs, other than those related to ordinary course obligations and commitments such as operating leases, generally are comprised of two parts. The first is the repayment of the outstanding principal amounts of our long-term indebtedness, including our senior secured term loan in 2008, our 9¾% senior notes in 2010 and our 16% senior notes and 11¼% senior subordinated notes in 2011. We expect to use a portion of the net proceeds we receive from the offering to redeem all of our remaining outstanding 16% senior notes and $70.0 million in aggregate principal amount of our 9 3/4% senior notes due 2010 and to prepay $19.9 in principal amount of the term loans under our amended and restated credit agreement. Our management is unable to project whether our long-term cash flow from operations will be sufficient to repay the other amounts of our long-term debt when it comes due. If this cash flow is insufficient, then our management expects that we would need to refinance such indebtedness or otherwise amend its terms to extend the maturity dates. Our management cannot assure you that such refinancings or amendments, if necessary, would be available on attractive terms, if at all.

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

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
			(In thousands)		
Total debt (1)	$ 1,072,842	$ 281,422	$ 20,384	$ 309,287	$ 461,749
Operating leases (2)	710,262	96,123	167,164	134,094	312,881
Deferred compensation plan liability (3)(4)	138,037	6,087	13,435	12,117	106,398
Pension liability (3)(4)	35,998	—	—	—	35,998
Total Contractual Obligations	$ 1,957,139	$ 383,632	$ 200,983	$ 455,498	$ 917,026

	Amount of Commitments Expected by Period				
Other Commitments	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**More Than 5 Years**
Letters of credit (2)	$ 22,557	$ 22,557	$ —	$ —	$ —
Guarantees (2)	8,976	8,976	—	—	—
Co-investment commitments (2)	26,564	22,903	3,661	—	—
Total Commitments	$ 58,097	$ 54,436	$ 3,661	$ —	$ —

(1) Includes capital lease obligations.

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

(3) See note 11 to our audited consolidated financial statements included elsewhere in this prospectus.

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

Historical Cash Flows

Operating Activities

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

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

Investing Activities

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

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

Financing Activities

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

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

Indebtedness

Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. However, we currently do not have any specific acquisition plans. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would increase. For additional information regarding the terms of certain of our long-term indebtedness, see the information under the heading "Description of Certain Long-Term Indebtedness."

Most of our long-term indebtedness was incurred in connection with our acquisition of CB Richard Ellis Services in July 2001 and our acquisition of Insignia. The CB Richard Ellis Services acquisition, which was a going private transaction involving members of our senior management, affiliates of Blum Capital Partners and Freeman Spogli & Co. and some of our other existing stockholders, was undertaken so that we could take advantage of growth opportunities and focus on improvements in the CB Richard Ellis Services businesses. The Insignia acquisition increased the scale of our real estate services and outsourcing services businesses as well as significantly increasing our presence in the New York, London and Paris metropolitan areas.

In order to partially fund our acquisition of CB Richard Ellis Services in 2001, we entered into a credit agreement with Credit Suisse First Boston, or CSFB, and other lenders and borrowed \$235.0 million of term loans on July 20, 2001. To partially fund our acquisition of Insignia Financial Group in 2003, we amended and restated this credit agreement and borrowed an aggregate of an additional \$75.0 million of term loans on July 23, 2003. On October 14, 2003, we refinanced all of the outstanding loans under our amended and restated credit agreement and entered into a new amended and restated credit agreement. On April 23, 2004, we entered into an amendment to the current amended and restated credit agreement that includes a waiver generally permitting us to prepay, redeem, repurchase or otherwise retire up to \$30.0 million of our existing indebtedness and provides for the refinancing of all outstanding amounts under our current credit agreement and the amendment and restatement of our credit agreement upon the completion of the offering. The new amended and restated credit agreement generally will permit us, among other things, to use the net proceeds we receive from the offering in the manner described in this prospectus, including the redemption of all \$38.3 million in aggregate principal amount of our 16% senior notes due 2011 and \$70.0 million in aggregate principal amount of our 9 3/4% senior notes due 2010 and the prepayment of \$19.9 million in principal amount of term loans under our amended and restated credit agreement. The new amended and restated credit agreement also will include the following: (1) a term loan facility of \$295.0 million, requiring quarterly principal payments of \$2.95 million through December 31, 2009; and (2) a \$90.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, all maturing on July 20, 2007. The new amended and restated credit agreement will permit us to increase the term facility by up to \$25.0 million and to increase the revolving credit facility by up to \$60.0 million, in each case subject to additional consents of lenders. The revolving credit facility requires the repayment of any outstanding balance for a period of 45 consecutive days commencing on any day in the month of December of each year as determined by us. We repaid our revolving credit facility as of July 23, 2003 and November 5, 2002, and at December 31, 2003 and 2002, we had no revolving line of credit principal outstanding.

Borrowings under the term loan facility bear interest at varying rates based, at our option, at either LIBOR plus 2.25% to 2.50% or the alternate base rate plus 1.25% to 1.50%, in both cases as determined by reference to the credit rating assigned to the term facility by Moody's Investor Services and Standard and Poor's. Borrowings under the revolving credit facility (including the potential increase in such facility) bear interest at varying rates based on our option, at either the applicable LIBOR plus 2.25% to 3.75% or the alternate base rate plus 1.25% to 2.75%, as determined by reference to our ratio of total debt less available cash to EBITDA. 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. In addition, we are required to pay a revolving credit facility fee based on the total amount of the unused commitment. The borrowings under the amended and restated credit agreement are jointly and severally guaranteed by us and substantially all of our domestic subsidiaries and are secured by a pledge of substantially all of our assets. The total amount outstanding under the term loan facilities included in senior secured term loans and current maturities of long-term debt in the accompanying consolidated balance sheets included elsewhere in this prospectus was $297.5 million and $221.0 million as of December 31, 2003 and 2002, respectively. We expect to use a portion of the net proceeds we receive from the offering to prepay $19.9 million in principal amount of the term loans under our amended and restated credit agreement.

On May 22, 2003, CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, issued $200.0 million in aggregate principal amount of 9¾% senior notes due May 15, 2010. The proceeds of this issuance were placed in escrow pending the completion of the Insignia acquisition on July 23, 2003, on which date the proceeds were released from escrow in order to partially fund the acquisition, CBRE Escrow merged with and into CB Richard Ellis Services and CB Richard Ellis Services assumed all obligations with respect to the 9¾% senior notes. The 9¾% senior notes are unsecured obligations of CB Richard Ellis Services, senior to all of its current and future unsecured indebtedness, but subordinated to all of CB Richard Ellis Services' current and future secured indebtedness. The 9¾% senior notes are jointly and severally guaranteed on a senior basis by us and substantially all of our domestic subsidiaries. Interest accrues at a rate of 9¾% per year and is payable semi-annually in arrears on May 15 and November 15. The 9¾% senior notes are redeemable at our option, in whole or in part, on or after May 15, 2007 at 104.875% of par on that date and at declining prices thereafter. In addition, before May 15, 2006, we may redeem up to 35.0% of the originally issued amount of the 9¾% senior notes at 109¾% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, we are obligated to make an offer to purchase the 9¾% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 9¾% senior notes included in our audited consolidated balance sheets included elsewhere in this prospectus was $200.0 million as of December 31, 2003. We expect to use a portion of the net proceeds we receive from the offering to redeem $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010, which also will require payment of a $6.8 million premium and accrued and unpaid interest through the date of redemption.

In order to partially finance our acquisition of CB Richard Ellis Services in 2001, Blum CB Corp. issued $229.0 million in aggregate principal amount of 11¼% senior subordinated notes due June 15, 2011 for approximately $225.6 million, net of discount, on June 7, 2001. CB Richard Ellis Services assumed all obligations with respect to the 11¼% senior subordinated notes in connection with the merger of Blum CB with and into CB Richard Ellis Services on July 20, 2001. The 11¼% senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by us and substantially all of our domestic subsidiaries. The 11¼% senior subordinated notes require semi-annual payments of interest in arrears on June 15 and December 15 and are redeemable in whole or in part on or after June 15, 2006 at 105.625% of par on that date and at declining prices thereafter. In addition, before June 15, 2004, we may redeem up to 35.0% of the originally issued amount of the notes at 111¼% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, we are obligated to make an offer to purchase the 11¼% senior subordinated notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 11 1/4% senior subordinated notes included in our audited consolidated balance sheets included elsewhere in this prospectus, net of unamortized discount, was $226.2 million and $225.9 million as of December 31, 2003 and 2002, respectively.

Also to partially fund our acquisition of CB Richard Ellis Services in 2001, we issued $65.0 million in aggregate principal amount of 16% senior notes due July 20, 2011. The 16% senior notes are unsecured obligations, senior to all of our current and future unsecured indebtedness, but subordinated to all of our current and future secured indebtedness. Interest accrues at a rate of 16.0% per year and is payable quarterly in arrears. Interest may be paid in kind to the extent our ability to pay cash dividends is restricted by the terms of our amended and restated credit agreement. Additionally, interest in excess of 12.0% may, at our option, be paid in kind through July 2006. We elected to pay in kind the interest in excess of 12.0% that was payable on April 20, 2002, July 20, 2002, October 20, 2002, January 20, 2003 and April 20, 2003.

In the event of a change in control, we are obligated to make an offer to purchase all of our outstanding 16% senior notes at 101.0% of par. In addition, under the terms of the indenture governing the 16% senior notes, the notes are redeemable at our option, in whole or in part, at 116.0% of par commencing on July 20, 2001 and at declining prices thereafter. On October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal amount of our 16% senior notes pursuant to these exceptions. We paid $2.9 million of premiums in connection with these redemptions.

The amount of the 16% senior notes included in the accompanying consolidated balance sheets included elsewhere in this prospectus, net of unamortized discount, was $35.5 million as of December 31, 2003. We expect to use a portion of the net proceeds we receive from the offering to redeem the remaining $38.3 million in aggregate principal amount of our 16% senior notes, which also will require payment of a $3.7 million premium and accrued and unpaid interest through the date of redemption.

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

From time to time, Moody's Investor Service and Standard and Poor's Ratings Service rate our outstanding senior secured term loans, our 9¾% senior notes and our 11 ¼% senior subordinated notes. Although neither the Moody's nor the Standard and Poor's ratings impact our ability to borrow or affect our interest rates for our senior secured term loans, they may impact our ability to borrow under new agreements in the future and the interest rates of any such future borrowings.

Our wholly owned subsidiary, L.J. Melody & Company, has a credit agreement with Residential Funding Corporation, or RFC, for the purpose of funding mortgage loans that will be resold. The agreement provides for a revolving warehouse line of credit of up to $200.0 million, bears interest at one-month LIBOR plus 1.0% and expires on August 31, 2004 and all outstanding borrowings will be due unless it is extended. On June 25, 2003, the agreement was modified to provide a temporary revolving line of credit increase of $200.0 million that resulted in a total line of credit equaling $400.0 million, which expired on August 30, 2003. By amendment on November 14, 2003, the agreement was modified to provide a revolving line of credit increase of $50.0 million that resulted in a total line of credit equaling $250.0 million, which expires on August 31, 2004. We have a long-term business relationship with RFC and have entered into a number of amendments to the line of credit since its inception. Accordingly, we expect that we will reach a satisfactory amendment to extend the term of the agreement prior to its expiration on August 31, 2004. During the years ended December 31, 2003 and 2002, respectively, we had a maximum of $272.5 million and $309.0 million revolving line of credit principal outstanding with RFC. At December 31, 2003 and 2002, respectively, we had a $230.8 million and a $63.1 million warehouse line of credit outstanding, which are included in short-term borrowings in our audited consolidated balance sheets included elsewhere in this prospectus. Additionally, we had a $230.8 million and a $63.1 million warehouse receivable representing mortgage loans funded through the line of credit that had not been purchased as of December 31, 2003 and 2002, respectively, which are also included in our audited consolidated balance sheets included elsewhere in this prospectus.

L.J. Melody & Company also has a credit agreement with JP Morgan Chase. The credit agreement provides for a revolving line of credit of up to $20.0 million, bears interest at 1.0% in excess of the bank's cost of funds and expires on May 28, 2004. L.J. Melody uses this credit line from time to time to fund short-term investments in governmental and quasi-governmental instruments. Any such investments acquired by L.J. Melody are pledged as collateral for outstanding borrowings under the credit line. At December 31, 2003 and 2002, no amounts were outstanding under this line of credit.

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

Insignia, which we acquired in July 2003, issued loan notes as partial consideration for previous acquisitions of businesses in the United Kingdom, which was part of Insignia's business strategy of increasing its presence in that country. The acquisition loan notes are payable to the sellers of the previously acquired U.K. businesses and are secured by restricted cash deposits in approximately the same amount. The acquisition loan notes are redeemable semi-annually at the discretion of the note holder and have a final maturity date of April 2010. As of December 31, 2003, $12.2 million of the acquisition loan notes were outstanding, which are included in short-term borrowings in our audited consolidated balance sheets included elsewhere in this prospectus.

A significant number of our subsidiaries in Europe have had a Euro cash pool loan since 2001, which is used to fund their short-term liquidity needs. The Euro cash pool loan is an overdraft line for our European operations issued by HSBC Bank. The Euro cash pool loan has no stated maturity date and bears interest at varying rates based on a base rate as defined by the bank plus 2.5%. The amount of the Euro cash pool loan included in short-term borrowings in our audited consolidated balance sheets included elsewhere in this prospectus was $11.5 million and $7.9 million as of December 31, 2003 and 2002, respectively.

During 2001, a joint venture that we consolidate incurred $37.2 million of non-recourse debt to acquire a real estate investment in Japan. The debt is secured by a mortgage on the acquired real estate asset. During the third quarter of 2003, the maturity date on this debt was extended to July 31, 2008. In our accompanying consolidated balance sheets, this debt comprised $41.8 million of our other long-term debt as of December 31, 2003 and $40.0 million of our other short-term borrowings as of December 31, 2002. Additionally, during the third quarter of 2003, this joint venture incurred an additional $1.9 million of non-recourse mortgage debt with a maturity date of June 15, 2004. As of December 31, 2003, $2.0 million of this non-recourse debt is included in short-term borrowings in our audited consolidated balance sheet included elsewhere in this prospectus.

Deferred Compensation Plan Obligations

Each participant in our deferred compensation plan, or DCP, is allowed to defer a portion of his or her compensation for distribution generally either after his or her employment with us ends or on a future date at least three years after the deferral election date. The investment alternatives available to participants include two interest index funds and an insurance fund in which gains and losses on deferrals are measured by one or more of approximately 30 mutual funds. In addition, prior to our acquisition of CB Richard Ellis Services in 2001, participants were entitled to invest their deferrals in stock fund units that entitled the participants to receive future distributions of shares of CB Richard Ellis Services common stock. As of March 31, 2004, there were 3,387,543 shares underlying outstanding stock fund units under the DCP, 2,108,943 of which had vested. Shares are issuable in connection with future distributions under the plan pursuant to the elections made by plan participants or distributions made by us. Except for the stock funds units, all deferrals under the DCP represent obligations to make future cash payments. The deferred compensation liability in the accompanying balance sheets included elsewhere in this prospectus was $138.0 million and $106.3 million at December 31, 2003 and 2002, respectively.

Effective January 1, 2004, we closed the DCP to new participants. Currently, the DCP is accepting compensation deferrals from participants who have a balance, meet the eligibility requirements and elect to participate, up to a maximum annual contribution amount of $250,000 per participant. As permitted by its terms, we expect to terminate the DCP shortly after the offering is completed and adopt a new deferred compensation plan. The existing deferrals under the interest index funds and the insurance fund in the DCP will be paid to participants in the future according to their existing deferral elections under the plan. With respect to existing deferrals in stock fund units, we expect that substantially all of the shares of common stock underlying such units will be distributed to participants in distributions initiated by us during October of 2004.

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

Pension Liability

Our subsidiaries based in the United Kingdom maintain two defined benefit pension plans to provide retirement benefits to existing and former employees participating in the plans. With respect to these plans, our historical policy has been to contribute annually an amount to fund pension cost as actuarially determined by an independent pension consulting firm and as required by applicable laws and regulations. Our contributions to these plans are invested and, if these investments do not perform in the future as well as we expect, we will be required to provide additional funding to cover the shortfall. The pension liability in the accompanying consolidated balance sheets included elsewhere in this prospectus was $36.0 million and $10.8 million at December 31, 2003 and 2002, respectively.

Other Obligations and Commitments

In connection with the sale of real estate investment assets by Insignia to Island Fund on July 23, 2003, Insignia agreed to maintain letter of credit support for real estate investment assets that were subject to the purchase agreement until the earlier of (1) the third anniversary of the completion of the sale, (2) the date on which the letter of credit is no longer required pursuant to the applicable real estate investment asset agreement or (3) the completion of a sale of the relevant underlying real estate investment asset. As of December 31, 2003, an aggregate of approximately $10.2 million of this letter of credit support remained outstanding under the purchase agreement. Also in connection with the sale, Insignia agreed to maintain a $1.3 million guarantee of a repayment obligation with respect to one of the real estate investment assets. Island Fund agreed to reimburse us for 50% of any draws against these letters of credit or the repayment guarantee while they are outstanding and delivered a letter of credit to us in the amount of approximately $2.9 million as security for Island Fund's reimbursement obligation. As a result of this reimbursement obligation, we effectively retain potential liability for 50% of any future draws against these letters of credit and the repayment guarantee. However, there can be no assurance that Island Fund will be able to reimburse us in the event of any draws against the letters of credit or the repayment guarantee or that Island Fund's future reimbursement obligations will not exceed the amount of the letter of credit provided to us by Island Fund.

L.J. Melody & Company previously executed an agreement with Federal National Mortgage Association, or Fannie Mae, to initially fund the purchase of a commercial mortgage loan portfolio using proceeds from its RFC line of credit. Subsequently, a 100% participation in the loan portfolio was sold to Fannie Mae and we retained the credit risk on the first 2% of losses incurred on the underlying portfolio of commercial mortgage loans. The current loan portfolio balance is $98.6 million and we have collateralized a portion of our obligations to cover the first 1% of losses through a letter of credit in favor of Fannie Mae for a total of approximately $1.0 million. The other 1% is covered in the form of a guarantee to Fannie Mae.

We had outstanding letters of credit totaling $22.6 million as of December 31, 2003, excluding letters of credit securing our outstanding indebtedness. Approximately $10.8 million of these letters of credit secure certain office leases and are outstanding pursuant to the revolving credit facility under our amended and restated credit agreement. An additional $10.8 million of these letters of credit were issued pursuant to the terms of the purchase agreement with Island Fund described above and are outstanding pursuant to a reimbursement agreement with the Bank of Nova Scotia. Under this agreement, we may issue up to a maximum of approximately $11.0 million of letters of credit outstanding at any one time and the outstanding letters of credit are secured by the same assets of ours that secure our amended and restated credit agreement. The remaining outstanding letter of credit, which is for the Fannie Mae agreement as described above, was issued pursuant to a credit agreement with Wells Fargo Bank. We may issue up to a maximum of $8 million of letters of credit outstanding at any one time under this agreement, and it is also secured by the same assets of ours that secure our amended and restated credit agreement. The outstanding letters of credit as of December 31, 2003 expire at varying dates through August 31, 2004. However, we are obligated to renew the letters of credit related to the revolving credit facility until 2023, the letters of credit related to the Island Fund purchase agreement until as late as July 23, 2006 and the Fannie Mae letter of credit until our obligation to cover potential credit losses is satisfied.

We had guarantees totaling $9.0 million as of December 31, 2003, which consisted primarily of guarantees of property debt, as well as the obligations to Island Fund and Fannie Mae discussed above. Approximately $4.8 million of the guarantees is related to investment activity that is scheduled to expire in October 2008. Approximately $1.7 million of the guarantees is related to office leases in Europe and Asia. These guarantees will expire at the end of the lease terms. The guarantee obligation related to the agreement with Fannie Mae discussed above will expire in December 2004. The guarantee related to the Island Fund purchase agreement will expire on the May 30, 2004 maturity date of the underlying loan agreement, unless such loan is renewed, modified or extended prior to such date to provide for a later maturity date.

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. As of December 31, 2003, we had committed $26.6 million to fund future co-investments. We expect that approximately $23 million of these commitments will be funded during 2004. In addition to required future capital contributions, some of the co- investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments.

As a result of the completion of the offering, we will incur an aggregate of $15.0 million of compensation expenses relating to bonus payments that are payable to several of our non-executive real estate services employees pursuant to their employment agreements.

Seasonality

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

Inflation

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

Application of Critical Accounting Policies

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

Revenue Recognition

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

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

Principles of Consolidation

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

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

Goodwill and Other Intangible Assets

Goodwill mainly represents the excess of the purchase price paid by us over the fair value of the tangible and intangible assets and liabilities acquired in our acquisition of CB Richard Ellis Services in 2001 and our acquisition of Insignia Financial Group in 2003. Other intangible assets include trademarks, which were separately identified as a result of the 2001 acquisition, as well as a trade name separately identified as a result of the Insignia acquisition representing the Richard Ellis trade name in the United Kingdom that was owned by Insignia prior to the Insignia acquisition. Both the trademarks and the trade name are not being amortized and have indefinite estimated useful lives. Other intangible assets also include backlog, which represents the fair value of Insignia's net revenue backlog as of July 23, 2003 that was acquired as part of the Insignia acquisition. The net revenue backlog consists of the net commission receivable on Insignia's revenue producing transactions, which were at various stages of completion prior to the Insignia acquisition. Net revenue backlog is being amortized as cash is received or upon final closing of these pending transactions. The remaining other intangible assets primarily include management contracts, loan servicing rights, franchise agreements and a trade name, which are all being amortized on a straight-line basis over estimated useful lives ranging up to 20 years.

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

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, or FIN 46, "*Consolidation of Variable Interest Entities.*" This standard clarifies the application of Accounting Research Bulletin No. 51, "*Consolidated Financial Statements*," and addresses consolidation by business enterprises of variable interest entities. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among the parties involved. This statement is immediately effective for variable interest entities created or in which an enterprise obtains an interest after January 31, 2003.

In December 2003, the FASB issued a revised version of FIN 46, or FIN 46R. Among other things, the revision clarifies the definition of a variable interest entity, exempts most entities that are businesses from the scope of FIN 46R and delays the effective date of the revised standard to no later than the end of the first reporting period ending after December 15, 2003 for special purpose entities and March 15, 2004 for all other types of entities. The adoption of this interpretation has not had, and is not expected to have, a material impact on our financial position or results of operations.

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

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

In December 2003, the FASB issued a revised version of SFAS No. 132 "*Employers' Disclosures about Pensions and Other Postretirement Benefits*." The revised statement retains the disclosure requirements contained in SFAS No. 132 and requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. We have adopted this statement for the year ended December 31, 2003. In addition, we expect to adopt additional disclosures for our U.K. pension plans during 2004.

Quantitative and Qualitative Disclosures About Market Risk

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

Exchange Rates

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

We routinely monitor our exposure to currency exchange rate changes in connection with transactions and sometimes enter into foreign currency exchange forward and option contracts to limit our exposure to such transactions, as appropriate. We apply Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," as amended by SFAS No. 138, "*Accounting for Certain Derivative Instruments and Hedging Activities*," when accounting for any such contracts. In the normal course of business, we also sometimes utilize derivative financial instruments in the form of foreign currency exchange forward contracts to mitigate foreign currency exchange exposure resulting from intercompany loans. In all cases, we view derivative financial instruments as a risk management tool and, accordingly, do not engage in any speculative activities with respect to foreign currency. At March 31, 2004, we had foreign currency exchange forward contracts with an aggregate notional amount of $34.2 million that mature on various dates through December 31, 2004. The net impact on our earnings resulting from unrealized gains or losses on these foreign currency exchange forward contracts is not significant.

Table of Contents

Interest Rates

We manage our interest expense by using a combination of fixed and variable rate debt. Our fixed and variable rate long-term debt at December 31, 2003 consisted of the following:

Year of Maturity	Fixed Rate	One-Month Yen LIBOR +3.5%	One-Month LIBOR +1.0%	Six-Month LIBOR +3.25%	Interest Rate Range of 1.0% to 6.25%	Six-Month Yen LIBOR +3.75%	Six-Month GBP LIBOR –2.0%	Total
				(Dollars in thousands)				
2004	$ 20,445	$ —	$ 230,790	$ 12,006 (1)	$ 12,663	$ 373	$ 5,145	$ 281,422
2005	367	—	—	10,000	—	—	—	10,367
2006	17	—	—	10,000	—	—	—	10,017
2007	17	—	—	10,000	—	—	—	10,017
2008	17	41,753	—	257,500 (2)	—	—	—	299,270
Thereafter (3)	461,749	—	—	—	—	—	—	461,749
Total	$ 482,612	$ 41,753	$ 230,790	$ 299,506	$ 12,663	$ 373	$ 5,145	$ 1,072,842
Weighted average interest rate	10.8%	3.9%	2.1%	4.4%	5.5%	3.8%	1.5%	6.8%

(1) Includes $10.0 million relating to our senior secured credit facilities and $2.0 million related to our Westmark senior notes (see note 12 to our audited consolidated financial statements included elsewhere in this prospectus).

(2) Consists of amounts due under our senior secured credit facilities.

(3) Primarily includes our 11¼% senior subordinated notes, 9¾% senior notes and 16% senior notes.

We utilize sensitivity analyses to assess the potential effect of our variable rate debt. If interest rates were to increase by 35 basis points, approximately 10% of the weighted average variable rate at December 31, 2003, the net impact would be a decrease of $2.1 million on annual pre-tax income and cash provided by operating activities for the year ended December 31, 2003.

Based on dealers' quotes at December 31, 2003, the estimated fair values of our 9¾% senior notes and 11¼% senior subordinated notes were $222.0 million and $256.5 million, respectively. There was no trading activity for our 16% senior notes due in 2011. The carrying value of our 16% senior notes as of December 31, 2003 totaled $35.5 million. Estimated fair values for the term loans under our senior secured credit facilities and our remaining long-term debt are not presented because we believe that they are not materially different from book value, primarily because the majority of our remaining debt is based on variable rates that approximate terms that could be obtained at December 31, 2003.

We historically have not entered into agreements with third parties for the purpose of hedging our exposure to changes in interest rates. Although we do not have any current intentions to enter into such agreements in the future, we may do so in connection with our on-going assessment of our interest rate exposure. If we do enter into any such agreements, we would do so for risk management purposes only and not to engage in speculative activities with respect to interest rates. We would apply Statement of Financial Accounting Standards No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," as amended by SFAS No. 138, "*Accounting for Certain Derivative Instruments and Certain Hedging Activities*," when accounting for any such derivatives.

Table of Contents

BUSINESS

Overview

We are the largest global commercial real estate services firm, based on 2003 revenue, offering a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets. As of December 31, 2003, we operated in 48 countries with over 13,500 employees in 220 offices providing commercial real estate services under the "CB Richard Ellis" brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees. For the year ended December 31, 2003, approximately 87.3% of our revenue related to engagements us on a per project or transaction basis and approximately 12.7% of our revenue related to ongoing management fee engagements.

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

Our History

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

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

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

CB Richard Ellis Group, Inc., which was initially known as Blum CB Holding Corp. and later as CBRE Holding, Inc., was formed by an affiliate of Blum Capital Partners, L.P. as a Delaware corporation on February 20, 2001 for the purpose of acquiring all of the outstanding stock of CB Richard Ellis Services in a "going private" transaction. This transaction, which involved members of our senior management team and affiliates of Blum Capital Partners and Freeman Spogli & Co., was completed in July 2001.

In July 2003, our global position was further solidified as CB Richard Ellis Services and Insignia Financial Group, Inc. were brought together to form a premier, worldwide, full-service real estate company. As a result of the Insignia acquisition, we now operate globally under the "CB Richard Ellis" brand name, which we believe is a well-recognized brand in virtually all of the world's key business centers. Lastly, in order to enhance our financing flexibility and to provide liquidity for some of our stockholders, in February 2004 we filed a registration statement, which included this prospectus, with the Securities and Exchange Commission, or SEC, for an initial public offering of our common stock.

Our Corporate Structure

We are a holding company and conduct all of our operations through our indirect subsidiaries. Our directly-owned subsidiary CB Richard Ellis Services is also generally a holding company and is the primary obligor or issuer with respect to most of our long-term indebtedness, including our senior secured credit facilities, our 9¾% senior notes due 2010 and our 11¼% senior subordinated notes due 2011.

In our Americas segment described below, substantially all of our advisory services and outsourcing services operations, other than mortgage loan origination and servicing, are conducted through our indirect wholly owned subsidiaries CB Richard Ellis Real Estate Services, Inc., which we acquired in connection with the Insignia acquisition and was formerly known as Insignia/ESG, Inc. and CB Richard Ellis Inc. Our mortgage loan origination and servicing operations are conducted exclusively through our indirect wholly owned subsidiary, L.J. Melody & Company, and its subsidiaries. Our investment management business in our Americas segment is conducted almost entirely through our indirect wholly owned subsidiary CB Richard Ellis Investors, L.L.C. Our operations in Canada are primarily conducted through our indirect wholly owned subsidiary CB Richard Ellis Limited.

Our operations outside the Americas segment, including both our Europe, Middle East and Africa, and Asia-Pacific segments described below, are conducted through a number of indirect wholly owned subsidiaries. The most significant of such subsidiaries in Europe, Middle East and Africa include CB Richard Ellis Ltd. and Insignia Richard Ellis Europe Limited (the United Kingdom), CB Richard Ellis SA and Insignia France SARL (France), CB Richard Ellis SA (Spain) and CB Richard Ellis, B.V. (The Netherlands). The most significant of such subsidiaries in Asia Pacific include CB Richard Ellis Pty Ltd. (Australia), CB Richard Ellis (Agency) Ltd. (New Zealand), CB Richard Ellis Ltd. (Hong Kong) and CB Richard Ellis Pte Ltd. (Singapore).

Industry Overview

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

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

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

Outsourcing

Motivated by reduced costs, lower overhead, improved execution across markets, increased operational efficiency and a desire to focus on their core competencies, property owners and occupiers have increasingly contracted out for commercial real estate services, including the following:

- *Transaction management* — oversight of purchase and sale of properties, execution of lease transactions, renewal of leases, expansions and relocation of offices and disposition of surplus space;
- *Facilities management* — oversight of all the operations associated with the functioning of occupied real estate, whether owned and leased, including engineering services, janitorial services, security services, landscaping and capital improvements and directing and monitoring of various subcontractors;
- *Project management* — oversight of the design and construction of interior space (as distinct from building design and construction), including assembling and coordinating contracting teams, and creating and managing budgets;
- *Lease administration* — analysis of all real estate leases of a client to ensure that it is in compliance with all terms and maintenance of reports on all lease data, including critical dates such as renewal options, expansion options and termination options, performance of required services and proper charging or payment for costs;
- *Property Management* — oversight of the daily operation of a single property or portfolio of properties, including tenant service/relations and bidding, awarding and administering subcontracts for maintenance, landscaping, security, parking, capital and tenant improvements to implement the owner's specific property value enhancement objectives through maximization of cash flow; and
- *Property Accounting* — performance of all of the accounting and financial reporting associated with a property or portfolio, including operating budget and expenses, rent collection and other accounts receivable, accounts payable, capital and tenant improvements and tenant lease administration.

According to an Ernst & Young study of major corporations published in the Fall of 2002, 57% of the subject corporations retained third-party service providers for transaction management services, 46% outsourced their lease administration functions and 37% outsourced their facilities management functions. We believe this represents an increase from historical outsourcing of these functions, and we expect this outsourcing trend to continue.

Consolidation

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

Institutional Ownership of Commercial Real Estate

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

Our Regions of Operation and Principal Services

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

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

The Americas

The Americas is our largest segment of operations and provides a comprehensive range of services throughout the United States and in the largest metropolitan regions in Canada, Mexico and other selected parts of Latin America. Our Americas segment accounted for 73.5% of our 2003 revenue, 76.6% of our 2002 revenue and 79.3% of our 2001 revenue.

Advisory Services

Corporations, institutions and other users of real estate services have been increasingly consolidating their relationships with fewer service providers that have depth of resources, full array of services and broad geographic reach. We believe our advisory services businesses have been at the vanguard of this trend, offering occupier/tenant and investor/owner services that meet the full spectrum of marketplace needs, including (1) real estate services, (2) mortgage loan origination and servicing and (3) valuation. Our advisory services business line accounted for 59.7% of our 2003 revenue, 60.5% of our 2002 revenue and 61.3% of our 2001 revenue.

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

- ***Real Estate Services***. We provide strategic advice and execution assistance to owners, investors and occupiers of real estate in connection with leasing, disposition and acquisition of property. These businesses are built upon strong client relationships that frequently lead to recurring revenue opportunities over many years. Our real estate services professionals are particularly adept at aligning real estate strategies with client business objectives, serving as an advisor as well as transaction executor. During 2003, on a pro forma basis, we advised on nearly 23,000 lease transactions involving aggregate rents of approximately $27.3 billion and more than 4,700 real estate sales transactions with an aggregate value of approximately $27.6 billion. We believe we are a market leader for the provision of sales and leasing real estate services in many of the top U.S. metropolitan statistical areas (as defined by the U.S. Census Bureau), including New York, Philadelphia, Washington, D.C., Los Angeles, Atlanta, Chicago, Boston and Dallas.

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

We further strengthen our relationships with our real estate services clients by offering proprietary research to clients through our Torto Wheaton Research unit, a leading provider of commercial real estate market information, forecasting and consulting services. Torto Wheaton Research provides data and analysis to its clients in various formats, including TWR Outlook reports for office, industrial, hotel, retail and multi-housing sectors covering 56 U.S. metropolitan areas and TWR Select office and industrial database coverage of over 210,000 commercial properties.

- ***Mortgage Loan Origination and Servicing***. Our L.J. Melody & Company subsidiary originates and services commercial mortgage loans primarily through relationships established with investment banking firms, national banks, credit companies, insurance companies, pension funds and government agencies. During 2003, L.J. Melody originated $11.0 billion in mortgage loans and, through a joint venture with GE Capital Real Estate, serviced approximately $61.0 billion in mortgage loans, $23.2 billion of which relates to servicing rights of L.J. Melody. Approximately $1.4 billion in loans were originated for federal government sponsored entities using a revolving credit line dedicated exclusively for this purpose. These loan originations generally occur without principal risk because L.J. Melody obtains a legally binding purchase commitment from the government sponsored entity before it actually originates the loan.
- ***Valuation***. We provide valuation services that include market value appraisals, litigation support, discounted cash flow analyses and feasibility and fairness opinions. Our valuation business has developed proprietary technology for preparing and delivering valuation reports to its clients, which we believe provides it with a competitive advantage over its rivals. We believe that our valuation business is one of the largest in our industry. During 2003, on a pro forma basis, we completed over 11,500 valuation, appraisal and advisory assignments.

Outsourcing Services

Outsourcing is a long-term trend in commercial real estate, with corporations, institutions and others seeking to achieve improved efficiency, better execution and lower costs by relying on the expertise of third-party real estate specialists. Our outsourcing services business includes two business lines that seek to capitalize on this trend: (1) asset services and (2) corporate services. Although our management agreements with our outsourcing clients generally may be terminated on relatively short notice ranging between 30 days to a year, we have developed long-term relationships with many of these clients and we continue to work closely with them to implement their specific goals and objectives and to preserve and expand upon these relationships. As of December 31, 2003, we managed approximately 422.8 million square feet of commercial space for property owners and occupiers, which we believe represents one of the largest portfolios in the Americas. Our outsourcing services business line accounted for 11.2% of our 2003 revenue, 13.1% of our 2002 revenue and 14.7% of our 2001 revenue.

- ***Asset Services***. We provide property management, construction management, marketing, leasing, accounting and financial services on a contractual basis for income-producing office, industrial and retail properties owned by local, regional and institutional investors. We believe our contractual relationships with these clients put us in an advantageous position to provide other services for them, including refinancing, disposition and appraisal.
- ***Corporate Services***. We provide a comprehensive set of portfolio management, transaction management, project management, strategic consulting, facilities management and other corporate real estate services to leading global companies and public sector institutions with large, geographically-diverse real estate portfolios. Corporate facilities under management in the Americas region include headquarters buildings, regional offices, administrative offices and manufacturing and distribution facilities. Corporate services' clients are typically companies or public sector institutions with large, distributed real estate portfolios. We enter into long-term, contractual relationships with these organizations with the goal of ensuring that our clients' real estate strategies support their overall business strategies.

Investment Management Services

Our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., provides investment management services to clients that include pension plans, investment funds, insurance companies and other organizations seeking to generate returns and diversification through investment in real estate and sponsors funds and investment programs that span the risk/return spectrum. In higher yield strategies, CBRE Investors "co-invests" with its clients/partners. Our investment management services business line accounted for 2.6% of our 2003 revenue, 3.0% of our 2002 revenue and 3.3% of our 2001 revenue.

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

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

Europe, Middle East and Africa

Our EMEA segment has offices in 28 countries, with its largest operations located in the United Kingdom, France, Spain, The Netherlands and Germany. Operations within the EMEA countries generally include brokerage, investment properties, corporate services, valuation/appraisal services, asset management services, facilities management and other services similar to our Americas segment. The EMEA segment accounted for 19.2% of our 2003 revenue, 15.6% of our 2002 revenue and 13.8% of our 2001 revenue.

We are one of the leading commercial real estate services companies in the United Kingdom. We hold the leading market position in London in terms of 2003 leased square footage and provide a broad range of commercial property real estate services to investment, commercial and corporate clients located in London. We also have eight regional offices in Birmingham, Bristol, Jersey, Leeds, Liverpool, Manchester, Edinburgh and Glasgow. In France, we believe we are a market leader in Paris and we provide a complete range of services to the commercial property sector, as well as some services to the residential property market. In Spain, we provide expansive coverage operating through our offices in Madrid, Barcelona, Valencia, Malaga, Marbella and Palma de Mallorca. Our business in The Netherlands is based in Amsterdam, while our German operations are located in Frankfurt, Munich, Berlin and Hamburg. Our operations in these countries generally provide a full range of services to the commercial property sector, along with some residential property services.

We also have affiliated offices that provide commercial real estate services under our brand name in the Middle East and Africa, including the countries of Bostwana, Israel, Kenya, South Africa, Uganda and Zimbabwe. Our agreements with these independent offices include licenses to use the "CB Richard Ellis" name in the relevant territory in return for the payment to us of an annual royalty fee. In addition, these agreements also include business cross-referral arrangements between us and the affiliates. We do not have any ownership interests with respect to these affiliated offices.

Asia Pacific

Our Asia Pacific segment has offices in 11 countries. We believe that we are one of only a few companies that can provide a full range of real estate services to large corporations throughout the region, including the similar broad range of services provided by our Americas and EMEA segments. Our principal operations in Asia are located in China (including Hong Kong), Singapore, South Korea and Japan. In addition, we have agreements with affiliated offices in India, the Philippines, Thailand and other countries within the region that include licensing, royalty and cross-referral arrangements on terms similar to those with our affiliated offices in our EMEA segment, as described above. The Pacific region includes Australia and New Zealand, with principal offices located in Brisbane, Melbourne, Sydney, Perth, Auckland and Wellington. The Asia Pacific segment accounted for 7.3% of our 2003 revenue, 7.8% of our 2002 revenue and 6.9% of our 2001 revenue.

Our Competitive Position

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

- ***Global Brand and Market Leading Positions***. For nearly a century, we and our predecessors have built the CB Richard Ellis brand into the largest commercial real estate services provider in the world, based on 2003 revenue, and one of only two commercial real estate services companies with a global brand. As a result of our global brand recognition and geographic reach, large corporations, institutional owners and users of real estate recognize us as a leading provider of world-class, comprehensive real estate services. Operating under the global CB Richard Ellis brand name, we are a leader in many of the local markets in which we operate, including New York, Los Angeles, Chicago and London.
- ***Full Service Capabilities***. We provide a full range of commercial real estate services to meet the needs of our clients, and we believe this suite of services represents a broader range globally than those of many of our competitors. When combined with our extensive global reach and localized knowledge, this full range of real estate services enables us to provide world-class service to our multi-regional and multi-national clients, as well as to maximize our revenue per client.
- ***Strong Client Relationships and Client-tailored Service***. We have forged long-term relationships with many of our clients. Our clients include more than 60% of the *Fortune 100*, with nearly half ofthese clients purchasing more than one service from us. In order to better satisfy the needs of our largest clients and to capture cross-selling opportunities, we have organized fully integrated client coverage teams comprised of senior management, a global relationship manager and regional and product specialists. We believe that this client-tailored approach contributed significantly to our 38.6% increase in revenues from the 50 largest clients of our U.S. investment sales group within our real estate services line of business during the period from 1999 to 2003.
- ***Attractive Business Model***. Our business model features a diversified client base, recurring revenue streams, a variable cost structure, low capital requirements and strong cash flow generation.
  - ***Diversified Client Base***. Our global operations, multiple service lines and extensive client relationships provide us with a diversified revenue base. For 2003, on a pro forma basis, we estimate that corporations accounted for approximately 25% of our global revenues, insurance companies and banks accounted for approximately 23% of our revenue, pension funds and their advisors accounted for approximately 14% of our revenue, individuals and partnerships accounted for approximately 11% of our revenue, REITs accounted for approximately 10% of our revenue and other types of clients accounted for the remainder of our revenues.
  - ***Recurring Revenue Streams***. Our years of strong local market presence have allowed us to develop significant repeat client relationships, which along with the turnover of leases and properties for which we have previously acted as transaction manager we estimate accounted for approximately 65% of our 2003 revenue. This includes our contractual, annual fee-for-services businesses, which generally involve facilities management, property management, mortgage loan servicing provided by L.J. Melody & Company and asset management provided by CBRE Investors. Our contractual, fee-for-service business represented 12.7% of our 2003 revenue.

- *Variable Cost Structure*. Compensation is one of our largest expenses, and our sales and leasing professionals are generally paid on a commission and bonus basis, which correlates with our revenue performance. This flexible cost structure mitigates the negative effect on our operating margins during difficult market conditions. However, our cost structure also includes significant other operating expenses that may not correlate to our revenue performance, including office lease and information technology maintenance expenses along with insurance premiums.
- *Low Capital Requirements*. Our business model is structured to provide value-added services with low capital intensity. During 2003, our net capital expenditures were 1.7% of our revenue.
- *Strong Cash Flow Generation*. Our strong brand name, full-service capabilities, and global presence enable us to generate significant revenues which, when combined with our flexible cost structure and low capital requirements, have allowed us historically to generate significant cash flow in a variety of economic conditions.

- ***Strong Management Team and Workforce***. Our most important asset is our people. We have recruited a talented and motivated workforce of over 13,500 employees worldwide, who are supported by a strong and deep senior management team consisting of a number of highly-respected executives, most of whom have over 20 years of broad experience in the real estate industry. In addition, we use equity compensation to align the interests of our senior management team with the interests of our stockholders. Our senior management team beneficially owned approximately 3.9% of our common stock as of March 31, 2004, and our employees, as a group, beneficially owned 10.2% of our common stock on the same date. After giving effect to the offering, our senior management team will beneficially own approximately 3.5% and our employees as a group will beneficially own approximately 9.2% of our outstanding common stock.

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

- ***Significant Leverage***. We are highly leveraged and have significant debt service obligations. For the year ended December 31, 2003, on a pro forma basis, our interest expense was $63.3 million. In addition, the instruments governing our indebtedness impose significant operating and financial restrictions on the conduct of our business.
- ***Geographic Concentration***. During 2003, approximately 23.8% of our revenue was generated from transactions originating in California and approximately 6.9% of our revenue was generated from transactions originating in the greater New York metropolitan area. In addition, a significant portion of our European operations is concentrated in London and Paris. As a result, future adverse economic effects in these regions may affect us more than our competitors.
- ***Exposure to Risks of International Operations***. We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During 2003, we generated approximately 30.2% of our revenue from operations outside the United States. Because a significant portion of our revenues are derived from operations outside the United States, we are exposed to adverse changes in exchange rates and social, political and economic risks of doing business in foreign countries.
- ***Smaller Presence in Some Markets than our Local Competitors***. Although we are the largest commercial real estate services firm in the world in terms of 2003 revenue, our relative competitive position varies significantly across service categories and geographic areas. Depending on the service, we face competition from other real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms, some of which may have greater financial resources than we do. Many of our competitors are local or regional firms. Although substantially smaller than we are, some of these competitors are larger on a local or regional basis.

Our Growth Strategy

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

- ***Increase Revenue from Large Clients***. We plan to capitalize on our client management strategy for our large clients, which is designed to provide them with a full range of services globally while maximizing our revenue per client. We deliver these services through relationship management teams that are charged with thoroughly understanding our customer's business and real estate strategies and matching our services to the customers' requirements. The global relationship manager is a highly seasoned professional who is focused on maximizing revenue per client and compensated with a salary and a performance-based bonus and is supported by salaried professionals with specialized expertise, such as marketing, financial analysis and construction. The team leader also taps into our field-level transaction professionals, as necessary, for execution of client strategies. We believe this approach to client management will lead to stronger client relationships and enable us to maximize cross-selling opportunities and capture a larger share of our clients' commercial real estate services expenditures. For example:
  - we generated repeat business in 2003 from approximately 60% of our U.S. real estate sales and leasing clients;
  - more than 40% of our corporate services clients today purchase more than one service and, in many cases, more than two;
  - the square footage we manage for our 15 largest asset services clients has grown by 55% in three years; and
  - the 50 largest clients of the investment sales group within our real estate services line of business generated $52.6 million in revenues in 2003—up 38.6% from $37.9 million for these same 50 clients four years earlier.
- ***Capitalize on Cross-selling Opportunities***. Because we believe cross-selling represents a large growth opportunity within the commercial real estate services industry, we are committed to emphasizing this opportunity across all of our clients, services and regions. We have dedicated substantial resources and implemented several management initiatives to better enable our workforce to capitalize on these opportunities among our various lines of business, including our "CBRE University" outside Chicago that provides intensive training for sales and management professionals, a customer relationship management database and sales management principles and incentives designed to improve individual productivity. We believe the combination of these initiatives will enable us to further penetrate local markets and better capitalize on our worldwide platform.
- ***Continue to Grow our Investment Management Business***. Our growing investment management business provides us with an attractive revenue source through fees on assets under management and gains on the sales of assets. We also expect to achieve strong growth in this business by continuing to harness the vast resources of the entire CB Richard Ellis organization for the benefit of our investment management clients. CBRE Investors' independent structure creates an alignment of interests with its investors, while permitting its portfolio companies to use the broad range of services provided by our other business lines. As a result, we historically have received significant revenue from the provision of services on an arm's length basis to these portfolio companies, and we believe this will continue in the future.

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

Competition

We compete across a variety of business disciplines within the commercial real estate services industry, including investment management, tenant representation, corporate services, construction and development management, property management, agency leasing, valuation and mortgage banking. Each of the business disciplines in which we compete is highly competitive on an international, national, regional and local level. Although we are the largest commercial real estate services firm in the world in terms of 2003 revenue, our relative competitive position varies significantly across product and service categories and geographic areas. Depending on the product or service, we face competition from other commercial real estate service providers, institutional lenders, insurance companies, investment banking firms, investment managers and accounting firms, some of which may have greater financial resources than we do. Many of our competitors are local or regional firms. Although substantially smaller than we are, some of these competitors are larger on a local or regional basis. We are also subject to competition from other large national and multi-national firms that have similar service competencies to ours, including Cushman & Wakefield, Grubb & Ellis, Jones Lang LaSalle and Trammell Crow.

Different factors weigh heavily in the competition for clients. In advisory services, key differentiating factors include quality service, resource depth, demonstrated track record, analytical skills, market knowledge, strategic thinking and creative problem-solving. These factors are also vital in outsourcing services, and are supplemented by consistency of execution across markets, economies of scale, enhanced efficiency and cost reduction strategies. In investment management the ability to enhance asset value and produce solid, consistent returns on invested capital are keys to success.

Seasonality

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

Employees

At December 31, 2003, we had approximately 13,500 employees worldwide. At December 31, 2003, approximately 245 of our employees were subject to collective bargaining agreements, the substantial majority of whom are employees in our asset services business in the New York/New Jersey area. We believe that our relations with our employees are satisfactory.

Intellectual Property

We hold various trademarks and trade names worldwide, which include the "CB Richard Ellis" name. Although we believe our intellectual property plays a role in maintaining our competitive position in a number of the markets that we serve, we do not believe we would be materially adversely affected by expiration or termination of our trademarks or trade names or the loss of any of our other intellectual property rights other than the "CB Richard Ellis" name and the "L.J. Melody" name. With respect to the CB Richard Ellis and L.J. Melody names, we have processed and continuously maintain trademark registrations for these trade names in the United

States and, solely with respect to the CB Richard Ellis name, in most foreign jurisdictions where we conduct significant business. We obtained our most recent U.S. trademark registrations for the CB Richard Ellis name and related trade names in 2001, and these registrations would expire in 2007 if we failed to renew them. We obtained our most recent U.S. trademark registration for the L.J. Melody name in 1997, and this registration would expire in 2007 if we failed to renew it.

In addition to trade names, we have developed proprietary technology for preparing and developing valuation reports to our clients through our valuation business and we offer proprietary research to clients through our Torto Wheaton research unit. We also offer proprietary investment structures through CB Richard Ellis Investors. While we seek to secure our rights under applicable intellectual property protection laws in these and any other proprietary assets that we use in our business, we do not believe any of these other items of intellectual property are material to our business.

Environmental Matters

Federal, state and local laws and regulations impose environmental controls, disclosure rules and zoning restrictions that impact the management, development, use, or sale of commercial real estate. We are not aware of any material noncompliance with the environmental laws or regulations currently applicable to us, and we are not the subject of any material claim for liability with respect to contamination at any location. However, these laws and regulations may discourage sales and leasing activities and mortgage lending with respect to some properties, which may adversely affect both us and the commercial real estate services industry in general. In addition, if we fail to disclose environmental issues in connection with a real estate transaction, we may become liable to a buyer or lessee of property. Environmental contamination or other environmental liabilities may also negatively affect the value of commercial real estate assets held by entities that are managed by our investment management business, which could adversely impact the result of operations of that business line.

Applicable laws and contractual obligations to property owners could also subject us to environmental liabilities through our provision of management services. Environmental laws and regulations impose liability on current or previous real property owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at the property. As a result, we may be held liable as an operator for such costs in our role as an on-site property manager. This liability may result even if the original actions were legal and we had no knowledge of, or were not responsible for, the presence of the hazardous or toxic substances. Under certain environmental laws, we could also be held responsible for the entire amount of the liability if other responsible parties are unable to pay. We may also be liable under common law to third parties for property damages and personal injuries resulting from environmental contamination at our sites, including the presence of asbestos-containing materials. Insurance coverage for such matters may be unavailable or inadequate to cover our liabilities. Additionally, liabilities incurred to comply with more stringent future environmental requirements could adversely affect any or all of our lines of business.

Facilities

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

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

In general, these leased offices are fully utilized. The most significant terms of the leasing arrangements for our offices are the term of the lease and the rent. Our leases have terms varying in duration. The rent payable under our office leases varies significantly from location to location as a result of differences in prevailing commercial real estate rates in different geographic locations. Our management believes that no single office lease is material to our business, results of operations or financial condition. In addition, we believe there is adequate alternative office space available at acceptable rental rates to meet our needs, although adverse movements in rental rates in some markets may negatively affect our profits in those markets when we enter into new leases.

We do not own any offices, which is consistent with our strategy to lease instead of own.

Legal Proceedings

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

Table of Contents

MANAGEMENT

Executive Officers and Directors

The following table sets forth information about our executive officers and directors as of March 31, 2004:

Name	Age	Position
Ray Wirta	60	Chief Executive Officer and Director
Brett White	44	President and Director
Kenneth J. Kay	48	Chief Financial Officer
Alan C. Froggatt	54	President, EMEA
Robert Blain	48	President, Asia Pacific
Richard C. Blum	68	Chairman of the Board of Directors
Jeffrey A. Cozad	39	Director
Patrice Marie Daniels	43	Director
Bradford M. Freeman	62	Director
Michael Kantor	64	Director
Frederic V. Malek	67	Director
Jeffrey S. Pion	42	Director
Gary L. Wilson	64	Director

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

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

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

Alan C. Froggatt. Mr. Froggatt has been President of CB Richard Ellis Ltd.—EMEA since July 2003, when CB Richard Ellis Group acquired Insignia. He previously served as Chief Executive Officer of Insignia's European Operations and as Chief Executive of Richard Ellis Group Limited from the date it was acquired by Insignia in February 1998. Mr. Froggatt holds a B.S. from the College of Estate Management, University of Reading.

Robert Blain. Mr. Blain has been President of CB Richard Ellis—Asia Pacific since February 2002. Prior to such time, he was employed by Colliers International Property Consultants, Inc., and served as a Regional Investment Director from 1995 to 1998, its Australia Director from 1999 to 2000 and as its Chief Executive—South Wales from 2000 to February 2002. Mr. Blain holds a diploma in Land Economy from the Real Estate Institute of New South Wales.

Richard C. Blum. Mr. Blum has been Chairman of the Board of Directors of CB Richard Ellis Group since September 2001 and a director of CB Richard Ellis Group since July 2001. He is the Chairman and President of

Richard C. Blum & Associates, Inc., the general partner of Blum Capital Partners, L.P., a long-term strategic equity investment management firm that acts as general partner for various investment partnerships and provides investment advisory services, which he founded in 1975. Mr. Blum is a member of the boards of directors of Northwest Airlines Corporation and Glenborough Realty Trust Incorporated and is Vice Chairman of the Board of URS Corporation. Mr. Blum is currently a director of Playtex Products, Inc. but will not seek re-election at the company's 2004 annual meeting. Mr. Blum also serves as co-chairman of Newbridge Capital, LLC, an investment management firm that invests in Asia and Latin America. Mr. Blum holds a B.A. and an M.B.A. from the University of California, Berkeley.

Jeffrey A. Cozad. Mr. Cozad has been a director of CB Richard Ellis Group since September 2001. Mr. Cozad has been a partner of Blum Capital Partners, L.P. since 2000. Prior to joining Blum Capital Partners, Mr. Cozad was a managing director of Security Capital Group Incorporated, a global real estate research, investment and operating management company from 1991 to 2000. Mr. Cozad holds a B.A. from DePauw University and an M.B.A. from the University of Chicago Graduate School of Business.

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

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

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

Frederic V. Malek. Mr. Malek has been a director of CB Richard Ellis Group since September 2001. He has served as Chairman of Thayer Capital Partners, a merchant banking firm he founded, since 1993. He also serves on the boards of directors of Automatic Data Processing Corp., Federal National Mortgage Association, FPL Group, Inc., Manor Care, Inc. and Northwest Airlines Corporation. Mr. Malek recently retired as director of American Management Systems, Inc., effective March 31, 2004. Mr. Malek holds a B.S. degree from the United States Military Academy at West Point and an M.B.A. from Harvard Business School.

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

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

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

Board Structure

Our board of directors currently consists of ten directors. Our board of directors has determined that each of Ms. Daniels and Messrs. Blum, Cozad, Freeman, Kantor, Malek and Wilson is "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange.

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

As described in greater detail under the heading "Related Party Transactions—Securityholders' Agreement," pursuant to a securityholders' agreement, after the completion of the offering our stockholders affiliated with Blum Capital Partners, L.P. are entitled to nominate a percentage of our total number of directors that is equivalent to the percentage of the outstanding common stock beneficially owned by these affiliates, with this percentage of our directors being rounded up to the nearest whole number of directors. Accordingly, these affiliates of Blum Capital Partners have nominated Messrs. Blum and Cozad to our board of directors. In addition to Messrs. Blum and Cozad, assuming our board of directors continues to consist of ten directors in the future, these affiliates will be entitled to nominate up to three additional directors in future board elections based upon their percentage ownership of our common stock immediately after completion of the offering. Also pursuant to the securityholders' agreement, after the completion of the offering our stockholders affiliated with Freeman Spogli & Co. Incorporated are entitled to nominate one of our directors, and they have nominated Mr. Freeman.

Committees of the Board

The standing committees of our board of directors currently consist of an audit committee, a corporate governance and nominating committee, a compensation committee and an executive committee.

Audit Committee

The principal duties of our audit committee are as follows:

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

- to set hiring policies for employees or former employees of the independent auditors;
- to retain independent counselor and other outside advisors, including experts in the area of accounting, as it determines necessary to carry out its duties; and
- to report regularly to our full board of directors with respect to any issues raised by the foregoing.

Our audit committee is composed of Ms. Daniels and Messrs. Malek and Wilson, and our board of directors has determined that each of the members of our audit committee is "independent," as defined under and required by the federal securities laws and the rules of the New York Stock Exchange, or NYSE, including Rule 10A-3(b)(i) under the Securities Exchange Act of 1934.

Our board of directors has determined that Ms. Daniels qualifies as an "audit committee financial expert," as this term has been defined by the SEC in Item 401(h)(2) of Regulation S-K. Our board of directors determined that Ms. Daniels acquired the required attributes for such designation as a result of the following relevant experience, which forms of experience are not listed in any order of importance and were not assigned any relative weights or values by our board of directors in making such determination:

- Ms. Daniels received a B.S. degree in Business Administration at the University of California, Berkeley and an M.B.A. degree in Finance at the University of Chicago Graduate School of Business.
- Ms. Daniels served in several capacities, including as a Managing Director, with Bankers Trust from July 1987 to March 1997, which included arranging private and public senior and subordinated debt financing and equity capital for leveraged buyout transactions and for restructuring or acquisitions for non-investment grade companies.
- Ms. Daniels served as a Managing Director with CIBC World Markets from March 1997 to October 2001, which included providing investment and commercial banking products to non-investment grade companies and leveraged buyout firms.
- Ms. Daniels is a founding partner of Onyx Capital Ventures, L.P., a private equity investment firm, which was founded in October 2001.
- Ms. Daniels served on the audit committee of the board of directors of World Color Press, Inc., a diversified commercial printing company that was publicly traded on the NYSE until it was acquired by Quebecor Printing Inc. in 1999, from January 1998 to October 1999.

Our board of directors has adopted a written charter for the audit committee which will be available on our website prior to completion of the offering.

Corporate Governance and Nominating Committee

The principal duties of the corporate governance and nominating committee are as follows:

- subject to the provisions of the securityholders' agreement described in further detail under the heading "Related Party Transactions—Securityholders' Agreement," to recommend to our board of directors proposed nominees for election to the board of directors by the stockholders at annual meetings, including an annual review as to the renominations of incumbents and proposed nominees for election by the board of directors to fill vacancies that occur between stockholder meetings; and
- to make recommendations to the board of directors regarding corporate governance matters and practices.

Our corporate governance and nominating committee is composed of Messrs. Blum, Malek and Kantor, and our board of directors has determined that each of the members of our corporate governance and nominating committee is "independent," as defined under and required by the federal securities laws and the rules of the NYSE.

Our board of directors has adopted a written charter for the corporate governance and nominating committee which will be available on our website prior to completion of the offering.

Compensation Committee

The principal duties of the compensation committee are as follows:

- to review key employee compensation policies, plans and programs;
- to review and approve the compensation of our chief executive officer and the other executive officers of the company and its subsidiaries;
- to review and approve any employment contracts or similar arrangement between the company and any executive officer of the company;
- to review and consult with our chief executive officer concerning selection of officers, management succession planning, performance of individual executives and related matters; and
- to administer our stock plans, incentive compensation plans and any such plans that the board may from time to time adopt and to exercise all the powers, duties and responsibilities of the board of directors with respect to such plans.

Our compensation committee currently is composed of Messrs. Malek, Freeman and Cozad, and our board of directors has determined that each of the members of our compensation committee is “independent,” as defined under and required by the federal securities laws and the rules of the NYSE.

Our board of directors has adopted a written charter for the compensation committee which will be available on our website prior to completion of the offering.

Executive Committee

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

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

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

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2003, the members of our compensation committee were Frederic V. Malek and Bradford Freeman. Neither Mr. Malek nor Mr. Freeman has ever been an officer or employee of our company or any of our subsidiaries. During 2003, none of our executive officers served on the compensation committee (or equivalent), or the board of directors, of another entity whose executive officer(s) served on our compensation committee or board of directors. Additional information concerning transactions between us and the members of our compensation committee or entities affiliated with such members is described under the heading “Related Party Transactions.”

Codes of Conduct and Ethics and Corporate Governance Guidelines

Our board of directors has adopted (1) a code of business conduct and ethics applicable to our directors, officers and employees, (2) a code of ethics applicable to our chief executive officer, chief financial officer and global controller and (3) corporate governance guidelines, each in accordance with applicable rules and regulations of the SEC and the NYSE. Prior to completion of the offering, each of these codes of ethics and conduct and the corporate governance guidelines will be available on our website.

Compensation of Directors

On November 5, 2003, we granted Gary Wilson options to acquire 30,000 shares of our Class A common stock for $5.33 per share in connection with his agreement to serve on the audit committee of our board of directors. On February 9, 2004, we granted Michael Kantor options to acquire 15,000 shares of our Class A common stock for $5.33 per share in connection with his agreement to serve on our board of directors. The options of Messrs. Wilson and Kantor were granted pursuant to our 2001 stock incentive plan, vest 20% per anniversary of their respective grant dates and expire on the earlier of the tenth anniversary of the grant date or the one-year anniversary after such director ceases to be a member of our board of directors.

In addition, we recently adopted a director compensation policy that provides for the following annual compensation for each of our non-employee directors:

- a $20,000 annual cash retainer;
- a grant of a number of unrestricted shares of our common stock with a fair market value equal to $10,000 on the date of grant;
- a stock option grant for a number of shares equal to $50,000 divided by the fair market value of our common stock on the date of grant; and
- a restricted stock grant for a number of shares equal to $25,000 divided by the fair market value of our common stock on the date of grant.

Pursuant to this policy, our directors also receive an additional payment of $1,000 per meeting attended and $1,000 per committee meeting attended that was not scheduled in conjunction with a meeting of our board of directors. The chairman of the audit committee receives an additional annual cash retainer of $10,000, and the chairmen of all other committees receive additional annual cash retainers of $5,000 each. The annual cash retainer, the additional payments per meeting attended and the additional annual cash retainers for committee chairmanships became effective under this policy as of March 11, 2004.

With respect to the equity compensation components of our director compensation policy, we anticipate making automatic grants of stock options and restricted stock, as described above, to our current outside directors pursuant to our 2004 stock incentive plan, the terms of which are described below. These grants will be pro-rated to cover only the period from the date the registration statement of which this prospectus is a part is declared effective by the SEC to the following May 15, the end date of the annual pro-ration cycle as determined by the 2004 stock incentive plan.

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

Table of Contents

Compensation of Executive Officers

Summary Compensation Table

The following table sets forth information concerning the compensation of our chief executive officer and our other executive officers for the three years ended December 31, 2003:

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	**Year**	**Salary**	**Bonus (1)**	**Other Annual Compensation (2)(3)**	**Restricted Stock Awards (2)(4)**	**Securities Underlying Stock Options**	**All Other Compensation (5)**
Ray Wirta	2003	$ 573,129	$ 521,310	$ 28,560	—	252,000	$ —
Chief Executive Officer	2002	518,511	—	27,359	—	—	—
	2001	518,510	—	8,092	—	528,459	489,375
Brett White	2003	506,156	355,481	15,284	—	252,000	—
President	2002	450,501	—	71,897	—	—	—
	2001	415,883	—	62,552	—	425,346	971,000 (6)
Kenneth J. Kay (7)	2003	450,000	300,000	—	—	108,000	—
Current Senior Executive Vice President and Chief Financial Officer	2002	207,692	77,295	—	—	186,000	300,000 (8)
James H. Leonetti (9)	2002	147,138	—	—	—	—	170,000 (10)
Former Senior Executive Vice President and Chief Financial Officer	2001	254,458	—	—	—	51,558	453,500 (11)
Alan C. Froggatt (12) President, EMEA	2003	337,351	536,190	20,777 (13)	—	90,000	566 (14)
Robert Blain (15)	2003	302,308	344,506	157,692	—	75,000	—
President, Asia Pacific	2002	225,000	100,000	120,000	—	—	15,000 (16)

(1) Bonuses for each year are paid in the first quarter of the following year pursuant to our Annual Management Bonus Plan. For example, the bonus shown for 2003 represents the 2002 annual bonus that was paid in the first quarter of 2003.

(2) Pursuant to the 1996 Equity Incentive Plan, or "EIP," Mr. White purchased 25,000 shares of CB Richard Ellis Services common stock in 1998 at a purchase price of $38.50 per share and 20,000 shares of CB Richard Ellis Services common stock in 2000 at a purchase price of $12.875 per share. These purchases were paid for by the delivery of full-recourse promissory notes. A First Amendment to Mr. White's 1998 promissory note provided that the portion of the then outstanding principal in excess of the fair market value of the shares would be forgiven in the event that Mr. White was an employee of ours or of our subsidiaries on November 16, 2002 and the fair market value of our common stock was at least $38.50 per share on November 16, 2002. Mr. White's promissory note was subsequently amended in 2001, terminating the First Amendment and adjusting the original 1998 Stock Purchase Agreement by reducing the purchase price from $38.50 to $16.00. The 25,000 shares held as security for the Second Amended Promissory Note were tendered as full payment for this note. The remaining note delivered by Mr. White accrues interest at 7.40% per year and all principal and accrued interest is payable on August 31, 2010. As part of our acquisition of CB Richard Ellis Services in 2001, the 20,000 shares of CB Richard Ellis Services common stock purchased by Mr. White were exchanged for 60,000 shares of our Class B common stock, which shares were substituted for CB Richard Ellis Services shares as security for the note. Pursuant to the EIP, Mr. Wirta purchased 30,000 shares of CB Richard Ellis Services common stock in 2000 at a purchase price of $12.875 that was paid for by the delivery of a full-recourse promissory note. The note accrues interest at 7.40% per year and all principal and accrued interest is payable on August 31, 2010. As part of the acquisition, the

30,000 shares of CB Richard Ellis Services common stock were exchanged for 90,000 shares of our Class B common stock, which shares were substituted for the CB Richard Ellis Services' shares as security for the note. All interest charged on the outstanding promissory note balances for any year is forgiven if the executive's performance produces a high enough level of bonus, with approximately $7,500 of interest forgiven for each $10,000 of bonus. In 2003, our board of directors forgave all 2002 interest on Mr. White's and Mr. Wirta's notes. Based on the 2003 bonuses paid to Messrs. Wirta and White in the first quarter of 2004, we expect all interest charged on their outstanding promissory notes in 2003 to be forgiven in 2004.

(3) Pursuant to Mr. Blain's employment agreement, he received a schooling and housing allowance of $120,000 in 2002 and $157,692 in 2003.

(4) In connection with our acquisition of CB Richard Ellis Services in 2001, we offered and sold shares of our Class A common stock for $5.33 per share to certain of our employees, including 192,189 shares to Mr. Wirta and 79,689 shares to Mr. White. If the employment of the owner of such shares is terminated, we have the right to repurchase a portion of the shares at either fair market value or the amount paid for such shares by the owner, which depends upon whether the owner was terminated "for cause" or voluntarily left for a "good reason," as such terms are defined in the owner's subscription agreement. On each of the first five anniversaries of the July 20, 2001 purchase date of the shares, 20% of the shares initially subject to repurchase cease to be subject to the right of repurchase. Accordingly, at December 31, 2003, 60% of such shares acquired by Mr. Wirta and Mr. White remain subject to repurchase. The per share consideration paid for these shares was the same as the per share consideration paid by certain of our stockholders to acquire shares of our Class A common stock and Class B common stock on July 20, 2001, which consideration was used to partially finance our acquisition of CB Richard Ellis Services. Our shares of Class A common stock are not publicly traded. Accordingly, the Summary Compensation Table reflects a valuation of $0 for these restricted stock awards.

(5) In connection with our acquisition of CB Richard Ellis Services in 2001, we awarded cash retention bonuses to Messrs. Wirta, White and Leonetti to provide an incentive and reward for continued service up to and including the date of the acquisition. At the effective time of the acquisition, Messrs. Wirta, White and Leonetti also received for each of their options to purchase shares of our common stock the greater of (a) the amount by which $5.33 exceeded the exercise price of the option, if any, and (b) $1.00.

(6) As described in greater detail in footnote (2) above, the promissory note delivered by Mr. White in 1998 as consideration for his purchase of 25,000 shares of CB Richard Ellis Services common stock for $38.50 per share, or a total of $962,500, was amended to adjust the principal amount of such promissory note to $400,000. The $562,500 difference is included as other compensation for Mr. White.

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

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

(9) Mr. Leonetti ceased to be an executive officer and an employee of ours on July 19, 2002.

(10) In connection with the termination of Mr. Leonetti's employment, he received a severance payment of $170,000.

(11) Pursuant to a separation agreement executed on November 19, 2001, Mr. Leonetti received a payment of $300,000.

(12) Mr. Froggatt joined us, effective July 23, 2003, when we acquired Insignia.

(13) Mr. Froggatt received a car allowance of $20,777 in 2003.

(14) Mr. Froggatt received a benefit of $566 under our life insurance program.

(15) Mr. Blain joined us effective January 23, 2002.

(16) Pursuant to Mr. Blain's employment agreement, he received a one-time transfer allowance of $15,000.

Table of Contents

Option Grants Table

The following table sets forth information concerning stock option grants to our executive officers during the year ended December 31, 2003, each of which was granted pursuant to our 2001 stock incentive plan:

Name	Number of Securities Underlying Options Granted	Percentage of Total Options Granted to Employees in 2003	Exercise Price Per Share	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Ray Wirta (1)	252,000	7.9%	$ 5.33	9/16/13	$ 845,234	$ 2,141,990
Brett White (1)	252,000	7.9	5.33	9/16/13	845,234	2,141,990
Kenneth J. Kay (1)	108,000	3.4	5.33	9/16/13	362,243	917,996
Alan C. Froggatt (1)	90,000	2.8	5.33	9/16/13	301,869	764,996
Robert Blain (1)	75,000	2.4	5.33	9/16/13	251,558	637,497

(1) The options vest 20% per anniversary of the September 16, 2003 grant date.

Aggregated Options Table

The following table sets forth information concerning unexercised options held as of December 31, 2003 by the persons named in the table under "Summary Compensation Table." No options were exercised by our executive officers during 2003.

Name	Shares Acquired on Exercise	Value Realized ($)	Number of Securities Underlying Unexercised Options at December 31, 2003		Value of Unexercised In- the-Money Options at December 31, 2003	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Ray Wirta	—	—	211,383	569,076	—	—
Brett White	—	—	170,139	507,207	—	—
Kenneth J. Kay	—	—	37,200	256,800	—	—
Alan C. Froggatt	—	—	—	90,000	—	—
Robert Blain	—	—	—	75,000	—	—

Incentive Plans

2001 Stock Incentive Plan

Our 2001 stock incentive plan was adopted by our board of directors, and approved by our stockholders, on June 7, 2001. The 2001 stock incentive plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to our employees, directors or independent contractors. A total of 19,500,000 shares of Class A common stock have been reserved for issuance under the 2001 stock incentive plan, and 10,489,398 shares remained available for future issuance as of March 31, 2004. The number of shares issued or reserved pursuant to the 2001 stock incentive plan, or pursuant to outstanding awards, is subject to adjustment on account of stock splits, stock dividends and other dilutive changes in our Class A common stock. Class A common stock covered by awards that expire, terminate or lapse will again be available for option or grant under the 2001 stock incentive plan. No award may be granted under the 2001 stock incentive plan after June 7, 2011, but awards granted prior to June 7, 2011 may extend beyond that date.

The 2001 stock incentive plan is administered by our board of directors, which may delegate its duties and powers in whole or in part to any committee of the board of directors. The board of directors has the sole discretion to determine the employees, directors and independent contractors to whom awards may be granted under the 2001 stock incentive plan and the manner in which the awards will vest. Options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards will be granted by the board of directors to employees, directors and independent contractors in the numbers and at the times during the term of the 2001 stock incentive plan as the board of directors determines.

Unless otherwise determined by our board of directors, awards granted under the 2001 stock incentive plan are not transferable other than by will or by the laws of descent and distribution. In the event of a change of control, which is defined in the 2001 stock incentive plan, (1) any outstanding awards then held by participants, including executive officers, which are unvested or otherwise unexercisable will automatically be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to the change of control and (2) our board of directors may (a) provide for a cash payment to the holder of an award in consideration for the cancellation of the award and/or (b) provide for substitute or adjusted awards.

Our 2001 stock incentive plan is expected to be terminated prior to the completion of the offering. Outstanding stock awards granted under the 2001 stock incentive plan will remain outstanding according to their terms, and we will continue to issue shares to the extent required under the terms of such outstanding awards.

2004 Stock Incentive Plan

Our board of directors has adopted, and our stockholders have approved, our 2004 stock incentive plan, which will become effective on the date the registration statement of which this prospectus is a party is declared effective by the SEC. The 2004 stock incentive plan authorizes the grant of stock-based awards to our employees, directors and consultants.

A total of 7,500,000 shares of our Class A common stock have been reserved for issuance under the 2004 stock incentive plan. This share reserve will be reduced by one share upon exercise or redemption of an option or stock appreciation right, and reduced by 2.25 shares upon issuance of stock pursuant to other stock-based awards. Shares of our common stock covered by awards that expire, terminate, lapse, are reacquired by us or are redeemed for cash rather than shares will again be available for grant under the stock incentive plan. No employee will be eligible to be granted options or stock appreciation rights covering more than 2,250,000 shares during any calendar year. In addition, our board of directors has adopted a policy stating that no person will be eligible to be granted options, stock appreciation rights, or restricted stock purchase rights covering more than 750,000 shares during any calendar year and to be granted any other form of stock award permitted under the 2004 stock incentive plan covering more than 375,000 shares during any calendar year.

The number of shares issued or reserved pursuant to the 2004 stock incentive plan, or pursuant to outstanding awards, is subject to adjustment on account of mergers, consolidations, reorganizations, stock splits, stock dividends and other dilutive changes in our common stock. In addition, our board of directors may adjust outstanding awards to preserve the awards' benefits or potential benefits.

Our board of directors has delegated administration of the 2004 stock incentive plan to the compensation committee. The compensation committee, or our board of directors if the delegation of authority to the compensation committee is terminated in the future, has the authority to:

- designate participants in the plan;
- determine the type(s), number, terms and conditions of awards, as well as the timing and manner of grant;
- interpret the plan; establish, adopt or revise any rules and regulations to administer the plan; and
- make all other decisions and determinations that may be required under the plan.

Incentive stock options must have an exercise price that is at least equal to, and nonstatutory stock options an exercise price at least 85% of, the fair market value of our Class A common stock on the date the option is granted. An option holder may exercise an option by payment of the exercise price (1) in cash, (2) according to a deferred payment or similar arrangement, (3) pursuant to a "same day sale" program, (4) by the surrender of a number of shares of Class A common stock already owned by the option holder for at least six months with a fair market value equal to the exercise price or (5) by a combination approved by the board. In the event of the option holder's termination, the option holder will generally have up to three months (up to one year if due to disability or 18 months if due to death) from termination to exercise his/her vested options.

Directors who are neither employed by us nor receive a management fee from us will each automatically receive an annual grant of stock options with a per share exercise price equal to the fair market value of our Class A common stock and an aggregate exercise price equal to $50,000. They will also each automatically receive an annual grant of restricted stock worth a total of $25,000 on the date of grant.

Our board of directors may award restricted stock bonuses. Our board may also award restricted stock units, which entitle the participant the right to receive one share of common stock per unit at the time the unit vests, with delivery of such common stock on a date chosen by the participant. For both restricted stock bonuses and units, vesting will generally be based on the participant's continuous service. In the event a participant's continuous service terminates, all unvested common stock as of the date of termination will be subject to our reacquisition.

Our board of directors may grant stock appreciation rights independent of or in connection with an option. The base price per share of a stock appreciation right may be no less than 85% of the fair market value of our Class A common stock. Generally, each stock appreciation right will entitle a participant upon redemption to an amount equal to (a) the excess of (1) the fair market value on the redemption date of one share of common stock over (2) the base price, times (b) the number of shares of common stock covered by the stock appreciation right. To the extent a stock appreciation right is granted concurrently with an option, the redemption of the stock appreciation right will proportionately reduce the number of shares of common stock subject to the concurrently granted option. Payment shall be made in common stock or in cash, or a combination of both, as determined by the board. The plan also allows for grants of other stock-based awards such as restricted stock purchase rights, phantom stock units, performance shares and performance share units.

Unless otherwise determined by our board of directors or provided for in a written agreement evidencing an award, awards granted under the 2004 stock incentive plan are not transferable other than by will or by the laws of descent and distribution.

In the event of a change of control, as defined in the stock incentive plan, other than dissolution, the board may provide for the (1) assumption or continuation of any stock awards outstanding under the plan, (2) issuance of substitute awards that will substantially preserve the terms of any awards, (3) payment in exchange for the cancellation of an award or (4) termination of an award upon the consummation of the change of control, but only if the participant has been permitted to exercise or redeem an option or stock appreciation right prior to the change of control. Furthermore, at any time the board may provide for the acceleration of exercisability and/or vesting of an award.

Our board of directors may amend, suspend, or terminate the stock incentive plan in any respect at any time, but no amendment may materially impair any of the rights of a participant under any awards previously granted, without his/her consent.

Deferred Compensation Plan

Our deferred compensation plan, or DCP, historically has permitted a select group of management employees, as well as other highly compensated employees, to elect, immediately prior to the beginning of each calendar year, to defer receipt of some or all of their compensation for the next year generally either after his or her employment with us ends or until a future distribution date at least three years after the deferred election date, and have it credited to one or more of several funds in the DCP. The investment alternatives available to participants in connection with their deferrals include two interest index funds and an insurance fund in which gains and losses on deferrals are measured by one or more of approximately 30 mutual funds. In addition, prior to our acquisition of CB Richard Ellis Services in 2001, participants were entitled to invest their deferrals in stock fund units that entitled the participants to receive future distributions of shares of our common stock, which stock fund units now represent the right to receive future distributions of shares of CB Richard Ellis Group common stock. As of March 31, 2004, there were 3,387,543 shares underlying outstanding stock fund units under the DCP, of which 2,108,243 had vested, which shares are issuable in connection with future distributions under the plan pursuant to the elections made by plan participants or distributions by us. The deferred compensation plan permits participants to elect in-service distributions, which may not begin less than three years following the election and post-employment distributions. There is limited flexibility to change distribution elections once made. A participant may elect to receive a distribution of his or her vested accounts at any time subject to a charge equal to 7.5% of the amount to be distributed.

Effective January 1, 2004, we closed the DCP to new participants. Currently the DCP is accepting compensation deferrals from participants who have a balance, meet the eligibility requirements and elect to participate, up to a maximum annual contribution amount of $250,000 per participant. As permitted by its terms, we expect to terminate the DCP shortly after the offering is completed and adopt a new deferred compensation plan. The existing deferrals under the interest index funds and the insurance fund in the DCP will be paid to participants in the future according to their existing deferral elections under the plan. With respect to existing deferrals in stock fund units, we expect that substantially all of the shares of common stock underlying such units will be distributed to participants in distributions initiated by us during October of 2004.

401(k) Plan

We maintain a tax qualified 401(k) retirement plan. Generally, our employees are eligible to participate in the plan if they are at least 21 years old. The plan provides for participant contributions, as well as discretionary contributions by us. A participant is allowed to contribute to the plan from 1% to 15% of his or her compensation, subject to limits imposed by applicable law. Each year, we determine an amount of employer contributions that we will contribute, if any, to the plan based on the performance and profitability of our consolidated U.S. operations. Our contributions for a year are allocated to participants who are actively employed on the last day of the plan year in proportion to each participant’s pre-tax contributions for that year, up to 5% of the participant’s compensation.

In connection with our acquisition of CB Richard Ellis Services in 2001, participants were entitled to make a one-time election to invest in shares of our common stock to be credited to their account balance within the plan, which shares continue to be held in the plan. Since the 2001 acquisition, participants have not been entitled to purchase additional shares of our common stock for allocation to their account balance. We expect to amend the plan, effective shortly after completion of the offering, to allow participants in the plan to transfer their account balances into and out of shares of our common stock, as well as to purchase additional shares of our common stock in connection with future deferrals under the plan.

A participant may elect to receive a distribution from the plan in a single lump sum payment of his or her account balance following termination of the participant’s employment with us. However, if the participant has an account balance in our common stock fund, the participant may receive all or a portion of his or her balance in that fund either in shares or in cash.

Employment Agreements with Executive Officers

Kenneth J. Kay

On June 13, 2002, Mr. Kay entered into a two-year employment agreement with us to serve as our chief financial officer. Pursuant to Mr. Kay’s employment agreement, he received a sign-on bonus of $300,000 and he receives an annual base salary of $450,000 and is eligible for an annual bonus of up to 66 2/3% of his base salary based upon the achievement of performance goals established by our board of directors. Additionally, Mr. Kay was granted options to purchase 186,000 shares of our Class A common stock at a $5.33 per share exercise price, which vest 20% per year on the anniversary date of the grant over the next five years. Pursuant to the terms of the our 2001 stock incentive plan, all unvested options held by Mr. Kay will automatically vest if there is a change of control, as defined in the plan.

If prior to the second anniversary of the agreement we terminate Mr. Kay’s employment for any reason, he is entitled to receive a severance payment equal to 100% of one year’s base salary. If Mr. Kay voluntarily resigns from his employment within the first 24 months of employment, he will not be eligible to receive this severance payment. In the event that Mr. Kay’s employment is terminated as a result of a change of control, he is eligible to receive 150% of one year’s base salary as a severance payment in lieu of any other severance payment to which he would otherwise be entitled. Mr. Kay’s employment agreement also contains a customary provision regarding confidentiality following his termination of employment with us.

Alan C. Froggatt

In connection with our acquisition of Insignia in 2003, Mr. Froggatt, our President, EMEA, entered into an amended and restated executive service agreement with us, which became effective upon the date of the closing of the acquisition on July 23, 2003 and superseded his prior employment agreement with Richard Ellis Group Limited. This agreement provides that Mr. Froggatt’s employment may be terminated by us at any time.

This agreement also provides that Mr. Froggatt will have a fixed salary at the rate of £250,000 per year and the opportunity to earn an annual target bonus of £250,000 under our management bonus plan. For calendar year 2003, we agreed that Mr. Froggatt’s annual bonus under the management bonus plan would be no less than £150,000. Also under the agreement, Mr. Froggatt is entitled to reimbursement of business-related expenses and to certain benefits and perquisites, including health insurance and life insurance benefits maintained by us from time to time.

The agreement further provides that if Mr. Froggatt’s employment is terminated by us prior to December 31, 2004, he will be entitled to continue to receive his fixed salary, bonus and contractual benefits through December 31, 2005. If Mr. Froggatt’s employment is terminated by us on or subsequent to December 31, 2004, he will be entitled to continue to receive his fixed salary, bonus and contractual benefits for (1) twelve months following the date of termination of his employment if we previously have not provided Mr. Froggatt with a twelve-month notice of our intention to terminate the employment agreement, or (2) if we have provided Mr. Froggatt with a twelve-month notice of our intention to terminate the employment agreement, for the remaining term of the twelve-month notice period.

Mr. Froggatt’s agreement generally provides that (1) he will not engage, assist or have an interest in any undertaking which provides services similar to those provided by us or our affiliates in the United Kingdom for a period of one year following termination of his employment, (2) he will not employ, solicit or engage any person who was a senior executive or consultant of us or our affiliates for a period of one year following termination of his employment and (3) he will not solicit or interfere with or endeavor to entice away from us or our affiliates any person, firm, company or entity in the United Kingdom who was a client of us or our affiliates for a period of one year following termination of his employment.

Robert Blain

On January 23, 2002, Mr. Blain, our President, Asia Pacific, entered into an employment agreement with us which extends for an indefinite term, subject to termination by either Mr. Blain or by us for any reason. Under the terms of his employment agreement, Mr. Blain receives an annual base salary of $300,000, subject to annual review and adjustment. Mr. Blain also is eligible to earn an annual bonus based upon the level of profitability achieved by us in the greater China region during the applicable fiscal year.

If Mr. Blain's employment terminates for any reason other than his voluntary resignation or on account of his misconduct, he will be entitled to receive a payment of his annual bonus, calculated at the end of the year during which the termination occurs and pro-rated based on the date of termination. If Mr. Blain voluntarily resigns or is terminated by us due to misconduct, he will not be eligible to receive a pro-rated bonus for the year in which his employment terminates. Mr. Blain's employment agreement also contains a provision regarding confidentiality during and following termination of his employment with us, as well as a non-competition and non-solicitation provision for terms of three months and six months, respectively, following the termination of his employment.

RELATED PARTY TRANSACTIONS

Securityholders' Agreement

In connection with our acquisition of CB Richard Ellis Services in 2001, we and CB Richard Ellis Services entered into a securityholders' agreement with our stockholders listed below:

- our stockholders affiliated with Blum Capital Partners, L.P.;
- our stockholders affiliated with Freeman Spogli & Co. Incorporated;
- Ray Wirta, who is our Chief Executive Officer;
- Brett White, who is our President;
- Frederic V. Malek, who is one of our directors;
- The Koll Holding Company;
- California Public Employees' Retirement System, or CalPERS; and
- our stockholders that purchased shares of our Class A common stock in connection with the issuance on July 20, 2001 of our 16% senior notes due 2011, some of whom are affiliates of Credit Suisse First Boston.

The securityholders' agreement defines various rights of the stockholders that are parties to the agreement related to their ownership of common stock. Many of these rights will terminate as a result of the completion of the offering.

Prior to Completion of the Offering

Each of the following provisions apply prior to the completion of the offering but will terminate simultaneously with the completion of the offering:

Designation of Directors and Board Observers. The agreement provides that, prior to the offering, the parties to the agreement that own shares of our Class B common stock, which consist of the stockholders in the first six bullet points above, will vote all of the shares of our voting capital stock they own to elect to our board of directors individuals designated as follows:

- five directors designated by our stockholders affiliated with Blum Capital Partners;
- one director designated by our stockholders affiliated with Freeman Spogli;
- Ray Wirta; and
- Brett White.

In addition, the following stockholders are entitled to the following numbers of non-voting observers at each of the meetings of our board of directors prior to the completion of the offering:

- for so long as our stockholders affiliated with Freeman Spogli collectively own at least 7.5% of our outstanding common stock, they are entitled to have two non-voting observers at meetings;
- for so long as our stockholders that purchased their shares in connection with the 2001 offering of our 16% senior notes, collectively, own at least 1.0% of our outstanding common stock or a majority in principal amount of the 16% senior notes, they generally are entitled to have one observer at meetings; and
- for so long as CalPERS owns any shares of our outstanding common stock, it is entitled to have one observer at meetings.

Voting and Transfer Restrictions. Subject to limited exceptions, each of the parties to the agreement that owns shares of our Class B common stock agreed to vote all the shares of our voting capital stock it or he beneficially owns on matters to be decided by our stockholders in the same manner as our stockholders affiliated with Blum Capital Partners vote the shares that they beneficially own. As a result, prior to the completion of the offering, on most matters to be decided by our stockholders, our stockholders affiliated with Blum Capital Partners are able to control the outcome. The agreement also provides that the consent of our director designated by the stockholders affiliated with Freeman Spogli is required before we are able to take certain actions, including, subject to exceptions, incurring certain indebtedness, consummating certain acquisitions or dispositions and issuing stock or options to its employees.

Also prior to completion of the offering, the securityholders' agreement includes restrictions on transfers of shares by the stockholder parties to the agreement, as well as provisions regarding a right of first offer for potential sales and co-sales of shares and required sale rights applicable in connection with sale transactions involving our shares and participation rights regarding future issuances of our shares of common stock.

Other Rights. Prior to the offering, each of our stockholders that is a party to this agreement generally has the right to receive specified annual, quarterly and monthly financial information about us and is able to inspect our books, records and properties and to discuss our affairs, finances and accounts with our officers and independent auditor.

After Completion of the Offering

Each of the following provisions will apply after the completion of the offering, subject to termination pursuant to the terms of the securityholders' agreement:

Nomination of Directors and Voting. Following the completion of the offering, our stockholders affiliated with Blum Capital Partners will be entitled to nominate a percentage of our total number of directors that is equivalent to the percentage of the outstanding common stock beneficially owned by these affiliates, with this percentage of our directors being rounded up to the nearest whole number of directors. Also following the offering, our stockholders affiliated with Freeman Spogli will be entitled to nominate one person to our board of directors for so long as these stockholders, collectively, beneficially own at least 7.5% of our outstanding common stock. The stockholders that are parties to the securityholders' agreement that currently own shares of our Class B common stock, other than Mr. Malek, will be obligated to vote their shares after the offering in favor of the directors nominated by these affiliates of Blum Capital Partners and Freeman Spogli. Immediately after completion of the offering, these stockholders, collectively, will beneficially own approximately 58.0% of our outstanding common stock, or approximately 53.7% if the underwriters exercise in full their over-allotment option to purchase additional shares.

Registration Rights. Each of the stockholders that are parties to this agreement has registration rights, which are described in further detail under the heading "Description of Capital Stock—Registration Rights."

Indemnification

Both before and after the offering, we are obligated to indemnify the stockholders that are parties to the securityholders' agreement and each of their respective affiliates, controlling persons, directors, officers, employees and agents from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities, including all reasonable attorneys' fees and expenses but excluding special or consequential damages, arising from, relating to or otherwise in respect of, any governmental or other third party claim against these indemnified persons that arises from, relates to or is otherwise in respect of (1) our business, operations, liabilities or obligations or (2) the ownership by the stockholders or any of their respective affiliates of any of our equity securities, except to the extent these losses and expenses (x) arise from any claim that the indemnified person's investment decision relating to the purchase or sale of these equity securities violated a duty or other obligation of the indemnified person to the claimant or (y) are finally determined in a judicial action by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the stockholder or its affiliates.

Loans to Our Executive Officers

Currently Outstanding Loans and Commitments

Loan Related to Acquisition of Common Stock by Ray Wirta. At the time of our acquisition of CB Richard Ellis Services in 2001, Mr. Wirta delivered a full-recourse note in the amount of $512,504 as payment for a portion of our shares of Class A common stock purchased in connection with an offering of shares of our Class A common stock to our employees in 2001. Mr. Wirta's promissory note is repayable upon the earliest to occur of the following: (1) July 20, 2010, (2) 180 days following Mr. Wirta's termination of employment if terminated by us without cause, by him for good reason or as a result of his death or disability and (3) 90 days following Mr. Wirta's termination of employment if terminated for any reason not described in clause (2) above. This note bears interest at 10.0% per year. During 2002 and 2003, Mr. Wirta paid down his loan amount by $40,004 and $70,597, respectively. As of December 31, 2003, Mr. Wirta has an outstanding loan balance of $401,903, which is included in notes receivable from the sale of common stock in our consolidated balance sheet included elsewhere in this prospectus.

1996 Equity Incentive Plan Loans to Ray Wirta and Brett White. Each of Mr. Wirta and Mr. White has an outstanding loan pursuant to the CB Richard Ellis Services 1996 Equity Incentive Plan, which loans are described in further detail under the heading "Management—Compensation of Executive Officers."

Commitment to Provide Loan to Ray Wirta. Pursuant to the terms of Mr. Wirta's employment agreement with us that he entered into in 2001, we agreed to loan Mr. Wirta up to $3.0 million on a full-recourse basis to enable him to exercise an existing option to acquire shares held by The Koll Holding Company if Mr. Wirta were employed by us at the time of exercise, were terminated without cause or resigned for good reason and the shares he would receive upon such exercise would not be freely tradable on a national securities exchange or an over-the-counter market by June 2004. Mr. Wirta exercised his option on April 8, 2004 and, pursuant to the terms of his employment agreement, we loaned Mr. Wirta $3.0 million on that date. Mr. Wirta's shares will not be freely tradable on a national securities exchange or on an over-the-counter market by June 2004 as a result of transfer restrictions applicable to Mr. Wirta's shares. This loan is repayable upon the earliest to occur of the following: (1) 90 days following termination of his employment, other than by us without cause or by him for good reason, (2) seven months following the date Mr. Wirta's shares of common stock are freely tradable as described above and (3) the receipt of proceeds from the sale of the pledged shares described below. This loan bears interest at 4% per year, which was the prime rate in effect on the date of the loan, compounded annually, and is repayable to the extent of any net proceeds received by Mr. Wirta upon the sale of any shares of our common stock. Mr. Wirta pledged the shares received upon exercise of the option as security for the loan.

Previously Outstanding Loans

Retention and Recruitment Award Loans. In the past we have made loans to our employees that represent prepaid retention and recruitment awards at varying principal amounts, bearing interest at rates up to 10.0% per annum and maturing on various dates through 2007. As of December 31, 2003, the outstanding employee loan balances included a $0.3 million loan to Ray Wirta and a $0.2 million loan to Brett White. These non-interest-bearing loans to Mr. Wirta and Mr. White were issued during 2002 and were due and payable on December 31, 2003. The compensation committee of our board of directors forgave these loans to Messrs. Wirta and White in full, effective January 1, 2004.

Loans Related to Acquisitions of Common Stock. In the past, we have made full recourse loans to employees, officers and certain of our stockholders for the purchase of shares of our commons stock. These loans are secured by shares of our common stock that are owned by the borrowers. As of December 31, 2003 and 2002 Mr. White, had outstanding loans of $179,886 and $164,832, respectively, which are included in notes receivable from sale of common stock in the accompanying consolidated balance sheets included elsewhere in this prospectus. This loan relates to the acquisition of 12,500 shares of CB Richard Ellis Services' common stock prior to our acquisition of CB Richard Ellis Services in 2001. Subsequent to the 2001 acquisition, these shares were converted into shares of our common stock and the related loan amount was carried forward. As amended, this loan accrued interest at 6.0% and the principal and all accrued interest was payable on or before April 23, 2010. Mr. White repaid this loan in full on February 10, 2004.

At the time of our acquisition of CB Richard Ellis Services, Mr. Wirta delivered to us an $80,000 promissory note as payment for the purchase of 15,000 shares of our Class B common stock. Mr. Wirta repaid this promissory note in full in April of 2002. Additionally, Mr. White delivered a full-recourse note in the amount of $209,734 as payment for a portion of our shares of Class A common stock purchased in connection with an offering of shares of our Class A common stock to our employees in 2001. This note bore interest at 10.0% per year. During 2002, Mr. White paid off his note in its entirety.

1996 Equity Incentive Plan Loans to Ray Wirta and Brett White. In addition to the currently outstanding loan referenced above, Mr. White had an outstanding loan pursuant to the CB Richard Ellis Services 1996 Equity Incentive Plan that was repaid in full, which loan is described in further detail under the heading "Management—Compensation of Executive Officers."

Transactions Related to Our Acquisition of CB Richard Ellis Services in 2001

Purchases of Common Stock and Grants of Stock Options. In connection with our acquisition of CB Richard Ellis Services in 2001, our stockholders that currently own shares of our Class B common stock, collectively, contributed 7,967,774 shares of CB Richard Ellis Services common stock to us in exchange for 23,903,322 shares of our Class B common stock. Also in connection with the acquisition, our stockholders affiliated with Blum Capital Partners made aggregate cash contributions to us of approximately $71.0 million in exchange for an aggregate of 13,305,462 shares of our Class B common stock and CalPERS made a cash contribution of $10.0 million in exchange for 1,875,000 shares of our Class A common stock.

Also in connection with the acquisition, we offered and sold shares of our Class A common stock to certain of our employees at the time that were designated by our board of directors in consultation with Ray Wirta and Brett White. If each of these designated employees subscribed for a specified number of shares that was determined by our board of directors, they were entitled to receive a grant of options to acquire our Class A common stock. These options have an exercise price of $5.33 per share and a term of 10 years, with 20% of the options vesting on each of the first five anniversaries of the completion of the acquisition and all vesting if there is a change in control of us. In connection with this offering, Ray Wirta purchased 192,189 shares of our Class A common stock and received a grant of 528,459 options to acquire Class A common stock and Brett White purchased 79,689 shares of our Class A common stock and received a grant of 425,346 shares of our Class A common stock. As described in greater detail above, Mr. Wirta delivered a full-recourse note to us in the aggregate principal amount of $512,504 as payment for a portion of his shares and Mr. White delivered a full-recourse note in the aggregate principal amount of $209,734 as payment for a portion of his shares. Each of Mr. Wirta and Mr. White pledged as security for his full-recourse note a number of shares having an offering price equal to 200% of the amount of his note.

Transaction Fees. In connection with advisory services related to our acquisition of CB Richard Ellis Services in 2001, we paid a fee of $3.0 million to an affiliate of Blum Capital Partners and $2.0 million to an affiliate of Freeman Spogli. These advisory services included, among other things, transaction and structuring analysis, financing analysis and the arrangement and negotiation of debt and equity financing. The amounts of these fees were the result of negotiations among the affiliates of Blum Capital Partners and Freeman Spogli and the other parties that provided equity financing in connection with our acquisition of CB Richard Ellis Services.

We also reimbursed certain expenses of our stockholders affiliated with Blum Capital Partners and Freeman Spogli.

Treatment of Warrants to Acquire Shares of CB Richard Ellis Services Common Stock Pursuant to an agreement entered into in connection with the acquisition of CB Richard Ellis Services, we issued to our stockholders affiliated with Freeman Spogli a warrant to acquire 766,431 shares of our Class B common stock at an exercise price of $10.00 per share in exchange for the cancellation of previously outstanding warrants to acquire 364,884 shares of CB Richard Ellis Services common stock. These warrants will automatically be exercised on a “cashless” basis in connection with the completion of the offering. For additional information regarding these warrants, see the heading titled “Description of Capital Stock—Warrants.”

Also pursuant to the same agreement, previously outstanding warrants to acquire 84,988 shares of CB Richard Ellis Services common stock beneficially owned by Ray Wirta and The Koll Holding Company were cancelled and Mr. Wirta and The Koll Holding Company received $1.00 per share underlying these warrants in connection with the closing of the 2001 acquisition.

Transactions Related to Our Acquisition of Insignia in 2003

In connection with our acquisition of Insignia, our stockholders affiliated with Blum Capital Partners made aggregate cash contributions to us of $105,394,160 in exchange for an aggregate of 19,761,405 shares of our Class B common stock, CalPERS made a cash contribution to us of $10.0 million in exchange for 1,875,000 shares of our Class A common stock, some of our stockholders affiliated with CSFB made aggregate cash contributions to us of $3,645,840 in exchange for an aggregate of 683,595 shares of our Class A common stock and Frederic V. Malek made a cash contribution to us of $960,000 in exchange for 180,000 shares of our Class B common stock.

Debt Financing and Other Fees Paid to CSFB and its Affiliates

Affiliates of Credit Suisse First Boston, or CSFB, beneficially own approximately 27.8% of our outstanding Class A common stock and 3.3% of our Class A common stock and Class B common stock combined, in each case as of March 31, 2004. In connection with our acquisition of Insignia in 2003, CSFB or certain of its affiliates received customary fees and reimbursement of expenses for (1) its role as administrative agent and collateral agent with respect to the amendment and restatement of our senior secured credit facilities in May 2003 and October 2003, (2) its role as lead book-running manager in connection with the May 2003 offering and initial purchase of our 9 3/4% senior notes due 2010 and (3) the performance of mergers and acquisitions advisory services. In connection with the acquisition of CB Richard Ellis Services in 2001, CSFB or certain of its affiliates also received customary fees and reimbursement of expenses for (a) its role as administrative agent and collateral agent with respect to our senior secured credit facilities in July 2001, (b) its role as lead book-running manager in connection with the June 2001 offering and initial purchase of our 11 1/4% senior subordinated notes due 2011 and (c) its role as initial purchaser of, and its commitment to purchase, our 16% senior notes due 2011. In each case with respect to the services provided by CSFB and its affiliates, the fees received were in conformity with prevailing market rates for services of that nature.

Co-Investment with CalPERS

California Public Employees’ Retirement System, or CalPERS, beneficially owns approximately 5.7% of our Class A common stock as of March 31, 2004. In March 2001, our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C., entered into a joint venture with CalPERS. This joint venture, Global Innovation Partners, targets real estate and private equity investments and expected opportunities created by the convergence of technology and real estate. The managing member of the joint venture is 50% owned by one of our subsidiaries. In connection with formation of the joint venture, CBRE Investors, CalPERS and some of our employees entered into an aggregate of $526 million of capital commitments to Global Innovations Partners, of which CalPERS committed an aggregate of $500 million.

Other Business Relationships with Our Directors

CBRE Investors and certain investment funds managed by it retained the law firm of Mayer, Brown, Rowe & Maw LLP, including its predecessors, to provide legal services during each of 2003, 2002 and 2001. Michael Kantor, who has been a member of our board of directors since February 2004, currently is a partner at Mayer, Brown, Rowe & Maw LLP.

PRINCIPAL AND SELLING STOCKHOLDERS

The table below sets forth the number of shares of our Class A common stock and Class B common stock beneficially owned, and the percentage ownership of our common stock, as of March 31, 2004 for the following persons:

- each person that beneficially owns 5% or more of our Class A common stock or our Class B common stock;
- each of our directors;
- each of our executive officers; and
- all of our directors and executive officers as a group.

All outstanding shares of Class B common stock will convert at a one-to-one ratio into shares of Class A common stock in connection with the completion of the offering. For additional information regarding our common stock, see the heading titled "Description of Capital Stock—Common Stock."

Except as otherwise noted below, the address for each person listed on the table is c/o CB Richard Ellis Group, Inc., 865 South Figueroa Street, Suite 3400, Los Angeles, California 90017. Beneficial ownership is determined in accordance with the federal securities rules that generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares subject to options or warrants held by that person that are or will become exercisable within 60 days are deemed outstanding, although the shares are not deemed outstanding for purposes of computing percentage ownership of any person.

	Shares Beneficially Owned Prior to the Offering (1)		Shares to be Sold in the Offering (2)	Shares Beneficially Owned After the Offering	
	Number	Percent		Number	Percent (3)
Greater than 5% Stockholders:					
Blum Strategic Partners, L.P.					
Blum Strategic Partners II, L.P.					
Blum Strategic Partners II GmbH & Co. KG (4)(5)	44,064,180	67.2%	11,894,411	32,169,769	44.0%
FS Equity Partners III, L.P.					
FS Equity Partners International, L.P. (4)(6)	10,207,389	15.6	2,863,687	7,745,165	10.6
California Public Employees' Retirement System (7)	3,750,000	5.7	1,012,252	2,737,748	3.7
DLJ Investment Partners II, L.P.					
DLJ Investment Partners, L.P.					
DLJIP II Holdings, L.P. (8)(9)	2,155,032	3.3	581,717	1,573,315	2.2
Executive Officers and Directors:					
Ray Wirta (4)(10)	2,073,339	3.2	—	2,073,339	2.8
Brett White (4)(11)	422,328	*	—	422,328	*
Kenneth J. Kay (12)	37,200	*	—	37,200	*
Alan C. Froggatt	—	—	—	—	—
Robert Blain	—	—	—	—	—
Richard C. Blum (4)(5)	44,064,180	67.2	11,894,411	32,169,769	44.0
Jeffrey A. Cozad (4)(5)	44,064,180	67.2	11,894,411	32,169,769	44.0
Patrice Marie Daniels	—	—	—	—	—
Bradford M. Freeman (4)(6)	10,207,389	15.6	2,863,687	7,745,165	10.6
Michael Kantor	—	—	—	—	—
Frederic V. Malek	1,373,619	2.1	370,786	1,002,833	1.4
Jeffrey S. Pion (13)	17,451	*	—	17,451	*
Gary L. Wilson	—	—	—	—	—
All directors and executive officers as a group	58,195,506	88.1	15,128,884	43,468,085	59.0
Other Selling Stockholders:					
Donald Koll (14)	403,389	*	108,888	294,501	*
Stanfield Arbitrage CDO, Ltd.					
Stanfield CLO, Ltd.					
Stanfield/RMF Transatlantic CDO, Ltd. (15)	78,420	*	21,168	57,252	*
Provident Financial Group, Inc. (16)	15,684	*	4,234	11,450	*

(footnotes on following page)

**(footnotes for previous page)*

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* less than 1.0%

(1) Our outstanding common stock as of March 31, 2004 includes 7,764,867 shares of our Class A common stock and 57,815,844 shares of our Class B common stock. All shares of outstanding common stock indicated as beneficially owned by Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, FS Equity Partners III, L.P., FS Equity Partners International, L.P., Frederic V. Malek and Donald Koll are Class B common stock. Among the shares of outstanding common stock indicated as beneficially owned by Ray Wirta and Brett White, 1,669,767 of Mr. Wirta's shares are Class B common stock and 97,500 of Mr. White's shares are Class B common stock. All other shares of outstanding common stock are Class A common stock.

(2) If the underwriters exercise in full their over-allotment option, the selling stockholders will sell 3,600,000 additional shares of Class A common stock, which sale is not reflected in the table above.

(3) Percentage ownership is based on (a) the number of outstanding shares described in footnote (1) above, (b) the issuance and sale of 7,142,857 shares of Class A common stock by us in the offering and (c) the "cashless exercise" of warrants to acquire shares of our Class A common stock in connection with the offering, which will result in the issuance of an aggregate of 401,463 shares. All shares of outstanding common stock are Class A common stock.

(4) As a result of the voting provisions set forth in the securityholders' agreement described in greater detail in this prospectus under the heading "Related Party Transactions —Securityholders' Agreement," this stockholder, together with our other stockholders that own shares of Class B common stock prior to the offering, may be deemed to constitute a group, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, after the offering. Accordingly, the group formed by these stockholders may be deemed to beneficially own 42,303,639 shares of our Class A common stock after the offering.

(5) Prior to the offering, consists of 20,161,482 shares of our Class B common stock owned by Blum Strategic Partners, L.P., 23,419,818 shares of our Class B common stock owned by Blum Strategic Partners II, L.P. and 482,880 shares of our Class B common stock owned by Blum Strategic Partners II GmbH & Co. KG. In connection with the offering, Blum Strategic Partners will sell 5,442,265 shares, Blum Strategic Partners II, L.P. will sell 6,321,800 shares and Blum Strategic Partners II GmbH & Co. KG will sell 130,346 shares. The sole general partner of Blum Strategic Partners, L.P. is Blum Strategic GP, L.L.C., and the sole general partner of Blum Strategic Partners II, L.P. and the managing limited partner of Blum Strategic Partners II GmbH & Co. KG is Blum Strategic GP II, L.L.C. Richard C. Blum is a managing member of Blum Strategic GP, L.L.C. and each of Messrs. Blum and Cozad is a managing member of Blum Strategic GP II, L.L.C. Except as to any pecuniary interest, each of Messrs. Blum and Cozad disclaims beneficial interest in all of these shares. The business address of Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, Blum Strategic GP, L.L.C., Blum Strategic GP II, L.L.C., Richard C. Blum and Jeffrey A. Cozad is 909 Montgomery Street, Suite 400, San Francisco, California 94133. As a result of the securityholders' agreement, Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P. and Blum Strategic Partners II GmbH & Co. KG share voting power over the indicated shares with our other stockholders that own shares of Class B common stock prior to the offering.

(6) Prior to the offering, consists of 9,835,341 shares of our Class B common stock held by FS Equity Partners III, L.P., or FSEP III, and 372,048 shares of our Class B common stock held by FS Equity Partners International, L.P., or FSEP International. In connection with the offering, FSEP III will sell 2,759,310 shares and FSEP International will sell 104,377 shares. Shares beneficially owned after the offering reflects the "cashless exercise" of warrants to acquire shares of our Class A common stock in connection with the offering, which will result in the issuance of 386,830 shares to FSEP III and 14,633 shares to FSEP International. This number of shares issued upon exercise of these warrants assumes an initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus. As general partner of FS Capital Partners, L.P., which is the general partner of FSEP III, FS Holdings, Inc. has the power to vote and dispose of the shares owned by FSEP III. As general partner of

FS&Co. International, L.P., which is the general partner of FSEP International, FS International Holdings Limited has the power to vote and dispose of the shares owned by FSEP International. Bradford Freeman, who is one of our directors, Ronald Spogli, Frederick Simmons, William Wardlaw, John Roth and Charles Rullman, Jr. are the directors, officers and shareholders of FS Holdings, Inc. and FS International Holdings Limited, and may be deemed to be the beneficial owners of the shares of common stock, and rights to acquire common stock, owned by FSEP III and FSEP International. Brad Freeman is a director and owner of less than 10% of the securities of, and Ronald Spogli is the owner of less than 10% of the securities of, a registered broker-dealer. Both FSEP III and FSEP International acquired the shares of our common stock beneficially owned by them in the ordinary course of business and, at the times they acquired such shares, had no agreements or understandings, directly or indirectly, with any person to distribute them publicly. The business address of FSEP III, FS Capital Partners, L.P. and FS Holdings, Inc. and their directors, officers and beneficial owners is 11100 Santa Monica Boulevard, Suite 1900, Los Angeles, California 90025. The business address of FSEP International, FS&Co. International, L.P. and FS International Holdings Limited is c/o Paget-Brown & Company, Ltd., West Winds Building, Third Floor, Grand Cayman, Cayman Islands, British West Indies. As a result of the securityholders' agreement, FSEP III and FSEP International share voting power over the indicated shares with our other stockholders that own shares of Class B common stock prior to the offering.

(7) CalPERS owns a less than 10% non-managing member interest in a registered broker-dealer. CalPERS acquired the shares of our common stock beneficially owned by it in the ordinary course of business and, at the times it acquired such shares, had no agreements or understandings, directly or indirectly, with any person to distribute them publicly. The business address of CalPERS is 400 P Street, Suite 3492, Sacramento, California 95814.

(8) The shares of Class A common stock beneficially owned by these entities comprise 27.8% of our outstanding Class A common stock and 3.3% of our Class A common stock and Class B common stock combined, in each case as of March 31, 2004.

(9) The shares beneficially owned include 1,224,678 shares of Class A common stock owned by DLJ Investment Partners II, L.P., 544,239 shares of Class A common stock owned by DLJ Investment Partners, L.P. and 386,115 shares of Class A common stock owned by DLJIP II Holdings, L.P. (collectively, the "DLJIP Entities"). In connection with the offering, DLJ Investment Partners, L.P. will sell 146,909 shares, DLJ Investment Partners II, L.P. will sell 330,582 shares and DLJIP II Holdings, L.P. will sell 104,226 shares. Credit Suisse First Boston, a Swiss bank, owns a majority of the voting stock of Credit Suisse First Boston, Inc., which in turn owns all the voting stock of Credit Suisse First Boston (USA), Inc. ("CSFB-USA"). The DLJIP Entities are private equity funds advised by subsidiaries of CSFB-USA. Credit Suisse First Boston LLC, one of the underwriters in this offering, is a direct subsidiary of CSFB-USA. Credit Suisse First Boston Capital LLC ("CSFB Capital"), an indirect wholly owned subsidiary of CSFB-USA, is a registered broker-dealer. Neither CSFB-USA nor CSFB Capital holds any ownership interest in the DLJIP Entities. The DLJIP Entities acquired the shares of our common stock beneficially owned by them in the ordinary course of business and, at the times they acquired such shares, had no agreements or understandings, directly or indirectly, with any person to distribute them publicly. The business address for each of the DLJIP Entities is 11 Madison Avenue, 16th Floor, New York, NY 10010.

(10) Includes 211,383 shares of Class A common stock subject to options that are exercisable or are exercisable within 60 days. As a result of the securityholders' agreement, Mr. Wirta shares voting power over 1,861,956 of the indicated shares with our other stockholders that own shares of Class B common stock prior to the offering.

(11) Mr. White is co-trustee and, together with his wife Danielle, is the beneficiary of The White Family Trust, which owns 177,189 of the indicated shares. Includes 170,139 shares of Class A common stock subject to options that are exercisable or are exercisable within 60 days. Also includes 75,000 shares of Class A common stock underlying vested stock fund units in our deferred compensation plan. In connection with

any voluntary or involuntary termination of his employment with us, Mr. White may be entitled to receive an issuance of some or all of the shares underlying the stock fund units within 60 days of such termination, depending upon the date of such termination and the current terms of the election he has made under the plan. As a result of the securityholders' agreement, Mr. White shares voting power over 177,189 of the indicated shares with our other stockholders that own shares of Class B common stock prior to the offering.

(12) Includes 37,200 shares of Class A common stock subject to options that are exercisable or are exercisable within 60 days.

(13) Includes 17,451 shares of Class A common stock underlying vested stock fund units in our deferred compensation plan. In connection with any voluntary or involuntary termination of his employment with us, Mr. Pion may be entitled to receive a distribution of some or all of the shares underlying the stock fund units within 60 days of such termination, depending upon the date of such termination and the current terms of the election he has made under the plan.

(14) All of the indicated shares are owned by The Koll Holding Company. Mr. Koll is the sole trustee of the Donald M. Koll Separate Property Trust, which wholly owns DKC Holdings, Inc., which itself wholly owns The Koll Holding Company. As a result of the securityholders' agreement, Mr. Koll shares voting power over all of the indicated shares with our other stockholders that own shares of Class B common stock prior to the offering. Mr. Koll's business address is 4343 Von Karman Avenue, Newport Beach, CA 92660.

(15) The shares beneficially owned consist of 27,447 shares of Class A common stock owned by Stanfield Arbitrage CDO, Ltd., 27,447 shares of Class A common stock owned by Stanfield CLO, Ltd. and 23,526 shares of Class A common stock owned by Stanfield/RMF Transatlantic CDO, Ltd. In connection with the offering, Stanfield Arbitrage CDO, Ltd. will sell 7,409 shares, Stanfield CLO, Ltd. will sell 7,409 shares and Stanfield/RMF Transatlantic CDO, Ltd. will sell 6,350 shares. Stanfield Arbitrage CDO, Ltd., Stanfield CLO, Ltd. and Stanfield/RMF Transatlantic CDO, Ltd. are structured finance vehicles (collectively, the "Stanfield Funds") and Stanfield Capital Partners LLC is the collateral manager to each of the Stanfield Funds. Stanfield Capital Partners LLC, in its capacity as collateral manager to such funds, is able to direct the voting and disposition of the indicated shares. The business address for each of the Stanfield Funds is Hemisphere House, 9 Church Street, Third Floor, Harbour Centre, Hamilton, Bermuda HM11, British West Indies. A copy of any correspondence to any of the Stanfield Funds should also be sent to Stanfield Capital Partners LLC, 430 Park Avenue, 12th Floor, New York, NY 10022.

(16) Provident Financial Group, Inc. owns 100% of a registered broker-dealer. Provident purchased the shares of our common stock beneficially owned by it in the ordinary course of business and, at the times it acquired such shares, had no agreements or understandings, directly or indirectly, with any person to distribute them publicly. The business address of Provident Financial Group, Inc. is 1 East Fourth Street, Cincinnati, OH 45202.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes information regarding our capital stock. This information does not purport to be complete and is subject in all respects to the applicable provisions, of the Delaware General Corporation Law, and our restated certificate of incorporation and restated by-laws, which are included as exhibits to the registration statement of which this prospectus forms a part.

Common Stock

Generally. Prior to the offering, we have a dual class common stock structure. We currently are authorized to issue an aggregate of 100,000,000 shares of common stock consisting of 75,000,000 shares of Class A common stock, $0.01 par value per share, and 25,000,000 shares of Class B common stock, $0.01 par value per share. Prior to the 3-to-1 stock split of our outstanding Class A common stock and Class B common stock, which will occur prior to completion of the offering and be effected by a stock dividend, we will amend and restate our certificate of incorporation to increase our authorized common stock to an aggregate of 425,000,000 shares, including 325,000,000 shares of Class A common stock and 100,000,000 shares of Class B common stock. Except with respect to voting as described below, the holders of Class A common stock and Class B common stock have the same rights. Pursuant to the automatic conversion provision described below, all outstanding shares of Class B common stock will convert at a one-to-one ratio into shares of Class A common stock in connection with the completion of the offering. As a result of this conversion and the automatic “cashless exercise” of warrants described below, after the completion of the offering, 73,125,031 shares of Class A common stock will be outstanding and no shares of Class B common stock will be outstanding. Immediately after the completion of the offering, we expect to amend and restate our certificate of incorporation again to eliminate the authorized shares of Class B common stock. As a result, we do not expect to be able to issue shares of our Class B common stock after completion of the offering.

Prior to Completion of the Offering

Voting Rights. Each share of Class A common stock entitles the holder to one vote in all matters submitted to a vote of our stockholders. Each share of Class B common stock entitles the holder to ten votes in all matters submitted to a vote of stockholders. There is no cumulative voting. Except as required by applicable law, the holders of Class A common stock and the holders of Class B common stock vote together on all matters submitted to a vote of our stockholders. In the event that any amendment to the certificate of incorporation is proposed that would alter or change the powers, preferences or special rights of either class of our common stock so as to affect them adversely, we must obtain the approval of a majority of the votes entitled to be cast by the holders of the outstanding shares of the class affected by the proposed amendment. In addition, the number of authorized shares of Class A common stock or Class B common stock may be increased or decreased, but not below the number of shares then outstanding, by the affirmative vote of the holders of a majority in voting power of our outstanding shares of capital stock entitled to vote generally in the election of directors.

Dividends. Holders of Class A common stock and Class B common stock are entitled to receive ratably any dividends that may be declared from time to time by our board of directors out of funds legally available for that purpose. In the event that a dividend or distribution is paid or distributed with respect to one class of common stock, a simultaneous dividend or distribution must be paid or distributed on the other class and in the same proportion. However, in the case of dividends or other distributions payable in common stock, only shares of Class A common stock would be paid or distributed with respect to Class A common stock and only shares of Class B common stock would be paid or distributed with respect to Class B common stock. We may not subdivide or combine shares of either class of our common stock without at the same time proportionally subdividing or combining shares of the other class.

Changes in Capitalization. In the event there is an increase or decrease in the number of issued shares of common stock resulting from any stock split, stock dividend, reverse stock split, combination or reclassification of our common stock, or any other similar event resulting in an increase or decrease in the number of outstanding shares of common stock, the outstanding shares of Class A common stock and the outstanding shares of Class B common stock must be adjusted in the same manner.

Optional Conversion. As long as shares of Class B common stock are outstanding, a holder of Class B common stock may at any time convert any shares of Class A common stock the holder owns, in whole or in part, on a share for share basis into the same number of shares of Class B common stock. A holder of Class B common stock may at any time convert any shares of Class B common stock it owns, in whole or in part, on a share for share basis into the same number of shares of Class A common stock. In the event of a transfer of shares of Class B common stock to any person or entity other than a permitted transferee, each share of Class B common stock so transferred will be converted automatically into one share of Class A common stock. For the purposes of a transfer of capital stock, the permitted transferees include affiliates of Blum Capital Partners, any person or entity that owned Class B common stock at the effective time of our acquisition of CB Richard Ellis Services and any single person or entity to which a current Class B common stock holder transfers its right to be a permitted holder and all of its Class B common stock.

Automatic Conversion. Each share of Class B common stock converts automatically into one share of Class A common stock upon completion of the offering.

Mergers and Other Business Combinations. Subject to the next sentence, unless otherwise approved by a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A common stock and the outstanding shares of Class B common stock, each voting separately as a class, all shares of Class A common stock and Class B common stock are entitled to receive equally on a per share basis the same kind and amount of consideration in the event of any merger, reorganization or consolidation of us with any company. In the event that one or more of the other corporations or entities that is a party to a merger or similar transaction with us deems it necessary for the merger to be treated as a recapitalization for financial accounting purposes and for us to no longer be subject to the reporting requirements of Section 14 of the Exchange Act after the closing date of the merger, then, solely to the extent deemed necessary by the other corporation or entity to satisfy these requirements, the kind of consideration that a holder of a share of Class A common stock would be entitled to receive may be different than the kind of consideration that a holder of a share of Class B common stock would be entitled to receive.

Liquidation. In the event of liquidation, dissolution or winding up, the holders of Class A common stock and Class B common stock are entitled to share ratably in all assets remaining after the payment of liabilities.

After Completion of the Offering

Voting Rights. Holders of our Class A common stock generally will be entitled to one vote per share on all matters on which our stockholders are entitled to vote. The holders of Class A common stock will not have cumulative voting rights in the election of directors.

Dividends. Holders of our Class A common stock will be entitled to receive ratably dividends if, as and when declared from time to time by our board of directors out of funds legally available for that purpose, after payment of dividends required to be paid on any outstanding preferred stock, as described below. Our senior credit facilities and indentures impose restrictions on our ability to declare dividends with respect to our Class A common stock.

Liquidation Rights. Upon our dissolution, liquidation or winding up, the holders of our Class A common stock will be entitled to receive ratably the assets available for distribution to our stockholders after payment of liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock.

Other Matters. Our Class A common stock will not have preemptive or conversion rights and will not be subject to further calls or assessment by us. There will be no redemption or sinking fund provisions applicable to our Class A common stock.

Preferred Stock

In our restated certificate of incorporation that we expect to file prior to completion of the offering, our board of directors will be authorized, subject to any limitations imposed by law, without the approval of our stockholders, to issue from time to time up to a total of 25,000,000 shares of our preferred stock, in one or more series, with each such series having rights and preferences, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as our board of directors may determine. The issuance of our preferred stock, while potentially providing us with flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or discourage a third party from attempting to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

Warrants

In connection with our acquisition of CB Richard Ellis Services in 2001, we issued to our stockholders affiliated with Freeman Spogli a warrant to acquire, subject to customary anti-dilution provisions, 766,431 shares of our Class B common stock at an exercise price of $10.00 per share in exchange for the cancellation of previously outstanding warrants to acquire 364,884 shares of CB Richard Ellis Services common stock. These warrants may be exercised at the option of the holders on August 26 and 27, 2007 either by delivery of the exercise price in cash or by a "cashless exercise." These warrants are exercised automatically on a "cashless" basis in connection with specified triggering events, one of which is the completion of an underwritten initial public offering of our common stock that results in our common stock being listed on either the New York Stock Exchange or the Nasdaq National Market. In connection with any "cashless exercise," instead of payment of the exercise price in cash, the stockholders affiliated with Freeman Spogli surrender their warrant certificates and receive a net amount of shares of our common stock based on the fair market value of our common stock at the time of the exercise of the warrants, after deducting the aggregate exercise price. Accordingly, in connection with the completion of the offering, these warrants will automatically be exercised and we will issue an aggregate of 401,463 shares to our stockholders affiliated with Freeman Spogli. This number of shares issued upon exercise of these warrants assumes an initial public offering price of $21.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus.

Registration Rights

Pursuant to a securityholders' agreement, the other terms of which are described under the heading "Related Party Transactions—Securityholders' Agreement," we have granted registration rights to our stockholders that are parties to that agreement.

Demand Registrations. As a result of these registration rights, after we have completed this offering and upon the expiration or earlier waiver of the lock-up period imposed by the underwriters, we can be required by some of our stockholders to effect additional registration statements, or "demand registrations," registering the securities held by the stockholder for sale under the Securities Act of 1933. Under this agreement, our stockholders affiliated with Blum Capital Partners may request six demand registrations and our stockholders affiliated with Freeman Spogli may request three demand registrations. After completion of the offering, these stockholders will beneficially own 39,914,934 shares of our common stock, or 36,763,205 shares if the underwriters exercise their over-allotment option in full. If a demand registration is underwritten and the managing underwriter advises us that marketing factors require a limitation on the number of shares to be underwritten, priority of inclusion in the demand registration generally is such that the stockholder initiating the demand registration receives first priority.

Piggyback Registrations. In addition to our obligations with respect to demand registrations, if we propose to register any of our securities, other than a registration relating to our employee benefit plans or a corporate reorganization or other transaction under Rule 145 of the Securities Act, whether or not the registration is for our own account, we are required to give each of our stockholders that is party to the securityholders' agreement the opportunity to participate, or "piggyback," in the registration. These piggyback registration rights apply in the offering because affiliates of Blum Capital Partners are selling shares in the offering. If a piggyback registration is underwritten and the managing underwriter advises us that marketing factors require a limitation on the number of shares to be underwritten, priority of inclusion in the demand registration generally is such that we receive first priority with respect to the shares we are issuing and selling.

Other Registration Provisions. The registration rights are subject to conditions and limitations, among them the right of the underwriters of an offering subject to the registration to limit the number of shares included in the offering. We generally are required to pay the registration expenses in connection with both demand and piggyback registrations. A stockholder's registration rights will terminate if we have completed an initial public offering of our common stock, the stockholder holds less than 0.5% of our outstanding common stock and the stockholder is entitled to sell all of its shares in any 90-day period under Rule 144 of the Securities Act. For additional information regarding sales under Rule 144, see the description under the heading "Shares Eligible for Future Sale—Sale of Restricted Shares."

Anti-Dilution Agreement

In connection with the 2001 issuance and sale of our 16% senior notes due 2011, we issued an aggregate of 339,820 shares of our Class A common stock to the purchasers of the senior notes. We also entered into an anti-dilution agreement pursuant to which these stockholders have the right to purchase additional shares of our Class A common stock for $0.01 per share upon the occurrence of specified events.

These specified events include any issuance of shares of our common stock or options, warrants or other securities convertible into, or exchangeable or exercisable for, shares of our common stock, in each case, at a price that is less than the "current market price" per share of our common stock. The "current market price" per share of any class of our common stock at any date generally is the average of the quoted price of our common stock on a securities exchange for 30 consecutive trading days commencing 45 trading days before the date in question. If our shares are not listed on a securities exchange on the date in question, then the "current market price" would be determined by our board of directors, which determination in some cases must based upon a valuation by an unaffiliated nationally-recognized investment banking or appraisal firm. With respect to issuances of stock options by us, the "current market price" (1) prior to an initial public offering of our common stock may be determined by our board of directors in good faith and (2) after an initial public offering is determined based upon the quoted price of our common stock on the trading day immediately preceding the date of grant of the option.

The right of these stockholders to purchase additional shares of our Class A common stock pursuant to the anti-dilution agreement is subject to important exceptions, which include issuances of common stock pursuant to bona fide public offerings and issuances of common stock pursuant to certain employee stock purchase programs.

If we consolidate or merge with or into, or transfer or lease all or substantially all of our assets to, any person, and in connection with such transaction the holders receive common stock of another entity or option, warrants or other securities convertible into or exchange for common stock of another entity, then upon consummation of such transaction, the right to purchase additional shares of our common stock under this agreement will automatically become applicable to the common stock of the other entity.

No adjustment in the number of shares held by these stockholders is required to be made unless the adjustment would require an increase or decrease of at least 1% in the number of shares held by these stockholders. Any such adjustments that are not made are carried forward and taken into account in determining any subsequent adjustments.

The anti-dilution agreement terminates on July 20, 2011 and, with respect to each of the shares of our Class A common stock subject to such agreement, the agreement also terminates at such time as such share has been transferred pursuant to a registration statement filed with the SEC or pursuant to Rule 144 of the rules and regulations promulgated by the SEC under the Securities Act of 1933.

Anti-Takeover Effects of Certain Provisions of Our Restated Certificate of Incorporation and Restated By-Laws

Certain provisions of our restated certificate of incorporation and restated by-laws, which we expect will be filed and become effective prior to the completion of the offering, may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Removal of Directors; Vacancies

Our restated certificate of incorporation will provide that our directors may be removed only upon the affirmative vote of holders of at least 80% of the voting power of all the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. In addition, our restated certificate of incorporation and restated by-laws also will provide that any newly created directorships and vacancies on our board of directors generally will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum.

No Stockholder Action by Written Consent; Calling of Special Meetings of Stockholders

Our restated certificate of incorporation will prohibit stockholder action by written consent. In addition, our restated certificate of incorporation and restated by-laws will provide that special meetings of our stockholders may be called only by the chairman of our board, our chief executive officer or our corporate secretary at the direction of the board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our restated by-laws will provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a stockholder’s notice will need to be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the previous year’s annual meeting. Our restated by-laws also will specify requirements as to the form and content of a stockholder’s notice. These provisions may impede stockholders’ ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

Amendments

Delaware law generally provides that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend a corporation’s certificate of incorporation or by-laws, unless the certificate of incorporation requires a greater percentage. Our restated certificate of incorporation and restated by-laws will provide that the following provisions in our certificate of incorporation and by-laws may be amended only by a vote of at least 80% of the voting power of all of the outstanding shares of our stock entitled to vote:

- the removal of directors and filling newly-created directorships and board of director vacancies;
- the prohibition on stockholder action by written consent;
- the ability to call a special meeting of stockholders being vested solely in our board of directors, our chief executive officer and the chairman of our board;

- the advance notice requirements for stockholder proposals and director nominations; and
- the amendment provision requiring that the above provisions be amended only with an 80% supermajority vote.

In addition, our restated certificate of incorporation will grant our board of directors the authority to amend and repeal our by-laws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our certificate of incorporation.

Limitations on Liability and Indemnification of Officers and Directors

Our certificate of incorporation provides that our directors may not be held liable to us or our stockholders for monetary damages for breach of their fiduciary duties as directors, except to the extent the exemption from, or limitation of, liability is not permitted under Delaware law.

Our certificate of incorporation also provides that we must indemnify our directors and officers to the fullest extent authorized by Delaware law. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affective to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Delaware Anti-Takeover Statute

Pursuant to our current certificate of incorporation, we have "opted out" of the protections of Section 203 of the Delaware General Corporation Law. We expect to "opt in" as part of our restated certificate of incorporation that we expect will be filed prior to the completion of the offering. Subject to specified exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder. "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who together with his or her affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay the accomplishment of mergers or other takeover or change-in control attempts. However, in connection with our expected "opt in," our stockholders that currently own 15% or more of our outstanding voting stock, including affiliates of Blum Capital Partners and affiliates of Freeman Spogli & Co. Incorporated, will not be considered "interested stockholders" under Section 203.

Transfer Agent

The transfer agent for our Class A common stock is The Bank of New York located at 101 Barclay Street, New York, New York, 10286 and its telephone number is (212) 815-3776.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there was no market for our common stock. We can make no predictions as to the effect, if any, that sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of significant amounts of our common stock in the public market, or the perception that those sales may occur, could adversely affect prevailing market prices and impair our future ability to raise capital through the sale of our equity at a time and price we deem appropriate.

Sale of Restricted Shares and Shares Held by Affiliates

Upon completion of the offering, we will have 73,125,031 shares of common stock outstanding. In addition, 10,843,479 shares of common stock are issuable upon the exercise of outstanding stock options or in connection with distributions pursuant to our deferred compensation plan. Of the outstanding shares after completion of the offering, all of the 24,000,000 shares sold in the offering and 1,287,603 of the other currently outstanding shares immediately will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our "affiliates," as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations under Rule 144 as described below. The remaining outstanding shares of our common stock after completion of the offering will be deemed "restricted securities," as that term is defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 under the Securities Act, which rules are described below. Although the shares held by our current and former employees and consultants currently are subject to transfer restriction agreements with us, we expect to waive any such contractual restrictions prior to the completion of the offering and such shareholders will be able to sell their shares after the offering, in each case subject to any lock-up agreements with the underwriters described below and subject to such shares being registered under the Securities Act or otherwise being sold pursuant to Rules 144, 144(k) or 701 under the Securities Act.

The restricted shares and shares held by our affiliates will be available for sale in the public market as follows:

- 7,500 shares will be eligible for immediate sale on the date of this prospectus because such shares may be sold pursuant to Rule 144(k);
- 198,750 shares will be eligible for sale at various times beginning 90 days after the date of this prospectus pursuant to Rules 144, 144(k) and 701; and
- 47,631,178 shares subject to the lock-up agreements will be eligible for sale at various time beginning 180 days after the date of this prospectus pursuant to Rules 144, 144(k) and 701.

Rule 144

In general, under Rule 144 as currently in effect, any person (or persons whose shares must be aggregated), including an affiliate of our company, who has beneficially owned restricted shares of our common stock for at least one year is entitled to sell in any three-month period a number of shares that does not exceed the greater of the following:

- 1% of the then-outstanding shares of common stock, which will be approximately 0.7 million shares immediately after completion of the offering; and
- the average weekly reported volume of trading of our common stock on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of the sale is filed pursuant to Rule 144, subject to restrictions.

Sales under Rule 144 also must be sold only through “brokers’ transactions” or in transactions directly with a “market maker,” as those terms are defined in Rule 144. In addition, sales under Rule 144 are subject to notice requirements and the availability of current public information concerning us for at least 90 days after completion of the offering.

Rule 144(k)

A person (or persons whose shares must be aggregated) who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years would be entitled to sell those shares under Rule 144(k) without regard to the volume, manner of sale, notice or public information requirements of Rule 144 described above.

Rule 701

Certain of our current and former employees and consultants who acquired their shares in connection with awards pursuant to our 2001 stock incentive plan, which is a written compensatory plan, are entitled to rely on the resale provisions of Rule 701 under the Securities Act. Under Rule 701, these stockholders, whether or not they are our affiliates, are permitted to sell the shares subject to Rule 701 without having to comply with the Rule 144 holding period restrictions, in each case commencing 90 days after the date of this prospectus. In addition, non-affiliates may sell their Rule 701 shares without complying with the volume, notice or public information requirements of Rule 144 described above.

Registrations on Form S-8

We intend to file registration statements on Form S-8 under the Securities Act of 1933 to register shares of common stock issuable under our 2001 stock incentive plan, our deferred compensation plan and our 2004 stock incentive plan. These registration statements are expected to be filed shortly after the date of this prospectus and will be effective upon filing. As a result, after the effective date of these Form S-8 registration statements, shares issued pursuant to our 2001 stock incentive plan and our 2004 stock incentive plan, including upon the exercise of stock options, and shares issued pursuant to the deferred compensation plan will be eligible for resale in the public market without restriction, subject to Rule 144 limitations applicable to affiliates described above and the lock-up agreements described below.

As of March 31, 2004:

- 7,455,936 shares of common stock are reserved pursuant to our 2001 stock incentive plan for future issuance in connection with the exercise of outstanding options previously awarded under this plan, and options with respect to 1,733,568 of shares have vested;
- 7,500,000 shares of common stock are reserved for future issuance pursuant to our 2004 stock incentive plan, none of which have been awarded under this plan; and
- 3,387,543 shares of common stock are underlying stock fund units under our deferred compensation plan and are issuable in connection with future distributions under the plan pursuant to the elections made by plan participants, with 2,108,943 shares underlying stock fund units that are no longer subject to any vesting requirements under the plan.

With respect to the foregoing, the parties who have signed lock-up agreements with the underwriters hold options to acquire 1,961,805 shares of our common stock, of which 418,722 have vested, and stock fund units with 105,951 underlying shares, of which 92,451 have vested.

As permitted by its terms, we expect to terminate our deferred compensation plan shortly after the offering is completed and adopt a new deferred compensation plan. With respect to existing deferrals in stock fund units under the plan, we expect that substantially all of the shares of common stock underlying such units will be distributed to participants in distributions initiated by us during October of 2004.

Lock-Up Agreements

For a description of the lock-up agreements with the underwriters that restrict sales of shares by us, our directors and executive officers and certain of our other employees and stockholders, see the information under the heading "Underwriting."

Registration Rights

For a description of registration rights with respect to our common stock, see the information under the heading "Description of Capital Stock—Registration Rights."

DESCRIPTION OF CERTAIN LONG-TERM INDEBTEDNESS

CB Richard Ellis Services' Senior Secured Credit Facilities

In connection with our acquisition of CB Richard Ellis Services in 2001, CB Richard Ellis Services entered into a credit agreement with a syndicate of lenders for which Credit Suisse First Boston, or CSFB, serves as the administrative agent and collateral agent. The credit agreement was amended as of the closing of the offering of our 9¾% senior notes on May 22, 2003 to permit the issuance of the 9 3/4% senior notes and was amended and restated upon the consummation of the Insignia acquisition on July 23, 2003. On October 14, 2003, CB Richard Ellis Services amended and restated the credit agreement a second time. On April 23, 2004, we entered into an amendment to the current amended and restated credit agreement that includes a waiver generally permitting us to prepay, redeem, repurchase or otherwise retire up to $30.0 million of our existing indebtedness and provides for the amendment and restatement of our credit agreement upon the completion of the offering. CB Richard Ellis Services' senior secured credit facilities, as set forth in our new amended and restated credit agreement, will consist of a $295.0 million term loan facility and a $90.0 million revolving credit facility. Our amended and restated credit agreement also will permit us to increase the term facility by up to $25.0 million and to increase the revolving credit facility by up to $60 million, in each case subject to additional consents of lenders.

The senior secured credit facilities are jointly and severally guaranteed by us and substantially all of CB Richard Ellis Services' domestic subsidiaries, including future domestic subsidiaries. The senior secured credit facilities are secured by a pledge of all of the equity interests of CB Richard Ellis Services and its significant domestic subsidiaries, including CB Richard Ellis, Inc., CBRE Investors, L.L.C., L.J. Melody & Company, Insignia Financial Group, Inc. and Insignia/ESG, Inc., which was renamed CB Richard Ellis Real Estate Services, Inc., and 65% of the voting stock of its foreign subsidiaries that are held directly by it or its domestic subsidiaries. Additionally, these lenders generally have a lien on substantially all of our accounts receivable, cash, general intangibles, investment property and future acquired property.

Pursuant to our new amended and restated credit agreement, the term loan facility will mature on March 31, 2010 and will amortize in equal quarterly installments of $2.95 million through December 31, 2009, with the balance payable on the maturity date. The revolving credit facility terminates on July 20, 2007.

Pursuant to our new amended and restated credit agreement, borrowings under the senior secured credit facilities will bear interest at varying rates based, at CB Richard Ellis Services' option, on either LIBOR plus 2.25% to 3.75% or the alternate base rate plus 1.25% to 2.75%, in the case of the revolving facility, including the potential increase (in each case determined by reference to our ratio of total debt less available cash to "EBITDA," as such term is defined in the credit agreement), and LIBOR plus 2.25% to 2.50% or the alternate base rate plus 1.25% to 1.50%, in the case of the term loan facility (determined by reference to the credit rating assigned to the term facility by Moody's Investor Services and Standard and Poor's). The alternate base rate is the higher of (1) CSFB's prime rate or (2) the effective rate for federal funds plus 0.50%.

We are required to pay to the lenders under the senior secured credit facilities a commitment fee on the unused portion of the revolving credit facility and a letter of credit fee on each letter of credit outstanding. We are also required to apply certain proceeds of sales of assets, issuances of equity, incurrences of debt and excess cash flow to the prepayment of the term loans.

The amended and restated credit agreement for the senior secured credit facilities contains customary restrictive covenants, including, among others, limitations on the ability of us and our subsidiaries to pay dividends on, redeem and repurchase capital stock; prepay, redeem and repurchase debt; incur liens; enter into sale/leaseback transactions; make loans and investments; incur indebtedness; enter into mergers, acquisitions and asset sales; enter into transactions with affiliates; change lines of business; and make capital expenditures. The new amended and restated credit agreement, among other things, generally will amend the restrictive covenant regarding prepayment, redemption and repurchase of debt to permit us to use the net proceeds we receive from the offering in the manner described in this prospectus, including the redemption of $38.3 million in aggregate principal amount of our 16% senior notes due 2011 and $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010 and the prepayment of $19.9 million in principal amount of our term loans.

In addition, the amended and restated credit agreement contains covenants that require us to maintain specified financial ratios, which include the following ratios: total debt less available cash to EBITDA; total senior secured debt less available cash to EBITDA; EBITDA to interest expense plus expense associated with dividends paid to us to pay amounts due under the 16% senior notes due 2011; and EBITDA less capital expenditures and co-investments to interest expense plus expense associated with dividends paid to us to pay amounts due under the 16% senior notes due 2011.

The amended and restated credit agreement also includes customary events of default, including nonpayment of principal, interest, fees or reimbursement obligations with respect to letters of credit, violation of covenants, inaccuracy of representations and warranties in any material respect, cross default and cross-acceleration to certain other indebtedness and agreements, bankruptcy and insolvency events, material judgments and liabilities, defaults or judgments under ERISA and change of control. The occurrence of any of the events of default could result in acceleration of our obligations under the amended and restated credit agreement and foreclosure on the collateral securing the obligations.

This summary of the material provisions of the amended and restated credit agreement is qualified in its entirety by reference to all of the provisions of the amended and restated credit agreement, which is filed as an exhibit to the registration statement of which this prospectus is a part.

CB Richard Ellis Services' 9¾% Senior Notes Due 2010

On May 22, 2003, CBRE Escrow, Inc. issued $200.0 million in aggregate principal amount of 9¾% senior notes due 2010 for $200.0 million. In connection with our acquisition of Insignia on July 23, 2003, CBRE Escrow merged into CB Richard Ellis Services, Inc., which assumed the 9¾% senior notes, and we and substantially all of our domestic subsidiaries guaranteed the 9¾% senior notes. CB Richard Ellis Services' 9¾% senior notes are its unsecured senior obligations and rank equally in right of payment with any of our existing and future senior unsecured indebtedness but are effectively subordinated to all of our secured debt to the extent of the value of the assets securing such debt. They are also structurally subordinated to all of the existing and future liabilities of CB Richard Ellis Services' subsidiaries that do not guarantee the notes. The 9¾% senior notes are governed by an indenture among CB Richard Ellis Services, us, the other guarantors and U.S. Bank National Association, as trustee.

Interest accrues at a rate of 9¾% per year and is payable semiannually in arrears. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. There are no mandatory sinking fund payments for our 9¾% senior notes. We may at any time, and from time to time, purchase our 9¾% senior notes in the open market or otherwise. We and certain of our subsidiaries guaranteed our 9¾% senior notes on a senior unsecured basis. These guarantees by the guarantors of the notes are *pari passu* to all of such guarantors' existing and future indebtedness.

Until May 15, 2006, our 9¾% senior notes may be redeemed on one or more occasions in an amount not to exceed 35% of the principal amount of all issued 9¾% senior notes at a redemption price of 109¾%, plus accrued and unpaid interest to the redemption date, with cash proceeds raised in certain public equity offerings, as long as:

- at least 65% of the aggregate principal amount of our 9¾% senior notes, including any additional 9¾% senior notes, remains outstanding after each redemption;
- if the money is raised in an equity offering by us, we contribute to CB Richard Ellis Services an amount sufficient to redeem the 9¾% senior notes; and

- the 9¾% senior notes are redeemed within 90 days after the completion of the related equity offering.

Pursuant to this provision of the indenture, we expect to use a portion of the net proceeds we receive from the offering to redeem $70.0 million in aggregate principal amount of our 9¾% senior notes due 2010, which also will require payment of a $6.8 million premium and accrued and unpaid interest through the date of redemption.

On and after May 15, 2007, all or a portion of our 9¾% senior notes will be redeemable at our option upon not less than 30 nor more than 60 days notice. The notes are redeemable at the redemption prices, expressed as a percentage of the principal amount on the redemption date, set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period commencing May 15 of the years below:

Year	Percentage
2007	104.875%
2008	102.438
2009 and thereafter	100.000

In the event of a change of control, which is defined in the indenture governing the 9¾% senior notes, we will be obligated to make an offer to purchase all outstanding 9¾% senior notes at a redemption price of 101% of the principal amount plus accrued interest, subject to certain conditions.

The indenture governing our 9¾% senior notes contains customary restrictive covenants for high yield securities, including, among others, limitations on our ability and the ability of our subsidiaries to incur or guarantee additional indebtedness; pay dividends or distributions on capital stock or redeem or repurchase capital stock; make investments; create restrictions on the payment of dividends or other amounts to us; sell stock of our subsidiaries; transfer or sell assets; enter into transactions with affiliates; and enter into mergers and consolidations.

This summary of the material provisions of our 9¾% senior notes is qualified in its entirety by reference to all of the provisions of the indenture governing our 9¾% senior notes, which is filed as an exhibit to the registration statement of which this prospectus is a part.

CB Richard Ellis Services' 11¼% Senior Subordinated Notes Due 2011

On June 7, 2001, Blum CB Corp. issued $229.0 million in aggregate principal amount of 11¼% senior subordinated notes due 2011 for $225.6 million. In connection with our acquisition of CB Richard Ellis Services in 2001, CB Richard Ellis Services assumed the 11¼% senior subordinated notes and we and substantially all of our domestic subsidiaries guaranteed the 11¼% senior subordinated notes. CB Richard Ellis Services' 11¼% senior subordinated notes are our unsecured senior subordinated obligations and rank equally in right of payment with any of our existing and future senior subordinated unsecured indebtedness but are subordinated to any of our existing and future senior indebtedness. The 11¼% senior subordinated notes are governed by an indenture among CB Richard Ellis Services, us, the other guarantors and U.S. Bank National Association (as successor to State Street Bank and Trust Company of California, N.A.), as trustee.

Interest accrues at a rate of 11¼% per year and is payable semiannually in arrears. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. There are no mandatory sinking fund payments for our 11¼% senior subordinated notes. We may at any time and from time to time purchase our 11¼% senior subordinated notes in the open market or otherwise. We and substantially all of our domestic subsidiaries guaranteed the 11¼% senior subordinated notes on a senior subordinated basis. These guarantees are subordinated to all of such guarantors' existing and future senior indebtedness, including guarantees by them of the senior secured credit facilities.

Until June 15, 2004, our 11¼% senior subordinated notes may be redeemed on one or more occasions in an amount not to exceed 35% of the principal amount of all issued 11¼% senior subordinated notes at a redemption price of 111¼%, plus accrued and unpaid interest to the redemption date, with cash proceeds raised in certain public equity offerings, as long as:

- at least 65% of the aggregate principal amount of the 11¼% senior subordinated notes, including any additional 11¼% senior subordinated notes, remains outstanding after each redemption;
- if the money is raised in an equity offering by us, we contribute to CB Richard Ellis Services an amount sufficient to redeem the 11¼% senior subordinated notes; and
- the 11¼% senior subordinated notes are redeemed within 90 days after the completion of the related equity offering.

On and after June 15, 2006, all or a portion of our 11¼% senior subordinated notes will be redeemable at our option upon not less than 30 nor more than 60 days notice. The notes are redeemable at the redemption prices, expressed as a percentage of the principal amount on the redemption date, set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period commencing June 15 of the years below:

Year	Percentage
2006	105.625%
2007	103.750
2008	101.875
2009 and thereafter	100.000

In the event of a change of control, which is defined in the indenture governing the 11¼% senior subordinated notes, we will be obligated to make an offer to purchase all outstanding 11¼% senior subordinated notes at a redemption price of 101% of the principal amount plus accrued interest.

The indenture governing our 11¼% senior subordinated notes contains customary restrictive covenants for high yield securities, which covenants are substantially the same as the covenants in the indenture governing our 9¾% senior notes.

This summary of the material provisions of our 11¼% senior subordinated notes is qualified in its entirety by reference to all of the provisions of the indenture governing our 11¼% senior subordinated notes, which is filed as an exhibit to the registration statement of which this prospectus is a part.

CB Richard Ellis Group's 16% Senior Notes Due 2011

In connection with our acquisition of CB Richard Ellis Services in 2001, we issued an aggregate of 65,000 units, which consisted in the aggregate of $65.0 million in aggregate principal amount of 16% senior notes due July 20, 2011 and 339,820 shares of our Class A common stock. The 16% senior notes are unsecured obligations, senior to all of our existing and future unsecured indebtedness but effectively subordinated to all of our existing and future indebtedness. The net proceeds from the units were contributed by us to CB Richard Ellis Services as equity. The 16% senior notes are governed by an indenture between us and U.S. Bank National Association (as successor to State Street Bank and Trust Company of California, N.A.), as trustee, and will mature on July 20, 2011. On October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal amount of the 16% senior notes. We paid $2.9 million of premiums in connection with these redemptions. We expect to use the net proceeds that we receive from the offering to redeem all of the remaining outstanding principal amount of the 16% senior notes, which also will require payment of a $3.7 million premium and accrued and unpaid interest through the date of redemption.

Interest accrues on the 16% senior notes at a rate of 16% per year and is payable quarterly in cash in arrears. However, until the fifth anniversary of the issuance of the 16% senior notes, interest in excess of 12% for the 16% senior notes may be paid in kind and, at any time, interest may be paid in kind to the extent that CB Richard Ellis Services' ability to pay cash dividends to us is restricted by the terms of the senior secured credit facilities, which are described above. There are no mandatory sinking fund payments for the 16% senior notes.

The 16% senior notes are redeemable at our option, in whole at any time or in part from time to time upon not less than 30 nor more than 60 days notice. The notes are redeemable at the redemption prices, expressed as a percentage of the principal amount, set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period commencing July 20 of the years below:

Year	Percentage
2003	109.6%
2004	106.4
2005	103.2
2006 and thereafter	100.0

In the event of a change of control, which is defined in the indenture governing the 16% senior notes, we are obligated to make an offer to purchase all outstanding 16% senior notes at a purchase price equal to 101% of the principal amount of the 16% senior notes, plus accrued and unpaid interest, subject to various conditions.

The indenture governing our 16% senior notes contains customary restrictive covenants for high yield securities, which covenants are substantially the same as the covenants in the indenture governing our 9¾% senior notes.

This summary of the material provisions of our 16% senior notes is qualified in its entirety by reference to all of the provisions of the indenture governing the 16% senior notes, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

CERTAIN U.S. TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following summary describes the material U.S. federal income and estate tax consequences of the ownership of our Class A common stock by a “non-U.S. holder,” as defined below, as of the date of this prospectus. This discussion does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state and local consequences that may be relevant to non-U.S. holders in light of their personal circumstances. Special rules may apply to certain non-U.S. holders, such as U.S. expatriates, “controlled foreign corporations,” “passive foreign investment companies,” “foreign personal holding companies,” corporations that accumulate earnings to avoid U.S. federal income tax, and investors in pass-through entities that are subject to special treatment under the Internal Revenue Code of 1986, which we refer to as the “Code.” These non-U.S. holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code, and U.S. Treasury regulations, rulings and judicial decisions under the Code as of the date of this prospectus, and these authorities may be repealed, revoked or modified, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those discussed below. **Persons considering the ownership of our Class A common stock should consult their own tax advisors concerning the U.S. federal income and estate tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.**

If a partnership holds our Class A common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Persons who are partners of partnerships holding our Class A common stock should consult their tax advisors.

As used in this section of the prospectus, a “non-U.S. holder” of our Class A common stock means a beneficial owner, other than an entity treated as a partnership, that is not any of the following for U.S. federal income tax purposes:

- a citizen or resident of the United States,
- a corporation, or entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision of the United States,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Dividends

Dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States and, where a tax treaty applies, are attributable to a U.S. permanent establishment of the non-U.S. holder, are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a U.S. person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our Class A common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends, will be required to (a) complete Internal Revenue Service Form W-8BEN or other applicable form and certify under penalty of perjury that such holder is not a U.S. person or (b) if the Class A common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are entities rather than individuals.

A non-U.S. holder of our Class A common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service.

Gain on Disposition of Our Class A Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of our Class A common stock unless one of the following applies:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States, and, where a tax treaty applies, is attributable to a U.S. permanent establishment of the non-U.S. holder,
- in the case of a non-U.S. holder who is an individual and holds the Class A common stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met, or
- we are or have been a “United States real property holding corporation” for U.S. federal income tax purposes.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a U.S. person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

We believe we are not, and do not anticipate becoming, a “United States real property holding corporation” for U.S. federal income tax purposes.

Federal Estate Tax

Class A common stock held by an individual non-U.S. holder at the time of death will be included in such holder’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies under penalty of perjury that it is a non-U.S. holder, and the payor does not have actual knowledge or reason to know that such holder is a U.S. person, or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our Class A common stock within the United States or conducted through U.S.-related financial intermediaries unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder, and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person, or such owner otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2004, we and the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC and Citigroup Global Markets Inc. are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston LLC	
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Lehman Brothers Inc.	
Bear, Stearns & Co. Inc.	
Goldman, Sachs & Co.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Total	24,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The selling stockholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 3,600,000 additional outstanding shares from them at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering, the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we and the selling stockholders will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$
Underwriting discounts and commissions paid by the selling stockholders	$	$	$	$
Expenses payable by the selling stockholders.	$	$	$	$

Because Credit Suisse First Boston LLC is an underwriter and its affiliates may receive more than 10% of the entire net proceeds in this offering, they may be deemed to have a “conflict of interest” under Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 2720 of the Conduct Rules. Rule 2720 requires that the initial public offering price can be no higher than that recommended by a “qualified independent underwriter,” as defined by the National Association of Securities Dealers, Inc. Citigroup Global Markets Inc. has served in that capacity and performed due diligence investigations and reviewed and participated in the preparation of the registration statement of which this prospectus forms a part.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, relating to any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston LLC for a period of 180 days after the date of this prospectus, subject to specified exemptions.

Our directors, executive officers and certain of our other employees and stockholders, which together will beneficially own approximately 65.8% of our outstanding Class A common stock and Class B common stock immediately after the offering, have agreed, subject to certain exceptions, that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston LLC for a period of 180 days after the date of this prospectus.

We have applied to list the shares of common stock on the New York Stock Exchange under the symbol “CBG.” In order to meet one of the requirements for the listing of the common stock on the NYSE, the underwriters will undertake to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners.

We and the selling stockholders have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

Certain of the underwriters and their respective affiliates have from time to time performed, and may in the future perform, various financial advisory, commercial banking and investment banking services for us and our affiliates in the ordinary course of business, for which they received, or will receive, customary fees and expenses. In particular, Credit Suisse First Boston, an affiliate of Credit Suisse First Boston LLC, serves as the administrative agent and collateral agent for, and is a lender under, our senior secured credit facilities. See “Description of Certain Long-Term Indebtedness.” L.J. Melody & Company, our wholly owned subsidiary, has a credit agreement with JP Morgan Chase, an affiliate of J.P. Morgan Securities Inc., that provides for a revolving line of credit of up to $20.0 million and expires on May 28, 2004. In addition, as of March 31, 2004, affiliates of Credit Suisse First Boston LLC were the beneficial owners of 2,155,032 shares, or approximately 3.3%, of our outstanding common stock. After the offering, these affiliates of Credit Suisse First Boston LLC will beneficially own approximately 2.2% of our common stock, or 2.0% if the underwriters exercise their over-allotment option in full. See the information under the heading “Principal and Selling Stockholders.” As of March 31, 2004, these affiliates of Credit Suisse First Boston LLC also owned approximately $34.8 million in aggregate principal amount of our 16% senior notes due 2011, all of which we expect to redeem with the net proceeds we receive from the offering.

Prior to the offering, there has been no market for our common stock. The initial public offering price will be determined by negotiation among us, the selling stockholders and the underwriters and will not necessarily reflect the market price of the common stock following the offering. The principal factors that will be considered in determining the public offering price will include:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of and the prospects for the industry in which we will compete;
- the ability of our management;
- the prospects for our future earnings;

- the present state of our development and our current financial condition;
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies; and
- the general condition of the securities markets at the time of the offering.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to this offering or that an active trading market for the common stock will develop and continue after the offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase shares in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in the offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically by e-mail. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

LEGAL MATTERS

The validity of the shares of common stock being offered by us and the selling stockholders in the offering will be passed upon for us by Simpson Thacher & Bartlett LLP, Palo Alto, California. Selected legal matters in connection with the offering will be passed upon for the underwriters by Cravath, Swaine & Moore LLP, New York, New York.

EXPERTS

The consolidated financial statements and the related financial statement schedules of CB Richard Ellis Group, Inc. as of and for the years ended December 31, 2003 and 2002 included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein (which report expresses an unqualified opinion and includes explanatory paragraphs referring to the adoption of Statement of Financial Accounting Standards No. 142 effective January 1, 2002 and concerning the application of procedures relating to certain disclosures of financial statement amounts related to the 2001 financial statements that were audited by other auditors who have ceased operations and for which Deloitte & Touche LLP expressed no opinion or other form of assurance other than with respect to such disclosures), and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of CB Richard Ellis Group, Inc. for the period from February 20 (inception) to December 31, 2001 and the financial statements of CB Richard Ellis Services, Inc. for the period from January 1, 2001 through July 20, 2001 included in this prospectus were audited by Arthur Andersen LLP, independent public accountants. See "Risk Factors—Risks Relating to the Offering and Ownership of Our Common Stock—Your ability to recover from our former auditors, Arthur Andersen LLP, for any potential financial misstatements is limited."

The consolidated financial statements of Insignia Financial Group, Inc. as of and for the year ended December 31, 2002 have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent accountants, appearing elsewhere herein, which report refers to changes in accounting principles relating to the adoption of the fair value recognition provisions of Statement of Financial Accounting Standards No. 123 and the adoption of the accounting principles set forth in Statements of Financial Accounting Standards Nos. 141 and 142 effective January 1, 2002, and upon the authority of said firm as experts in accounting and auditing.

The consolidated statements of operations, stockholders' equity and cash flows of Insignia Financial Group, Inc. for the year ended December 31, 2001 appearing in this prospectus and the registration statement to which it forms a part have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

CHANGE IN ACCOUNTANTS

On April 23, 2002, we dismissed our independent auditors, Arthur Andersen LLP, and engaged the services of Deloitte & Touche LLP as our new independent auditors for the fiscal year ended December 31, 2002. Our board of directors and our audit committee authorized the dismissal of Arthur Andersen LLP and the engagement of Deloitte & Touche LLP.

Arthur Andersen LLP's reports on CB Richard Ellis Group's consolidated financial statements for the fiscal years ended December 31, 2001 and 2000 and for the period from CB Richard Ellis Group's inception through the date of Arthur Andersen LLP's dismissal did not contain an adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

During the period from CB Richard Ellis Group's inception through the date of Arthur Andersen's dismissal, there were no (1) disagreements with Arthur Andersen LLP on any matters of accounting principles or practices, financial statement disclosure or auditing scope or procedure which disagreements, if not resolved to Arthur Andersen LLP's satisfaction, would have caused it to make reference to the subject matter of the disagreements in connection with its report on CB Richard Ellis Group's consolidated financial statements or (2) reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

On April 8, 2002, Ernst & Young was dismissed as Insignia's principal independent accountant and, effective April 11, 2002, KPMG was retained as its principal independent accountant. The reports of Ernst & Young on Insignia's financial statements for the years ended December 31, 2001 and December 31, 2000 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The decision to change accountants was recommended by Insignia's audit committee and approved by Insignia's board of directors.

During the years ended December 31, 2001 and December 31, 2000 and through April 8, 2002, there were no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young, would have caused it to make reference thereto in its reports on the financial statements for such periods.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1, which includes amendments and exhibits, under the Securities Act of 1933 and the rules and regulations under the Securities Act, for the registration of the common stock being offered by this prospectus. Although this prospectus, which forms a part of the registration statement, contains all material information included in the registration statement, parts of the registration statement have been omitted from this prospectus as permitted by the rules and regulations of the SEC. For further information with respect to us and the common stock offered by this prospectus, please refer to the registration statement.

We currently file reports and other information with the SEC as a result of requirements under the indentures governing our 9¾% senior notes due 2010, our 11¼% senior subordinated notes due 2011 and our 16% senior notes due 2011. The registration statements and other reports or information can be inspected, and copies may be obtained, at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Information on the operation of the Public Reference Room of the SEC may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at *http://www.sec.gov* that contains reports, proxy and information statements and other information that we have filed electronically with the SEC.

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of CB Richard Ellis Group, Inc.:

We have audited the accompanying consolidated balance sheets of CB Richard Ellis Group, Inc., a Delaware corporation, and subsidiaries (the "Company") as of December 31, 2003 and 2002 and the related consolidated statements of operations, cash flows, stockholders' equity and comprehensive (loss) income for each of the two years in the period ended December 31, 2003. Our audits also included the 2003 and 2002 financial statement schedules listed in the Index to Consolidated Financial Statements. These financial statements and the financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the 2003 and 2002 financial statements and the financial statement schedules based on our audits. The consolidated financial statements and the financial statement schedule of the Company for the period from February 20 (inception) to December 31, 2001 and the consolidated financial statements and financial statement schedule of CB Richard Ellis Services, Inc. (the "Predecessor") for the period from January 1 to July 20, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements and stated that such 2001 financial statement schedules, when considered in relation to the 2001 basic financial statements taken as a whole, presented fairly, in all material respects, the information set forth therein, in their report dated February 26, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 2003 and 2002 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2003 and 2002 financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 8 to the Consolidated Financial Statements, the Company changed its method of accounting for goodwill and other intangible assets in 2002 to conform to Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142").

As discussed above, the consolidated financial statements of the Company for the period from February 20 (inception) to December 31, 2001 and the consolidated financial statements of the Predecessor for the period from January 1 to July 20, 2001 were audited by other auditors who have ceased operations. As described in Note 8, these consolidated financial statements have been revised to include the transitional disclosures required by SFAS 142, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 8 with respect to 2001 included (i) comparing the previously reported net income (loss) to the previously issued consolidated financial statements and the adjustments to reported net income (loss) representing amortization expense (including any related tax effects) recognized in those periods relating to goodwill that is no longer being amortized as a result of initially applying SFAS 142 to the Company's and the Predecessor's underlying analysis obtained from management, and (ii) testing the mathematical accuracy of the reconciliation of adjusted net income (loss) to reported net income (loss), and the related earnings (loss)-per-share amounts. In our opinion, the disclosures for 2001 in Note 8 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of the Company and the Predecessor other than with respect to such disclosures, and accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Los Angeles, California
March 30, 2004

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of CBRE Holding, Inc.:

We have audited the accompanying consolidated balance sheet of CBRE Holding, Inc., a Delaware corporation, (the Company) as of December 31, 2001 and related consolidated statements of operations, cash flows, stockholders' equity and comprehensive income for the period from February 20, 2001 (inception) through December 31, 2001. We have also audited the accompanying consolidated balance sheet of CB Richard Ellis Services, Inc. (Predecessor) as of December 31, 2000, and the related consolidated statements of operations, cash flows, stockholders' equity and comprehensive (loss) income for the period from January 1, 2001 to July 20, 2001, and the twelve months ended December 31, 2000 and 1999. These financial statements and the schedule referred to below are the responsibility of the Company's and the Predecessor's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CBRE Holding, Inc. as of December 31, 2001 and the results of their operations and their cash flows for the period from February 20, 2001 (inception) through December 31, 2001 and the financial position of CB Richard Ellis Services, Inc. (the Predecessor) as of December, 31 2000 and the results of their operations and their cash flows for the period from January 1, 2001 to July 20, 2001, and the twelve months ended December 31, 2000 and 1999, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Los Angeles, California
February 26, 2002

NOTE: The report of Arthur Andersen LLP presented above is a copy of a previously issued Arthur Andersen LLP report. This report has not been reissued by Arthur Andersen LLP nor has Arthur Andersen LLP provided a consent to the inclusion of its report in this Form 10-K.

NOTE: The consolidated financial statements for the period from February 20 (inception) to December 31, 2001 and for the period from January 1 to July 20, 2001 have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142. Goodwill and Other Intangible Assets (see Note 8). The report of Arthur Andersen LLP presented above does not extend to these revisions.

NOTE: On February 13, 2004, CBRE Holding, Inc. changed its name to CB Richard Ellis Group, Inc.

[Table of Contents](#)

CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	December 31, 2003	December 31, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 163,881	$ 79,701
Restricted cash	14,899	—
Receivables, less allowance for doubtful accounts of $16,181 and $10,892 at December 31, 2003 and 2002, respectively	322,416	166,213
Warehouse receivable	230,790	63,140
Prepaid expenses	22,854	9,748
Deferred tax assets, net	57,681	18,723
Other current assets	26,461	8,415
Total current assets	838,982	345,940
Property and equipment, net	113,569	66,634
Goodwill	819,558	577,137
Other intangible assets, net of accumulated amortization of $73,449 and $7,739 at December 31, 2003 and 2002, respectively	131,731	91,082
Deferred compensation assets	76,389	63,642
Investments in and advances to unconsolidated subsidiaries	68,361	50,208
Deferred tax assets, net	32,179	36,376
Other assets, net	132,712	93,857
Total assets	$ 2,213,481	$ 1,324,876
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 189,787	$ 102,415
Compensation and employee benefits payable	148,874	63,734
Accrued bonus and profit sharing	200,343	103,858
Income taxes payable	—	15,451
Short-term borrowings:		
Warehouse line of credit	230,790	63,140
Other	39,347	60,054
Total short-term borrowings	270,137	123,194
Current maturities of long-term debt	11,285	10,711
Other current liabilities	12,991	11,724
Total current liabilities	833,417	431,087
Long-Term Debt:		
11 1/4% senior subordinated notes, net of unamortized discount of $2,827 and $3,057 at December 31, 2003 and 2002, respectively	226,173	225,943
Senior secured term loans	287,500	211,000
9 3/4% senior notes	200,000	—
16% senior notes, net of unamortized discount of $2,844 and $5,107 at December 31, 2003 and 2002, respectively	35,472	61,863
Other long-term debt	42,275	198
Total long-term debt	791,420	499,004
Deferred compensation liability	138,037	106,252
Pension liability	35,998	10,766
Other liabilities	75,024	20,811
Total liabilities	1,873,896	1,067,920
Minority interest	6,656	5,615
Commitments and contingencies		
Stockholders' Equity:		
Class A common stock; $0.01 par value; 75,000,000 shares authorized; 2,728,441 and 1,793,254 shares issued and outstanding (including treasury shares) at December 31, 2003 and 2002, respectively	27	17
Class B common stock; $0.01 par value; 25,000,000 shares authorized; 19,271,948 and 12,624,813 shares issued and outstanding at December 31, 2003 and 2002, respectively	193	127
Additional paid-in capital	361,912	240,574
Notes receivable from sale of stock	(4,680)	(4,800)
Accumulated earnings	1,449	36,153
Accumulated other comprehensive loss	(23,780)	(18,998)
Treasury stock at cost, 138,958 and 110,174 shares at December 31, 2003 and 2002, respectively	(2,192)	(1,732)
Total stockholders' equity	332,929	251,341
Total liabilities and stockholders' equity	$ 2,213,481	$ 1,324,876

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

Table of Contents

CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share data)

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Revenue	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934
Costs and expenses:				
Cost of services	796,408	547,093	263,601	279,203
Operating, administrative and other	678,397	501,798	219,409	297,996
Depreciation and amortization	92,622	24,614	12,198	25,656
Merger-related and other nonrecurring charges	36,817	36	6,442	22,127
Operating income (loss)	25,830	96,736	61,178	(17,048)
Equity income from unconsolidated subsidiaries	14,365	9,326	1,554	2,874
Interest income	6,041	3,272	2,427	1,567
Interest expense	87,216	60,501	29,717	20,303
(Loss) income before (benefit) provision for income taxes	(40,980)	48,833	35,442	(32,910)
(Benefit) provision for income taxes	(6,276)	30,106	18,016	1,110
Net (loss) income	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Basic (loss) earnings per share	$ (1.89)	$ 1.25	$ 2.22	$ (1.60)
Weighted average shares outstanding for basic (loss) earnings per share	18,373,118	15,025,308	7,845,004	21,306,584
Diluted (loss) earnings per share	$ (1.89)	$ 1.23	$ 2.20	$ (1.60)
Weighted average shares outstanding for diluted (loss) earnings per share	18,373,118	15,222,111	7,909,797	21,306,584

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

Table of Contents

CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (loss) income	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	92,622	24,614	12,198	25,656
Amortization and write-off of deferred financing costs	13,276	3,322	1,316	1,152
Amortization and write-off of long-term debt discount	2,493	444	201	136
Deferred compensation deferrals	13,715	15,925	16,151	16,447
Gain on sale of properties and servicing rights	(5,321)	(6,287)	(2,868)	(10,009)
Equity income from unconsolidated subsidiaries	(14,365)	(9,326)	(1,554)	(2,874)
Provision for doubtful accounts	3,436	3,415	1,317	3,387
Deferred income tax (benefit) provision	(12,750)	5,158	(1,948)	(1,569)
(Increase) decrease in receivables	(43,011)	(4,770)	(18,379)	26,970
(Increase) decrease in deferred compensation assets	(12,747)	5,743	(4,517)	(11,665)
Increase (decrease) in accounts payable and accrued expenses	14,448	7,912	(4,749)	(5,491)
Increase (decrease) in compensation and employee benefits payable and accrued bonus and profit sharing	42,634	17,541	64,677	(101,312)
(Decrease) increase in income taxes payable	(15,197)	3,225	13,578	(16,357)
Increase (decrease) in other liabilities	16,021	(15,203)	(9,260)	(11,305)
Other operating activities, net	3,391	(5,558)	7,745	624
Net cash provided by (used in) operating activities	63,941	64,882	91,334	(120,230)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures, net of concessions received	(26,961)	(14,266)	(6,501)	(14,814)
Proceeds from sale of properties and servicing rights	3,949	6,378	2,108	9,544
Investment in property held for sale	—	—	(40,174)	(2,282)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired	(263,683)	(14,811)	(214,702)	(1,924)
Other investing activities, net	1,900	(1,431)	(2,124)	(2,663)
Net cash used in investing activities	(284,795)	(24,130)	(261,393)	(12,139)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from revolver and swingline credit facility	152,850	238,000	113,750	—
Repayment of revolver and swingline credit facility	(152,850)	(238,000)	(113,750)	—
Proceeds from senior secured term loans	375,000	—	235,000	—
Repayment of senior secured term loans	(298,475)	(9,351)	(4,675)	—
Proceeds from 9 3/4% senior notes	200,000	—	—	—
Repayment of notes payable	(43,000)	—	—	—
Proceeds from 16% senior notes	—	—	65,000	—
Repayment of 16% senior notes	(30,000)	—	—	—
Proceeds from (repayment of) senior notes and other loans, net	3,029	(8,205)	(1,188)	446
Proceeds from 11 1/4% senior subordinated notes	—	—	225,629	—
Repayment of 8 7/8% senior subordinated notes	—	—	(175,000)	—
Proceeds from non-recourse debt related to property held for sale	—	—	37,179	—
Proceeds from revolving credit facility	—	—	—	195,000
Repayment of revolving credit facility	—	—	(235,000)	(70,000)
Payment of deferred financing fees	(22,707)	(443)	(21,750)	(8)
Proceeds from issuance of common stock	120,980	180	92,156	—
Other financing activities, net	(1,163)	(19)	(3,520)	792
Net cash provided by (used in) financing activities	303,664	(17,838)	213,831	126,230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,810	22,914	43,772	(6,139)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	79,701	57,450	13,662	20,854
Effect of currency exchange rate changes on cash	1,370	(663)	16	(1,053)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 163,881	$ 79,701	$ 57,450	$ 13,662
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest, net of amount capitalized	$ 63,718	$ 52,647	$ 26,126	$ 18,457
Income taxes, net of refunds	$ 17,783	$ 19,142	$ 5,061	$ 19,083

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

CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

	CB Richard Ellis Group								
						Accumulated other comprehensive income (loss)			
	Class A common stock	Class B common stock	Additional paid-in capital	Notes receivable from sale of stock	Accumulated earnings	Minimum pension liability	Foreign currency translation	Treasury stock	Total
Balance, February 20, 2001	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net income	—	—	—	—	17,426	—	—	—	17,426
Contribution of deferred compensation plan stock fund units	—	—	18,771	—	—	—	—	—	18,771
Contribution of shares by certain shareholders of CB Richard Ellis Services, Inc.	—	80	121,732	—	—	—	—	—	121,812
Net issuance of Class A common stock	17	—	27,672	—	—	—	—	—	27,689
Issuance of Class B common stock	—	47	72,366	—	—	—	—	—	72,413
Notes receivable from sale of stock	—	—	—	(5,884)	—	—	—	—	(5,884)
Foreign currency translation gain	—	—	—	—	—	—	296	—	296
Balance, December 31, 2001	17	127	240,541	(5,884)	17,426	—	296	—	252,523
Net income	—	—	—	—	18,727	—	—	—	18,727
Issuance of Class A common stock	—	—	460	(180)	—	—	—	—	280
Net cancellation of deferred compensation stock fund units	—	—	(427)	—	—	—	—	—	(427)
Net collection on notes receivable from sale of stock	—	—	—	1,264	—	—	—	—	1,264
Purchase of common stock	—	—	—	—	—	—	—	(1,732)	(1,732)
Minimum pension liability adjustment, net of tax	—	—	—	—	—	(17,039)	—	—	(17,039)
Foreign currency translation loss	—	—	—	—	—	—	(2,255)	—	(2,255)
Balance, December 31, 2002	17	127	240,574	(4,800)	36,153	(17,039)	(1,959)	(1,732)	251,341
Net loss	—	—	—	—	(34,704)	—	—	—	(34,704)
Issuance of Class A common stock	10	—	14,697	—	—	—	—	—	14,707
Issuance of Class B common stock	—	66	106,287	—	—	—	—	—	106,353
Issuance of deferred compensation stock fund units, net of cancellations	—	—	195	—	—	—	—	—	195
Net collection on notes receivable from sale of stock	—	—	—	120	—	—	—	—	120
Purchase of common stock	—	—	—	—	—	—	—	(460)	(460)
Minimum pension liability adjustment, net of tax	—	—	—	—	—	1,930	—	—	1,930
Compensation expense for stock options	—	—	159	—	—	—	—	—	159
Foreign currency translation loss	—	—	—	—	—	—	(6,712)	—	(6,712)
Balance, December 31, 2003	$ 27	$ 193	$ 361,912	$ (4,680)	$ 1,449	$ (15,109)	$ (8,671)	$ (2,192)	$ 332,929

	Predecessor Company						
	Common stock	Additional paid-in capital	Notes receivable from sale of stock	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance, December 31, 2000	$ 217	$ 364,168	$ (11,847)	$ (89,097)	$ (12,258)	$ (15,844)	$ 235,339
Net loss	—	—	—	(34,020)	—	—	(34,020)
Common stock issued for incentive plans	—	360	—	—	—	—	360
Contributions, deferred compensation plan	—	1,004	—	—	—	—	1,004
Deferred compensation plan co-match	—	492	—	—	—	—	492
Net collection on notes receivable from sale of stock	—	(742)	1,001	—	—	—	259
Amortization of cheap and restricted stock	1	210	—	—	—	—	211
Tax deduction from issuance of stock	—	1,479	—	—	—	—	1,479
Foreign currency translation loss	—	—	—	—	(7,106)	—	(7,106)
Cancellation of common stock	—	(54)	—	—	—	—	(54)
Cancellation of common stock and elimination of historical equity due to the merger	(218)	(366,917)	10,846	123,117	19,364	15,844	(197,964)
Balance, July 20, 2001	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

Table of Contents

CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Dollars in thousands)

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Net (loss) income	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	(6,712)	(2,255)	296	(7,106)
Minimum pension liability adjustment, net of tax	1,930	(17,039)	—	—
Total other comprehensive (loss) income	(4,782)	(19,294)	296	(7,106)
Comprehensive (loss) income	$ (39,486)	$ (567)	$ 17,722	$ (41,126)

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

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

CB Richard Ellis Group, Inc. (formerly known as CBRE Holding, Inc.), a Delaware corporation, was incorporated on February 20, 2001 and was created to acquire all of the outstanding shares of CB Richard Ellis Services, Inc. (CBRE), an international commercial real estate services firm. Prior to July 20, 2001, we were a wholly owned subsidiary of Blum Strategic Partners, L.P. (Blum Strategic), formerly known as RCBA Strategic Partners, L.P., which is an affiliate of Richard C. Blum, a director of CBRE and our company.

On July 20, 2001, we acquired all of the outstanding stock of CBRE pursuant to an Amended and Restated Agreement and Plan of Merger, dated May 31, 2001, among CBRE, Blum CB Corp. (Blum CB) and us. Blum CB was merged with and into CBRE with CBRE being the surviving corporation (the 2001 Merger). In July 2003, our global position in the commercial real estate services industry was further solidified as CBRE acquired Insignia Financial Group, Inc. (Insignia Acquisition). We have no substantive operations other than our investment in CBRE.

We offer a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate assets globally under the “CB Richard Ellis” brand name. Our business is focused on several service competencies, including strategic advice and execution assistance for property leasing and sales, forecasting, valuations, origination and servicing of commercial mortgage loans, facilities and project management and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees.

2. Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and those of our majority-owned subsidiaries. Additionally, the consolidated financial statements for the period from January 1 to July 20, 2001 include the accounts of CBRE prior to the 2001 Merger as CBRE is considered our predecessor for purposes of Regulation S-X. The equity attributable to minority shareholders’ interests in subsidiaries is shown separately in the accompanying consolidated balance sheets. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Use of Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results may differ from these estimates. Management believes that these estimates provide a reasonable basis for the fair presentation of our financial condition and results of operations.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash and highly liquid investments with an original maturity of less than three months. We control certain cash and cash equivalents as an agent for our investment and property management clients. These amounts are not included in the accompanying consolidated balance sheets (See Note 17).

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation, or in the case of capitalized leases, at the present value of the future minimum lease payments. Depreciation and amortization of property and equipment is computed primarily using the straight-line method over estimated useful lives ranging up to ten years. Leasehold improvements are amortized over the term of the respective leases, excluding options to renew. We capitalize expenditures that materially increase the life of the related assets and expense the costs of maintenance and repairs.

We periodically review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any of the significant assumptions inherent in this assessment materially change due to market, economic, and/or other factors, the recoverability is assessed based on the revised assumptions. If this analysis indicates that such assets are considered to be impaired, the impairment is recognized in the period the changes occur and represents the amount by which the carrying value exceeds the fair value of the asset.

Goodwill and Other Intangible Assets

Goodwill mainly represents the excess of the purchase price paid by us over the fair value of the tangible and intangible assets and liabilities acquired in the 2001 Merger and in the Insignia Acquisition. Other intangible assets include trademarks, which were separately identified as a result of the 2001 Merger, as well as a trade name separately identified as a result of the Insignia Acquisition representing the Richard Ellis trade name in the United Kingdom (U.K.) that was owned by Insignia prior to the Insignia Acquisition. Both the trademarks and the trade name are not being amortized and have indefinite estimated useful lives. Other intangible assets also include backlog, which represents the fair value of Insignia's net revenue backlog as of July 23, 2003 that was acquired as part of the Insignia Acquisition. The backlog consists of the net commission receivable on Insignia's revenue producing transactions, which were at various stages of completion prior to the Insignia Acquisition. Backlog is being amortized as cash is received or upon final closing of these pending transactions. The remaining other intangible assets primarily include management contracts, loan servicing rights, franchise agreements and a trade name, which are all being amortized on a straight-line basis over estimated useful lives ranging up to 20 years.

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

Deferred Financing Costs

Costs incurred in connection with financing activities are deferred and amortized using the straight-line method over the terms of the related debt agreements ranging up to ten years. Amortization of these costs is charged to interest expense in the accompanying consolidated statements of operations. In the third quarter of 2003, in connection with the Insignia Acquisition, we entered into an amended and restated credit facility and wrote off $6.8 million of unamortized deferred financing costs associated with our prior credit facility. In the fourth quarter of 2003, we wrote off $1.8 million of unamortized deferred financing costs associated with the $20.0 million and $10.0 million redemptions of our 16% senior notes on October 27, 2003 and December 29, 2003, respectively. Total deferred costs, net of accumulated amortization, included in other assets in the accompanying consolidated balance sheets were $29.9 million and $20.5 million, as of December 31, 2003 and 2002, respectively.

Revenue Recognition

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

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

Business Promotion and Advertising Costs

The costs of business promotion and advertising are expensed as incurred in accordance with Statement of Position 93-7,*"Reporting on Advertising Costs."* Business promotion and advertising costs of $23.5 million, $16.8 million, $6.1 million and $12.5 million were included in operating, administrative and other expenses for the years ended December 31, 2003 and 2002, the period from February 20 (inception) to December 31, 2001 and the period from January 1 to July 20, 2001, respectively.

Foreign Currencies

The financial statements of subsidiaries located outside the United States (U.S.) are generally measured using the local currency as the functional currency. The assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date, and income and expenses are translated at the average monthly rate. The resulting translation adjustments are included in the accumulated other comprehensive (loss) income component of stockholders' equity. Gains and losses resulting from foreign currency transactions are included in the results of operations. The aggregate transaction gains and losses included in the accompanying consolidated statements of operations are a $9.8 million gain, a $6.4 million gain, a $0.2 million loss and a $0.3 million gain for the years ended December 31, 2003 and 2002, the period from February 20 (inception) to December 31, 2001 and the period from January 1 to July 20, 2001, respectively.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Comprehensive (Loss) Income

Comprehensive (loss) income consists of net (loss) income and other comprehensive (loss) income. Accumulated other comprehensive (loss) income consists of foreign currency translation adjustments and minimum pension liability adjustments. Foreign currency translation adjustments exclude income tax expense (benefit) given that earnings of non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time. The income tax benefit associated with the minimum pension liability adjustments is $6.5 million and $7.3 million as of December 31, 2003 and 2002, respectively.

Accounting for Transfers and Servicing

We follow SFAS No. 140, "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities"* in accounting for loan sales and acquisition of servicing rights. SFAS No. 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. Under the approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred at fair value. Servicing assets are amortized over the period of estimated servicing income with a write-off required when control is surrendered. Our recording of servicing rights at their fair value resulted in gains, which have been reflected in the accompanying consolidated statements of operations. Corresponding servicing assets of approximately $1.8 million and $2.1 million, for the years ended December 31, 2003 and 2002, respectively, are included in other intangible assets reflected in the accompanying consolidated balance sheets.

Stock-Based Compensation

Prior to 2003, we accounted for stock-based compensation plans under the recognition and measurement provisions of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees."* No stock-based employee compensation cost is reflected in net income (loss) for the year ended December 31, 2002, for the period from February 20 (inception) to December 31, 2001 or for the period from January 1 to July 20, 2001, as all options granted during those periods had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant.

In the fourth quarter of 2003, we adopted the fair value recognition provisions of SFAS No. 123, *"Accounting for Stock-Based Compensation"* prospectively to all employee awards granted, modified or settled after January 1, 2003, as permitted by SFAS No. 148, *"Accounting for Stock-Based Compensation—Transition and Disclosure—An Amendment of FASB Statement No. 123."* Awards under our stock-based compensation plans vest over five-year periods. Therefore, the cost related to stock-based employee compensation included in the determination of net loss for the year ended December 31, 2003 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS No. 123.

In accordance with SFAS No. 123, we estimate the value of our options based upon the "Minimum Value" method. Option valuation models require the input of assumptions such as the expected stock price volatility. As our common stock is not freely tradable on a national securities exchange or an over-the-counter market, an effectively zero percent volatility was utilized. The dividend yield is also excluded from the calculation, as it is our present intention to retain all earnings.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table illustrates the effect on net (loss) income and (loss) earnings per share if the minimum value based method had been applied to all outstanding and unvested awards in each period (dollars in thousands, except share data):

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Net (loss) income as reported	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Add: Stock-based employee compensation expense included in reported net (loss) income, net of related tax effect	98	—	—	—
Deduct: Total stock-based employee compensation expense determined under the minimum value method for all awards, net of related tax effect	(648)	(523)	(272)	(2,758)
Pro Forma net (loss) income	$ (35,254)	$ 18,204	$ 17,154	$ (36,778)
Basic EPS:				
As Reported	$ (1.89)	$ 1.25	$ 2.22	$ (1.60)
Pro Forma	$ (1.92)	$ 1.21	$ 2.19	$ (1.73)
Diluted EPS:				
As Reported	$ (1.89)	$ 1.23	$ 2.20	$ (1.60)
Pro Forma	$ (1.92)	$ 1.20	$ 2.17	$ (1.73)

The weighted average minimum value of options and warrants granted by us was $1.62 for the year ended December 31, 2003, $2.33 for the year ended December 31, 2002 and $1.86 for the period from February 20 (inception) to December 31, 2001. There were no stock options or warrants granted by CBRE for the period from January 1 to July 20, 2001 that remained outstanding as of December 31, 2001.

The minimum value of each option grant and warrant is estimated on the date of grant utilizing the following weighted average assumptions:

	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001
	2003	2002	
Risk-free interest rate	3.02%	4.06%	4.69%
Expected volatility	0.00%	0.00%	0.00%
Expected life	5 years	5 years	5 years

(Loss) Earnings Per Share

Basic (loss) earnings per share is computed by dividing net (loss) income by the weighted average number of common shares outstanding during each period. The computation of diluted earnings per share further assumes the dilutive effect of stock options, stock warrants and contingently issuable shares. Contingently issuable shares

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

represent unvested stock fund units in the deferred compensation plan. In accordance with SFAS No. 128,*"Earnings Per Share"* these shares are included in the dilutive earnings per share calculation under the treasury stock method (see Note 16).

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with SFAS No. 109,*"Accounting for Income Taxes."* Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax basis of assets and liabilities and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured by applying enacted tax rates and laws to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), "*Consolidation of Variable Interest Entities.*" This standard clarifies the application of Accounting Research Bulletin No. 51, "*Consolidated Financial Statements*," and addresses consolidation by business enterprises of variable interest entities. FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among the parties involved. This statement is immediately effective for variable interest entities created or in which an enterprise obtains an interest after January 31, 2003.

In December 2003, the FASB issued a revised version of FIN 46 (FIN 46R). Among other things, the revision clarifies the definition of a variable interest entity, exempts most entities that are businesses from the scope of FIN 46R and delays the effective date of the revised standard to no later than the end of the first reporting period ending after December 15, 2003 for special purpose entities and March 15, 2004 for all other types of entities. The adoption of this interpretation has not had, and is not expected to have, a material impact on our financial position or results of operations.

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

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

In December 2003, the FASB issued a revised version of SFAS No. 132,*"Employers Disclosures about Pensions and Other Postretirement Benefits."* The revised statement retains the disclosure requirements contained in SFAS No. 132 and requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. We have adopted this statement for the year ended December 31, 2003. In addition, we expect to adopt additional disclosures for our U.K. pension plans during 2004.

Reclassifications

Certain reclassifications, which do not have an effect on net income or equity, have been made to the 2002 and 2001 financial statements to conform to the 2003 presentation.

3. Insignia Acquisition

On July 23, 2003, pursuant to an Amended and Restated Agreement and Plan of Merger, dated May 28, 2003 (the Insignia Acquisition Agreement), by and among us, CBRE, Apple Acquisition Corp. (Apple Acquisition), a Delaware corporation and wholly owned subsidiary of CBRE, and Insignia Financial Group, Inc. (Insignia), Apple Acquisition was merged with and into Insignia (the Insignia Acquisition). Insignia was the surviving corporation in the Insignia Acquisition and at the effective time of the Insignia Acquisition became a wholly owned subsidiary of CBRE. We acquired Insignia to solidify our position as the market leader in the commercial real estate services industry.

In conjunction with and immediately prior to the Insignia Acquisition, Island Fund I LLC (Island), a Delaware limited liability company, which is affiliated with Andrew L. Farkas (Insignia's former Chairman and Chief Executive Officer) and some of Insignia's other former officers, completed the purchase of specified real estate investment assets of Insignia, pursuant to a Purchase Agreement, dated May 28, 2003 (the Island Purchase Agreement), by and among Insignia, us, CBRE, Apple Acquisition and Island. A number of the real estate investment assets that were sold to Island required the consent of one or more third parties in order to transfer such assets. Some of these third party consents were not obtained prior to or since the closing of the Insignia Acquisition. As a result, we continue to hold these real estate investment assets pending the receipt of these third party consents. While we hold these assets, we have generally agreed to provide Island with the economic benefits from these assets and Island generally has agreed to indemnify us with respect to any losses incurred in connection with continuing to hold these assets.

Pursuant to the terms of the Insignia Acquisition Agreement, (1) each issued and outstanding share of Insignia Common Stock (other than treasury shares), par value $0.01 per share, was converted into the right to receive $11.156 in cash, without interest (the Insignia Common Stock Merger Consideration), (2) each issued and outstanding share of Insignia's Series A Preferred Stock, par value $0.01 per share, and Series B Preferred Stock, par value $0.01 per share, was converted into the right to receive $100.00 per share, plus accrued and unpaid dividends, (3) all outstanding warrants and options to acquire Insignia common stock other than as described below, whether vested or unvested, were canceled and represented the right to receive a cash payment, without interest, equal to the excess, if any, of the Insignia Common Stock Merger Consideration over the per share exercise price of the option or warrant, multiplied by the number of shares of Insignia Common Stock subject to the option or warrant less any applicable withholding taxes and (4) outstanding options to purchase Insignia Common Stock granted pursuant to Insignia's 1998 Stock Investment Plan, whether vested or unvested, were canceled and represented the right to receive a cash payment, without interest, equal to the excess, if any, of (a) the higher of (x) the Insignia Common Stock Merger Consideration, or (y) the highest final sale price per share of the Insignia Common Stock as reported on the New York Stock Exchange (NYSE) at any time during the 60-day period preceding the closing of the Insignia Acquisition (which was $11.20), over (b) the exercise price of the options, multiplied by the number of shares of Insignia Common Stock subject to the options, less any applicable withholding taxes. Following the Insignia Acquisition, the Insignia Common Stock was delisted from the NYSE and deregistered under the Securities Exchange Act of 1934.

The funding to complete the Insignia Acquisition, as well as the refinancing of substantially all of the outstanding indebtedness of Insignia, was obtained through (a) the sale of 6,587,135 shares of our Class B Common Stock, par value $0.01 per share, to Blum Strategic, a Delaware limited partnership, Blum Strategic Partners II, L.P., a Delaware limited partnership and Blum Strategic Partners II GmbH & Co. KG, a German limited partnership, for an aggregate cash purchase price of $105,394,160; (b) the sale of 227,865 shares of our Class A Common Stock, par value $.01 per share, to DLJ Investment Partners, L.P., a Delaware limited partnership, DLJ Investment Partners II, L.P., a Delaware limited partnership and DLJIP II Holdings, L.P., a Delaware limited partnership, for an aggregate cash purchase price of $3,645,840; (c) the sale of 625,000 shares of our Class A Common Stock to California Public Employees' Retirement System (CalPERS) for an aggregate cash purchase price of $10,000,000; (d) the sale of 60,000 shares of our Class B Common Stock to Frederic V. Malek, a director of our company, for an aggregate cash purchase price of $960,000; (e) the release from escrow of the net proceeds from the offering by CBRE Escrow, Inc. (CBRE Escrow), a wholly owned subsidiary of CBRE that merged with and into CBRE in connection with the Insignia Acquisition, of $200.0 million of the 9 $^{3}/_{4}$% Senior Notes due May 15, 2010 (see Note 12), issued and sold by CBRE Escrow on May 22, 2003; (f) $75.0 million of term loan borrowings under the Amended and Restated Credit Agreement (see Note 12), dated as of May 22, 2003, by and among CBRE, Credit Suisse First Boston (CSFB) as Administrative Agent and Collateral Agent, the other lenders named in the credit agreement, us and the guarantors named in the credit agreement and (g) $36,870,230 of cash proceeds from the completion of the sale to Island.

The aggregate preliminary purchase price for the Insignia Acquisition was approximately $328.0 million, which includes: (1) $267.9 million in cash paid for shares of Insignia's outstanding common stock, valued at $11.156 per share, (2) $100.00 per share plus accrued and unpaid dividends paid to the owners of Insignia's outstanding Series A preferred stock and Series B preferred stock totaling $38.2 million, (3) cash payments of $7.9 million to holders of Insignia's vested and unvested warrants and options and (4) $14.0 million of direct costs incurred in connection with the acquisition, consisting mostly of legal and accounting fees.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The preliminary purchase accounting adjustments related to the Insignia Acquisition have been recorded in the accompanying consolidated financial statements as of, and for periods subsequent to, July 23, 2003. The final valuation of the net assets acquired is expected to be completed as soon as practicable, but no later than one year from the acquisition date. Given the size and complexity of the acquisition, the fair valuation of certain assets acquired, primarily net deferred tax assets, is still preliminary. Additionally, adjustments to the estimated liabilities assumed in connection with the Insignia Acquisition may still be required. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition (in thousands):

Fair Value of Assets Acquired and Liabilities Assumed
At July 23, 2003

Current assets	$ 270,641
Property and equipment, net	32,532
Goodwill	237,569
Other intangible assets, net	102,748
Other assets	30,776
Total assets acquired	674,266
Current liabilities	168,574
Liabilities assumed in connection with the Insignia Acquisition	87,739
Notes payable	43,000
Other liabilities	46,994
Total liabilities assumed	346,307
Net assets acquired	$ 327,959

The following is a summary of the intangible assets acquired in connection with the Insignia Acquisition (dollars in thousands):

	Weighted Average Amortization Period	July 23, 2003	December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Backlog	(1)	$ 72,503	$ (59,108)	$ 13,395
Trade name	n/a	19,826	—	19,826
Management contracts	5 years	4,611	(490)	4,121
Other	6 years	5,808	(821)	4,987

(1) Weighted average amortization period is not determinable. See Note 8 for additional information.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Insignia Acquisition gave rise to the consolidation and elimination of some Insignia duplicate facilities and Insignia redundant employees as well as the termination of certain contracts as a result of a change of control of Insignia. As a result, we have accrued certain liabilities in accordance with Emerging Issues Task Force Issue No. 95-3, *"Recognition of Liabilities in Connection with a Purchase Business Combination."* These liabilities assumed in connection with the Insignia Acquisition consist of the following (dollars in thousands):

	2003 Charge to Goodwill	Utilized to Date	To be Utilized
Severance	$ 30,706	$ 13,676	$ 17,030
Lease termination costs	28,922	3,065	25,857
Change of control payments	10,451	10,451	—
Costs associated with exiting contracts	8,921	7,632	1,289
Legal settlements anticipated	8,739	2,900	5,839
	$ 87,739	$ 37,724	$ 50,015

The liability for severance covers approximately 450 employees with the bulk of the terminations occurring in the U.S. A majority of the amount unpaid as of December 31, 2003 represents future payments required as per severance agreements for the top six former senior executives of Insignia. These amounts will be paid as required by their severance agreements up through their expiration dates of December 31, 2004 and December 31, 2005. All other outstanding liabilities for severance are expected to be paid in 2004. We identified approximately 50 redundant facilities consisting of both sales and corporate offices. A total accrual for lease termination costs of $28.9 million was established for office closures, the majority of which were located in the U.S. The liability for lease termination costs will be paid over the remaining contract periods through 2012. The change of control payments represented amounts paid to the top six former senior executives of Insignia as a direct result of the Insignia Acquisition as stipulated in their employment contracts. In connection with the Insignia Acquisition, we incurred costs associated with the termination of contracts that Insignia entered into prior to the Insignia Acquisition. We expect to pay all remaining costs relating to exiting these contracts in 2004. We have accrued approximately $8.7 million to cover our exposure in various lawsuits involving Insignia that were pending prior to the Insignia Acquisition. These liabilities will be paid as each case is settled.

4. 2001 Merger

On July 20, 2001, we acquired CBRE pursuant to an Amended and Restated Agreement and Plan of Merger dated May 31, 2001 (the 2001 Merger Agreement) among us, CBRE and Blum CB. At the effective time of the 2001 Merger, CBRE became our wholly owned subsidiary. Pursuant to the terms of the 2001 Merger Agreement, each issued and outstanding share of common stock of CBRE was converted into the right to receive $16.00 in cash, except for: (i) shares of common stock of CBRE owned by us and Blum CB immediately prior to the 2001 Merger, totaling 7,967,774 shares, which were cancelled, (ii) treasury shares and shares of common stock of CBRE owned by any of its subsidiaries, which were cancelled and (iii) shares of CBRE held by stockholders who perfected appraisal rights for such shares in accordance with Delaware law. All shares of common stock of CBRE outstanding prior to the 2001 Merger were acquired by us and subsequently cancelled. Immediately prior to the 2001 Merger, the following, collectively referred to as the buying group, contributed to us all the shares of CBRE's common stock that he or it directly owned in exchange for an equal number of shares of our Class B common stock: Blum Strategic, FS Equity Partners III, L.P. (FSEP III), a Delaware limited partnership, FS Equity Partners International, L.P. (FSEP International), a Delaware limited partnership, The Koll Holding Company, a California corporation, Frederic V. Malek, a director of our company and CBRE, Raymond E. Wirta, the Chief Executive Officer and a director of our company and CBRE, and Brett White, the President and a director of our company and CBRE. Such shares of common stock of CBRE, which totaled 7,967,774 shares of common stock, were then cancelled. In addition, we offered to purchase for cash, options outstanding to acquire common stock of CBRE at a purchase price per option equal to the greater of the amount by which $16.00 exceeded the exercise price of the option, if at all, or $1.00. In connection with the 2001 Merger, CBRE purchased its outstanding options on our behalf, which were recorded as merger-related and other nonrecurring charges by CBRE in the period from January 1 to July 20, 2001.

The funding to complete the 2001 Merger, as well as the refinancing of substantially all of the outstanding indebtedness of CBRE, was obtained through: (i) a cash contribution of $74.8 million from the sale of our Class B common stock for $16.00 per share, (ii) sale of shares of our Class A common stock for $16.00 per share to employees and independent contractors of CBRE, (iii) sale of 625,000 shares of our Class A common stock to CalPERS for $16.00 per share, (iv) issuance and sale of 65,000 units for $65.0 million to DLJ Investment Funding, Inc. and other purchasers, which units consisted of $65.0 million in aggregate principal amount of 16% Senior Notes due July 20, 2011 and 339,820 shares of our Class A common stock, (v) issuance and sale by Blum CB of $229.0 million in aggregate principal amount of 11 1/4% Senior Subordinated Notes due June 15, 2011 for $225.6 million (which were assumed by CBRE in connection with the 2001 Merger) and (vi) borrowings by CBRE under a new $325.0 million senior credit facility with CSFB and other lenders.

Following the 2001 Merger, the common stock of CBRE was delisted from the NYSE. CBRE also successfully completed a tender offer and consent solicitation for all of the outstanding principal amount of its 8 7/8% Senior Subordinated Notes due 2006 (the Subordinated Notes). The Subordinated Notes were purchased at $1,079.14 for each $1,000 principal amount of Subordinated Notes, which included a consent payment of $30.00 per $1,000 principal amount of Subordinated Notes. We also repaid the outstanding balance of CBRE’s existing revolving credit facility. We entered into the 2001 Merger in order to enhance the flexibility to operate CBRE’s existing businesses and to develop new ones.

5. Basis of Preparation

The accompanying consolidated balance sheets as of December 31, 2003 and 2002, and the consolidated statements of operations, cash flows and stockholders’ equity for the years ended December 31, 2003 and 2002 and for the period from February 20 (inception) to December 31, 2001, reflect our consolidated balance sheets, results of operations, cash flows and stockholders’ equity from our company’s inception and also include the consolidated financial statements of CBRE from the date of the 2001 Merger, including all material adjustments required under the purchase method of accounting. For purposes of Regulation S-X, CBRE is considered our predecessor. As such, the historical financial statements of CBRE prior to the 2001 Merger are included in the accompanying consolidated financial statements, including the consolidated statements of operations, cash flows and stockholders’ equity for the period from January 1 to July 20, 2001 (the Predecessor financial statements). The Predecessor financial statements have not been adjusted to reflect our acquisition of CBRE. As such, our consolidated financial statements after the 2001 Merger are not directly comparable to the Predecessor financial statements prior to the 2001 Merger. Additionally, the accompanying consolidated balance sheet as of December 31, 2003 and the consolidated statements of operations and cash flows for the year ended December 31, 2003 include the consolidated financial statements of Insignia from July 23, 2003, the date of the Insignia Acquisition, including all material adjustments required under the purchase method of accounting. As such, our consolidated financial statements after the Insignia Acquisition are not directly comparable to our financial statements prior to the Insignia Acquisition.

Unaudited pro forma results, assuming the Insignia Acquisition had occurred as of January 1, 2003 and 2002 for purposes of the 2003 and 2002 pro forma disclosures, respectively, are presented below. These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as increased amortization expense as a result of intangible assets acquired in the Insignia Acquisition as well as higher interest expense as a result of debt incurred to finance the Insignia Acquisition. These unaudited pro forma results do not purport to be indicative of what operating results would have been had the Insignia Acquisition occurred on January 1, 2003 or 2002, respectively, and may not be indicative of future operating results (dollars in thousands, except share data):

	Year Ended December 31,	
	2003	2002
	(Unaudited)	
Revenue	$ 1,948,827	$ 1,744,162
Operating income	$ 18,852	$ 60,110
Net loss	$ (43,334)	$ (19,713)
Basic and diluted loss per share	$ (1.92)	$ (0.88)
Weighted average shares outstanding for basic and diluted loss per share	22,544,351	22,525,308

6. Restricted Cash

Included in the accompanying consolidated balance sheet as of December 31, 2003 is restricted cash of $14.9 million, which primarily consists of cash pledged to secure the guarantee of notes issued in connection with previous acquisitions by Insignia in the U.K. The acquisitions include the 1999 acquisition of St. Quintin Holdings Limited and the 1998 acquisition of Richard Ellis Group Limited.

7. Property and Equipment

Property and equipment consists of the following (dollars in thousands):

	December 31,	
	2003	2002
Leasehold improvements	$ 48,741	$ 20,000
Furniture and equipment	162,157	116,268
Equipment under capital leases	12,820	13,925
	223,718	150,193
Accumulated depreciation	(110,149)	(83,559)
Property and equipment, net	$ 113,569	$ 66,634

Depreciation expense was $28.3 million for the year ended December 31, 2003, $20.8 million for the year ended December 31, 2002, $9.1 million for the period from February 20 (inception) to December 31, 2001 and $12.6 million for the period from January 1 to July 20, 2001.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Goodwill and Other Intangible Assets

In June 2001, the FASB issued SFAS No. 142, *"Goodwill and Other 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 that those assets might be impaired. We adopted the non-amortization provisions of SFAS No. 142 on July 20, 2001, the effective date of the 2001 Merger. The following table presents the impact of SFAS No. 142 on, our net (loss) income and net (loss) earnings per share had the standard been in effect for the period from January 1 to July 20, 2001 (dollars in thousands, except share data):

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Reported net (loss) income	$ (34,704)	$ 18,727	$ 17,426	$ (34,020)
Add back amortization of goodwill, net of taxes	—	—	—	7,701
Adjusted net (loss) income	$ (34,704)	$ 18,727	$ 17,426	$ (26,319)
Basic (loss) earnings per share:				
Reported (loss) earnings per share	$ (1.89)	$ 1.25	$ 2.22	$ (1.60)
Add back goodwill amortization per share	—	—	—	0.36
Adjusted basic (loss) earnings per share	$ (1.89)	$ 1.25	$ 2.22	$ (1.24)
Diluted (loss) earnings per share:				
Reported (loss) earnings per share	$ (1.89)	$ 1.23	$ 2.20	$ (1.60)
Add back goodwill amortization per share	—	—	—	0.36
Adjusted diluted (loss) earnings per share	$ (1.89)	$ 1.23	$ 2.20	$ (1.24)

The preliminary purchase accounting adjustments associated with the Insignia Acquisition have been recorded in the accompanying consolidated financial statements. We are in the process of finalizing the fair value of all assets acquired and liabilities assumed as of July 23, 2003, the effective date of the Insignia Acquisition (See Note 3 for additional information). The following table summarizes the estimated goodwill allocated to our operating segments in connection with the Insignia Acquisition as well as other changes in the carrying amount of goodwill for the years ended December 31, 2003 and 2002 (dollars in thousands):

	Americas	EMEA	Asia Pacific	Total
Balance at January 1, 2002	$ 510,188	$ 96,637	$ 2,718	$ 609,543
Purchase accounting adjustments related to acquisitions	15,321	5,809	688	21,818
Reclassed (to)from intangibles assets	(57,841)	3,617	—	(54,224)
Balance at December 31, 2002	467,668	106,063	3,406	577,137
Purchase accounting adjustments related to acquisitions	130,771	111,043	607	242,421
Balance at December 31, 2003	$ 598,439	$ 217,106	$ 4,013	$ 819,558

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other intangible assets totaled $131.7 million and $91.1 million, net of accumulated amortization of $73.5 million and $7.7 million, as of December 31, 2003 and 2002, respectively, and are comprised of the following (dollars in thousands):

	December 31,			
	2003		2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Unamortizable intangible assets				
Trademarks	$ 63,700		$ 63,700	
Trade name	19,826		—	
Total	$ 83,526		$ 63,700	
Amortizable intangible assets				
Backlog	$ 72,503	$ (59,108)	$ —	$ —
Management contracts	25,649	(9,708)	18,887	(5,605)
Loan servicing rights	17,694	(3,812)	16,234	(2,134)
Other	5,808	(821)	—	—
Total	$ 121,654	$ (73,449)	$ 35,121	$ (7,739)

In accordance with SFAS No. 141, *"Business Combinations,"* trademarks of $63.7 million were separately identified as a result of the 2001 Merger. As a result of the Insignia Acquisition, a $19.8 million trade name was separately identified, which represents the Richard Ellis trade name in the U.K. that was owned by Insignia prior to the Insignia Acquisition. Both the trademarks and the trade name have indefinite useful lives and accordingly are not being amortized.

Backlog represents the fair value of Insignia's net revenue backlog as of July 23, 2003, which was acquired as part of the Insignia Acquisition. The backlog consists of the net commissions receivable on Insignia's revenue producing transactions, which were at various stages of completion prior to the Insignia Acquisition. This intangible asset is being amortized as cash is received or upon final closing of these pending transactions.

Management contracts are primarily comprised of property management contracts in the U.S., the U.K., France and other European operations, as well as valuation services and fund management contracts in the U.K. These management contracts are being amortized over estimated useful lives of up to ten years.

Loan servicing rights represent the fair value of servicing assets in our mortgage banking line of business in the U.S., the majority of which were acquired as part of the 2001 Merger. The loan servicing rights are being amortized over estimated useful lives of up to ten years.

Other amortizable intangible assets represent other intangible assets acquired as a result of the Insignia Acquisition, including an intangible asset recognized for other non-contractual revenue acquired in the U.S. as well as franchise agreements and a trade name in France. These other intangible assets are being amortized over estimated useful lives of up to 20 years.

Amortization expense related to intangible assets was $64.3 million for the year ended December 31, 2003, $3.8 million for the year ended December 31, 2002, $3.1 million for the period from February 20 (inception) to December 31, 2001 and $13.1 million for the period from January 1 to July 20, 2001. The estimated amortization expense for the five years ending December 31, 2008 approximates $20.3 million, $6.5 million, $5.1 million, $4.2 million and $3.4 million, respectively.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Investments in and Advances to Unconsolidated Subsidiaries

Investments in and advances to unconsolidated subsidiaries are accounted for under the equity method of accounting and as of December 31, 2003 and 2002 include the following (dollars in thousands):

		December 31,	
	Interest	2003	2002
Global Innovation Partners, L.L.C.	4.9%	$ 14,037	$ 6,228
CB Richard Ellis Strategic Partners, L.P.	2.9%	10,353	10,690
CB Commercial/Whittier Partners, L.P.	50.0%	8,590	8,816
CB Richard Ellis Strategic Partners II, L.P.	3.4%	7,322	5,965
Ikoma CB Richard Ellis KK	22.8%	4,973	4,782
Building Technology Engineers	49.9%	2,553	1,931
Glades Plaza, L.P.	20.0%	2,451	—
KB Opportunity Investors	45.0%	1,723	1,857
CB Richard Ellis/Pittsburgh, L.P.	50.0%	1,221	1,461
Other	*	15,138	8,478
Total		$ 68,361	$ 50,208

* Various interests with varying ownership rates.

Combined condensed financial information for our investments in and advances to unconsolidated subsidiaries are as follows (dollars in thousands):

Condensed Balance Sheets Information:

	December 31,	
	2003	2002
Current assets	$ 208,743	$ 127,635
Noncurrent assets	$ 2,040,138	$ 1,552,546
Current liabilities	$ 154,778	$ 108,463
Noncurrent liabilities	$ 969,993	$ 664,241
Minority interest	$ 4,600	$ 3,938

Condensed Statements of Operations Information:

	Year Ended December 31,		
	2003	2002	2001
Net revenue	$ 450,542	$ 349,121	$ 286,138
Income from operations	$ 111,585	$ 78,171	$ 60,259
Net income	$ 174,629	$ 81,498	$ 30,098

Included in other current assets in the accompanying consolidated balance sheet was a note receivable from our equity investment in Investor 1031, L.L.C. in the amount of $1.2 million as of December 31, 2002. This note was issued on June 20, 2002, bore interest at 20.0% per annum and was due for repayment on July 15, 2003. This note and related interest were paid in full during the second quarter of 2003.

Our investment management business involves investing our own capital in certain real estate investments with clients. We have provided investment management, property management, brokerage, appraisal and other professional services to these equity investees and earned revenues from these co-investments of $21.6 million, $22.4 million and $15.4 million during the years ended December 31, 2003, 2002 and 2001, respectively.

In March 2001, our wholly owned subsidiary, CB Richard Ellis Investors, L.L.C. (CBRE Investors), entered into a joint venture, Global Innovation Partners, with CalPERS. This joint venture targets real estate and private equity investments and expected opportunities created by the convergence of technology and real estate. The managing member of the joint venture is 50% owned by one of our subsidiaries. In connection with formation of the joint venture, CBRE Investors, CalPERS and some of our employees entered into an aggregate of $526.0 million of capital commitments to Global Innovations Partners, of which CalPERS committed an aggregate of $500.0 million.

10. Other Assets

The following table summarizes the items included in other assets (dollars in thousands):

	December 31,	
	2003	2002
Property held for sale	$ 50,615	$ 45,883
Deferred financing costs, net	29,898	20,467
Employee loans (1)	17,622	4,089
Property investments held pursuant to the Island Purchase Agreement (2)	7,457	—
Cost investments	7,096	6,524
Long-term trade receivables, net	6,542	1,128
Notes receivable	5,640	4,943
Deposits	4,621	8,714
Miscellaneous	3,221	2,109
Total	$ 132,712	$ 93,857

(1) See Note 22 for additional information.
(2) Represents property investments held for the benefit of Island Fund pursuant to the Island Purchase Agreement pending the receipt of third party consents (see Note 3 for additional information).

11. Employee Benefit Plans

Stock Incentive Plans and Warrants.

2001 Stock Incentive Plan. Our 2001 stock incentive plan was adopted by our board of directors and our stockholders on June 7, 2001. The stock incentive plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to our employees, directors or independent contractors. A total of 6,500,000 shares of Class A common stock have been reserved for issuance under the stock incentive plan, and 3,499,466 shares remained available for future issuance as of December 31, 2003. The number of shares issued or reserved pursuant to the stock incentive plan, or pursuant to outstanding awards, is subject to adjustment on account of stock splits, stock dividends and other dilutive changes in our Class A common stock. Class A common stock covered by awards that expire, terminate or lapse will again be available for option or grant under the stock incentive plan. No award may be granted under the stock incentive plan after June 7, 2011, but awards granted prior to June 7, 2011 may extend beyond that date. In the event of a change of control of our company, all outstanding options will become fully vested and exercisable.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In connection with the 2001 Merger, we offered and sold shares of our Class A common stock to certain of our employees that were designated by our board of directors in consultation with Ray Wirta, our Chief Executive Officer, and Brett White, our President. If each of these designated employees subscribed for a specified number of shares that was determined by our board of directors, they were then entitled to receive a grant of options to acquire our Class A common stock. As part of the 2001 Merger, we issued and sold 423,223 shares of our Class A common stock and granted 1,520,207 options to acquire our Class A common stock at an exercise price of $16.00 per share and a term of ten years. These options vest and are exercisable in 20% annual increments over a five-year period ending on July 20, 2006.

On September 16, 2003, we issued to employees 876,000 options to acquire our Class A common stock at an exercise price of $16.00 per share and a term of ten years. These options vest and are exercisable in 20% annual increments over a five-year period ending September 16, 2008.

Since the 2001 Merger, there have been instances where employees have forfeited their options as a result of the termination of their employment with our company. In these instances, we have generally issued individual grants to replacement hires made as well as to retain certain key employees. Additionally, individual grants of options and issuances and sales of shares of Class A common stock have been made from time to time to key new hires. As of December 31, 2003, a total of 88,750 shares of our Class A common stock had been issued and sold and 305,802 options to acquire our Class A common stock had been granted to individuals under the instances described above since the 2001 Merger. These options have exercise prices of $16.00 per share, terms of ten years and vest and are exercisable in 20% annual increments over various five-year periods through November 2008.

Warrants. Pursuant to an agreement entered into in connection with the 2001 Merger, we issued to FSEP III and FSEP International warrants to acquire 255,477 shares of our Class B common stock at an exercise price of $30.00 per share in exchange for the cancellation of previously outstanding warrants to acquire 364,884 shares of CBRE common stock. Subject to limited exceptions, these warrants do not vest until August 26, 2007, expire on August 27, 2007 and will become fully vested and exercisable upon a change in control of our company.

Option Plans and Warrants of CBRE, our Predecessor. The options and warrants outstanding prior to the 2001 Merger were issued in connection with various acquisitions and employee stock-based compensation plans and had exercise prices that ranged from $10.00 to $36.75 with vesting periods that ranged up to 5 years and expired at various dates through August 2010.

At the effective time of the 2001 Merger, each holder of an option to acquire CBRE's common stock, whether or not vested, had the right to receive, in consideration for the cancellation of his or her options, an amount per share of common stock equal to the greater of (i) the amount by which $16.00 exceeded the exercise price of the option, if any, or (ii) $1.00, reduced in each case by applicable withholding taxes. Warrants to acquire 84,988 shares of CBRE beneficially owned by Ray Wirta and one of the other members of the CBRE board of directors prior to the 2001 Merger were cancelled in exchange for a cash payment of $1.00 per share of common stock underlying the warrants. Warrants held by non-employees, other than FS Equity Partners III, L.P. and FS Equity Partners International, L.P. who received warrants to acquire shares of CBRE's Class B common stock, were cancelled and no payments were made to such shareholders. As of December 31, 2001, there were no options or warrants outstanding to acquire CBRE's stock.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of the status of our option plans and warrants, as well as our Predecessor ‘s, is presented in the tables below:

	CB Richard Ellis Group			
	Shares	Weighted Average Exercise Price	Exercisable Shares	Weighted Average Exercise Price
Outstanding at February 20, 2001 (Inception)	—	$ —		
Granted	1,775,684	18.01		
Forfeited	(17,186)	16.00		
Outstanding at December 31, 2001	1,758,498	18.03	—	—
Granted	123,873	16.00		
Forfeited	(175,295)	16.00		
Outstanding at December 31, 2002	1,707,076	18.10	277,575	$ 16.00
Granted	1,057,929	16.00		
Forfeited	(20,967)	16.00		
Outstanding at December 31, 2003	2,744,038	$ 17.30	555,169	$ 16.00

	Predecessor Company			
	Shares	Weighted Average Exercise Price	Exercisable Shares	Weighted Average Exercise Price
Outstanding at December 31, 2000	3,340,010	$ 21.25	1,824,665	$ 23.90
Exercised	(86,521)	12.89		
Forfeited/Expired	(93,370)	20.27		
Paid and/or cancelled as a result of the 2001 Merger	(3,160,119)	21.50		
Outstanding at July 20, 2001	—	$ —		

Option plans and warrants outstanding at December 31, 2003 and their related weighted average exercise price and life information is presented below:

	Outstanding Options and Warrants			Exercisable Options and Warrants	
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractural Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$16.00	2,488,561	8.49	$ 16.00	555,169	$ 16.00
$30.00	255,477	3.66	30.00	—	—
	2,744,038		$ 17.30	555,169	$ 16.00

Deferred Compensation Plan. Our deferred compensation plan (the DCP) historically has permitted a select group of management employees, as well as other highly compensated employees, to elect, immediately prior to the beginning of each calendar year, to defer receipt of some or all of their compensation for the next year until a future distribution date and have it credited to one or more of several funds in the DCP. The DCP permits participants to elect in-service distributions, which may not begin less than three years following the election and post-employment distributions. There is limited flexibility to change distribution elections once made. A participant may elect to receive a distribution of his or her vested accounts at any time subject to a charge equal to 7.5% of the amount to be distributed. The investment alternatives available to participants in connection with their deferrals include two interest index funds and an insurance fund in which gains or losses on deferrals are measured by one or more of approximately 30 mutual funds. In addition, prior to the 2001 Merger, participants were entitled to invest their deferrals in stock fund units that entitled the participants to receive future distributions of shares of CBRE common stock, which stock fund units now represent the right to receive future distributions of shares of our common stock.

Each stock fund unit that was unvested prior to the 2001 Merger remained in participants' accounts, but after the 2001 Merger was converted to the right to receive one share of our Class A common stock. These unvested stock fund units have been accounted for as a deferred compensation asset and are being amortized as compensation expense over the remaining vesting period for such stock fund units in accordance with FASB Interpretation No. 44, *"Accounting for Certain Transactions Involving Stock Compensation,"* with $1.8 million charged to compensation expense for the years ended December 31, 2003 and 2002, and $0.9 million charged to compensation expense for the period from February 20 (inception) to December 31, 2001. The accompanying consolidated balance sheets include the unamortized balances totaling $1.4 million and $1.9 million in other current assets as of December 31, 2003 and 2002, respectively, and $1.4 million in other assets as of December 31, 2002. Subsequent to the 2001 Merger, no new deferrals have been allowed in stock fund units.

In 2001, we announced a match for the Plan Year 2000, effective July 2001, in the amount of $8.0 million to be invested in an interest bearing account on behalf of participants. The 2000 Company Match vests at 20% per year and will be fully vested by December 2005. The related compensation expense is being amortized over the vesting period. The amounts charged to expense for the 2000 Company match were $1.7 million for the years ended December 31, 2003 and 2002, $0.7 million for the period from February 20 (inception) to December 31, 2001 and $0.2 million for the period from January 1 to July 20, 2001.

Included in our accompanying consolidated balance sheets is an accumulated non-stock liability of $138.0 million and $106.3 million at December 31, 2003 and 2002, respectively, and the assets (in the form of insurance) set aside to cover the liability of $76.4 million and $63.6 million as of December 31, 2003 and 2002, respectively. In addition, our stock fund unit deferrals included in additional paid-in capital totaled $18.1 million and $18.2 million at December 31, 2003 and 2002, respectively.

Early in the fourth quarter of 2003, we announced that effective January 1, 2004, we will close the DCP to new participants. Currently, the DCP is accepting compensation deferrals from participants who have a balance, meet the eligibility requirements and elect to participate, up to a maximum annual contribution amount of $250,000 per participant. We are currently reviewing the future status of this plan.

Stock Purchase Plans. Prior to the 2001 Merger, CBRE had restricted stock purchase plans covering select key executives including senior management. A total of 500,000 and 550,000 shares of common stock were reserved for issuance under CBRE's 1999 and 1996 Equity Incentive Plans, respectively. The shares were issued to senior executives for a purchase price equal to the greater of $18.00 and $10.00 per share or fair market value, respectively. The purchase price for these shares was paid either in cash or by delivery of a full recourse promissory note. All promissory notes related to the 1999 Equity Incentive Plan were repaid as part of the 2001 Merger. The majority of the notes related to the 1996 Equity Incentive Plan were also repaid, with the remaining unpaid outstanding balance of $0.6 million as of December 31, 2003 and 2002, included in notes receivable from sale of stock in the accompanying consolidated statements of stockholders' equity. As part of the 2001 Merger, the CBRE shares related to these outstanding promissory notes were exchanged for shares of our Class B common stock.

Bonuses. We have bonus programs covering select key employees, including senior management. Awards are based on the position and performance of the employee and the achievement of pre-established financial, operating and strategic objectives. The amounts charged to expense for bonuses were $51.8 million for the year ended December 31, 2003, $40.2 million for the year ended December 31, 2002, $18.0 million for the period from February 20 (inception) to December 31, 2001 and $16.5 million for the period from January 1 to July 20, 2001.

401(k) Plans. Our CB Richard Ellis 401(k) Plan (401(k) Plan) is defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code. Generally, our U.S. employees are eligible to participate in the plan if the employee is at least 21 years old. The 401 (k) Plan provides for participant contributions as well as discretionary employer contributions. A participant is allowed to contribute to the 401 (k) Plan from 1% to 15%, in whole percentages, of his or her compensation, subject to limits imposed by the U.S. Internal Revenue Code. Each year, we determine the amount of employer contributions, if any, we will contribute to the 401 (k) Plan based on the performance and profitability of our consolidated U.S. operations. Our contributions for the year are allocated to participants who are actively employed on the last day of the plan year in proportion to each participant's pre-tax contributions for that year, up to 5% of the participant's compensation. In connection with the 401 (k) Plan, we incurred $2.2 million for the year ended December 31, 2003, no expense for the year ended December 31, 2002, $0.8 million for the period from February 20 (inception) to December 31, 2001 and no expense for the period from January 1 to July 20, 2001.

In connection with the 2001 Merger, each share of common stock of CBRE formerly held by the 401(k) Plan and credited to participant accounts was exchanged for $16.00 in cash. In addition, the 401(k) Plan was amended to eliminate the common stock of CBRE as an investment option within the 401(k) Plan after July 20, 2001. The cash received for the shares of CBRE common stock was available for reinvestment in one or more of the investment alternatives available within the 401(k) Plan in accordance with the terms of the plan, including a new company stock fund in which employees could invest on a one-time basis in our Class A shares of common stock. Subsequent to the 2001 Merger, participants are no longer entitled to purchase additional shares of our Class A or Class B common stock for allocation to their account balances.

In connection with the Insignia Acquisition, we assumed Insignia's existing 401(k) Retirement Savings Plan (Insignia 401(k) Plan) and its 401(k) Restoration Plan.

The Insignia 401(k) Plan covered substantially all Insignia employees in the U.S. Insignia made contributions equal to 25% of the employees' contributions up to a maximum of 6% of the employees' compensation and participants fully vested in employees' contributions after five years. Insignia's contribution was discontinued effective July 23, 2003. Upon the close of the Insignia Acquisition, participants in the Insignia 401(k) Plan were required, instead, to join our 401(k) Plan. Currently, only loan payments are being accepted into the former Insignia 401(k) Plan until we receive IRS approval to terminate the plan and transfer plan balances into our 401(k) Plan.

The 401(k) Restoration Plan allowed designated executives of Insignia and certain participating affiliated employees in the Insignia 401(k) Plan to defer the receipt of a portion of their compensation in excess of the amount of compensation that was permitted to be contributed to the Insignia 401(k) Plan. This plan ceased to accept deferrals on July 23, 2003.

Table of Contents

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pension Plans. The London-based firm of Hillier Parker May & Rowden, which we acquired in 1998, had a contributory defined benefit pension plan. A subsidiary of Insignia, which we acquired in connection with the Insignia Acquisition in 2003, had a contributory defined benefit pension plan in the U.K. Our subsidiaries based in the U.K. maintain these plans to provide retirement benefits to existing and former employees participating in the plans. With respect to these plans, our historical policy has been to contribute annually an amount to fund pension cost as actuarially determined and as required by applicable laws and regulations. Pension expense totaled $7.8 million for the year ended December 31, 2003, $3.6 million for the year ended December 31, 2002, $1.4 million for the period February 20 (inception) to December 31, 2001, and $0.9 million for the period from January 1 to July 20, 2001.

The following table sets forth a reconciliation of the benefit obligation, plan assets, plan's funded status and amounts recognized in the accompanying consolidated balance sheets for our defined benefit pension plans (in thousands):

	Year Ended December 31,	
	2003	2002
Change in benefit obligation		
Benefit obligation at beginning of period	$ 96,734	$ 74,418
Service cost	6,248	5,578
Interest cost	7,573	4,764
Actuarial loss	7,472	3,997
Insignia Acquisition	64,392	—
Benefits paid, net of plan participants' contributions	(1,942)	(713)
Foreign currency translation	19,709	8,690
Benefit obligation at end of period	$ 200,186	$ 96,734
Change in plan assets		
Fair value of plan assets at beginning of period	$ 76,430	$ 80,950
Actual return on plan assets	18,317	(13,777)
Company contributions	2,850	2,299
Insignia Acquisition	45,295	—
Benefits paid, net of plan participants' contributions	(1,942)	(713)
Foreign currency translation	15,008	7,671
Fair value of plan assets at end of period	$ 155,958	$ 76,430
Funded status	$ (44,228)	$ (20,304)
Unrecognized net actuarial loss	29,331	33,350
Company contributions in the post-measurement period	485	530
Net amount recognized	$ (14,412)	$ 13,576
Net amount recognized in the consolidated balance sheets		
Accrued benefit liability	$ (35,998)	$ (10,766)
Accumulated other comprehensive loss	21,586	24,342
	$ (14,412)	$ 13,576

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Weighted average assumptions used to determine our projected benefit obligation were as follows:

	Year Ended December 31,	
	2003	2002
Discount rate	5.60%	5.60%
Expected return on plan assets	7.90%	8.20%
Rate of compensation increase	4.40%	4.30%

Weighted average assumptions used to determine our net periodic pension cost were as follows:

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,
	2003	2002	2001	2001
Discount rate	5.56%	6.00%	6.00%	6.00%
Expected return on plan assets	7.88%	8.00%	7.50%	7.75%
Rate of compensation increase	4.24%	4.50%	4.75%	5.00%

Net periodic pension cost consisted of the following (in thousands):

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,
	2003	2002	2001	2001
Service cost	$ 6,248	$ 5,578	$ 2,325	$ 2,875
Interest cost	7,573	4,764	2,059	2,316
Expected return on plan assets	(8,023)	(6,767)	(2,945)	(4,257)
Amortization of unrecognized net gain	2,024	—	—	—
Net periodic pension cost	$ 7,822	$ 3,575	$ 1,439	$ 934

Table of Contents

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Debt

Total debt consists of the following (dollars in thousands):

	December 31, 2003	December 31, 2002
Long-Term Debt:		
Senior secured term loans, with interest ranging from 4.40% to 7.50%, due from 2003 through 2008	$ 297,500	$ 220,975
11 1/4% Senior Subordinated Notes, net of unamortized discount of $2.8 million and $3.1 million at December 31, 2003 and 2002, respectively, due in 2011	226,173	225,943
9 3/4% Senior Notes due in 2010	200,000	—
16% Senior Notes, net of unamortized discount of $2.8 million and $5.1 million at December 31, 2003 and 2002, respectively, due in 2011	35,472	61,863
Non-recourse mortgage debt related to property held for sale with interest at one-month Yen LIBOR plus 3.50% and a maturity date of July 31, 2008	41,753	—
Capital lease obligations, mainly for automobiles and telephone equipment, with interest ranging from 6.50% to 9.74%, due through 2007	259	763
Other	1,548	171
Subtotal	802,705	509,715
Less current maturities of long-term debt	11,285	10,711
Total long-term debt	791,420	499,004
Short-Term Borrowings:		
Warehouse Line of Credit, with interest at 1.00% over the Residential Funding Corporation base rate with a maturity date of August 31, 2004	230,790	63,140
Non-recourse mortgage debt related to property held for sale with interest at one-month Yen LIBOR plus 3.50% and a maturity date of June 18, 2003	—	40,005
Insignia acquisition loan notes, with interest ranging from 1.53% to 3.00%, due on demand	12,191	—
Westmark Senior Notes, with interest ranging from 4.40% to 9.00%, due on demand	12,129	12,129
Euro cash pool loan, with interest at 2.50% over the applicable HSBC base rate and no stated maturity date	11,517	7,904
Other	3,510	16
Total short-term borrowings	270,137	123,194
Add current maturities of long-term debt	11,285	10,711
Total current debt	281,422	133,905
Total debt	$ 1,072,842	$ 632,909

Future annual aggregate maturities of total consolidated debt at December 31, 2003 are as follows (dollars in thousands): 2004—$281,422; 2005—$10,367; 2006—$10,017; 2007—$10,017; 2008 —$299,270; and $461,749 thereafter.

In connection with the 2001 Merger, we entered into a credit agreement (the Credit Facility) with CSFB and other lenders. In connection with the Insignia Acquisition, we entered into an amended and restated credit agreement with CSFB and other lenders. On October 14, 2003, we refinanced all of the outstanding loans under that agreement. As part of this refinancing, we entered into a new amended and restated credit agreement. The prior credit facilities were, and the current amended and restated credit facilities continue to be, jointly and severally guaranteed by us and each of our domestic subsidiaries and are secured by a pledge of substantially all of our assets.

The Credit Facility entered into in connection with the 2001 Merger included the following: (1) a Tranche A term facility of $50.0 million maturing on July 20, 2007, which was fully drawn in connection with the 2001 Merger; (2) a Tranche B term facility of $185.0 million maturing on July 18, 2008, which was fully drawn in connection with the 2001 Merger; and (3) a 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 Tranche A term facility and revolving facility bore interest at varying rates based on our option, at either the applicable LIBOR rate plus 2.50% to 3.25% or the alternate base rate plus 1.50% to 2.25%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA, which was defined in the credit agreement. The alternate base rate is higher of (1) CSFB's prime rate or (2) the Federal Funds Effective Rate plus one-half of one percent. Borrowings under the Tranche B term facility bore interest at varying rates based on our option at either the applicable LIBOR plus 3.75% or the alternate base rate plus 2.75%.

The amended and restated credit facilities entered into in connection with the Insignia Acquisition included the following: (1) a Tranche A term facility of $50.0 million maturing on July 20, 2007; (2) a Tranche B term facility of $260.0 million maturing on July 18, 2008, $75.0 million of which was drawn in connection with the Insignia Acquisition; and (3) a 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. After the amendment and restatement in connection with the Insignia Acquisition, borrowings under the Tranche A term facility and revolving facility bore interest at varying rates based on our option, at either the applicable LIBOR plus 3.00% to 3.75% or the alternate base rate plus 2.00% to 2.75%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA, which is defined in the amended and restated credit agreement. After the amendment and restatement in connection with the Insignia Acquisition, borrowings under the Tranche B term facility bore interest at varying rates based on our option at either the applicable LIBOR plus 4.25% or the alternate base rate plus 3.25%.

In connection with the October 14, 2003 refinancing of our credit facilities and the signing of a new amended and restated credit agreement, the former Tranche A term facility and Tranche B term facility were combined into a new single term loan facility. The new term loan facility, of which $300.0 million was drawn on October 14, 2003, requires quarterly principal payments of $2.5 million through September 30, 2008 and matures on December 31, 2008. Borrowings under the new term loan facility bear interest at varying rates based on our option at either LIBOR plus 3.25% or the alternate base rate plus 2.25%. The maturity date and interest rate for borrowings under the revolving credit facility remain unchanged in the new amended and restated credit agreement. The revolving line of credit requires the repayment of any outstanding balance for a period of 45 consecutive days commencing on any day in the month of December of each year as determined by us. We repaid our revolving credit facility as of July 23, 2003 and November 5, 2002, and at December 31, 2003 and 2002, we had no revolving line of credit principal outstanding. At December 31, 2003, we had an aggregate of $10.8 million in letters of credit outstanding under the revolving credit facility, which reduces the amount we may borrow under the revolving credit facility. The total amounts outstanding under the senior secured credit facilities included in senior secured term loans and current maturities of long-term debt in the accompanying consolidated balance sheets were $297.5 million and $221.0 million as of December 31, 2003 and 2002, respectively.

On May 22, 2003, CBRE Escrow, Inc. (CBRE Escrow), a wholly owned subsidiary of CBRE, issued $200.0 million in aggregate principal amount of 9³/4% Senior Notes due May 15, 2010 The proceeds of this issuance were placed in escrow pending the completion of the Insignia Acquisition on July 23, 2003, on which date the

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

proceeds were released from escrow in order to partially fund the acquisition. CBRE Escrow merged with and into CBRE, and CBRE assumed all obligations with respect to the 9 3/4% Senior Notes. The 9 3/4% Senior Notes are unsecured obligations of CBRE, senior to all of its current and future unsecured indebtedness, but subordinated to all of CBRE's current and future secured indebtedness. The 9 3/4% Senior Notes are jointly and severally guaranteed on a senior basis by us and substantially all our domestic subsidiaries. Interest accrues at a rate of 9 3/4% per year and is payable semi-annually in arrears on May 15 and November 15. The 9 3/4% Senior Notes are redeemable at our option, in whole or in part, on or after May 15, 2007 at 104.875% of par on that date and at declining prices thereafter. In addition, before May 15, 2006, we may redeem up to 35.0% of the originally issued amount of the 9 3/4% Senior Notes at 109 3/4% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, we are obligated to make an offer to purchase the 9 3/4% Senior Notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 9 3/4% Senior Notes included in the accompanying consolidated balance sheet was $200.0 million as of December 31, 2003.

In order to partially finance the 2001 Merger, Blum CB issued $229.0 million in aggregate principal amount of 11 1/4% Senior Subordinated Notes due June 15, 2011 for approximately $225.6 million, net of discount, on June 7, 2001. CBRE assumed all obligations with respect to the 11 1/4% Senior Subordinated Notes in connection with the 2001 Merger on July 20, 2001. The 11 1/4% Senior Subordinated Notes are jointly and severally guaranteed on a senior subordinated basis by us and substantially all of our domestic subsidiaries. The 11 1/4% Senior Subordinated Notes require semi-annual payments of interest in arrears on June 15 and December 15 and are redeemable in whole or in part on or after June 15, 2006 at 105.625% of par on that date and at declining prices thereafter. In addition, before June 15, 2004, we may redeem up to 35.0% of the originally issued amount of the notes at 111 1/4% of par, plus accrued and unpaid interest, solely with the net cash proceeds from public equity offerings. In the event of a change of control, we are obligated to make an offer to purchase the 11 1/4% Senior Subordinated Notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 11 1/4% Senior Subordinated Notes included in the accompanying consolidated balance sheets, net of unamortized discount, was $226.2 million and $225.9 million as of December 31, 2003 and 2002, respectively.

Also in connection with the 2001 Merger, we issued $65.0 million in aggregate principal amount of 16% Senior Notes due July 20, 2011. The 16% Senior Notes are unsecured obligations, senior to all of our current and future unsecured indebtedness but subordinated to all of our current and future secured indebtedness. Interest accrues at a rate of 16% per year and is payable quarterly in arrears. Interest may be paid in kind to the extent our ability to pay cash dividends is restricted by the terms of our amended and restated credit agreement. Additionally, interest in excess of 12.0% may, at our option, be paid in kind through July 2006. We elected to pay in kind interest in excess of 12.0% or 4.0%, that was payable on April 20, 2002, July 20, 2002, October 20, 2002, January 20, 2003 and April 20, 2003. The 16% Senior Notes are redeemable at our option, in whole or in part, at 116.0% of par commencing on July 20, 2001 and at declining prices thereafter. On October 27, 2003 and December 29, 2003, we redeemed $20.0 million and $10.0 million, respectively, in aggregate principal amount of the 16% Senior Notes and paid $2.9 million of premiums in connection with these redemptions. In the event of a change in control, we are obligated to make an offer to purchase all of the outstanding 16% Senior Notes at 101.0% of par. The amount of the 16% Senior Notes included in the accompanying consolidated balance sheets, net of unamortized discount, was $35.5 million and $61.9 million as of December 31, 2003 and 2002, respectively.

The 16% Senior Notes are solely our obligation to repay. CBRE has neither guaranteed nor pledged any of its assets as collateral for the 16% Senior Notes and is not obligated to provide cash flow to us for repayment of these 16% Senior Notes. However, we have no substantive assets or operations other than our investment in CBRE to meet any required principal and interest payments on the 16% Senior Notes. We will depend on CBRE's cash flows to fund principal and interest payments as they come due.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Our amended and restated credit agreement and the indentures governing our 9$^{3}/_{4}$% Senior Notes, our 11 $^{1}/_{4}$% Senior Subordinated Notes and our 16% Senior Notes each contain numerous restrictive covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends or distributions to stockholders, repurchase capital stock or debt, make investments, sell assets or subsidiary stock, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. The amendment and restatement of the credit agreement modified the financial covenant ratios to provide a greater degree of flexibility than the prior credit agreement. The amended and restated credit agreement requires us to maintain a minimum coverage ratio of interest and certain fixed charges and a maximum leverage and senior secured leverage ratio of earnings before interest, taxes, depreciation and amortization to funded debt. The credit agreement required, and after the amendment and restatement continues to require, us to pay a facility fee based on the total amount of the unused commitment.

During 2001, a joint venture that we consolidate incurred $37.2 million of non-recourse mortgage debt secured by a real estate investment. During the third quarter of 2003, the maturity date on this non-recourse debt was extended to July 31, 2008. In our accompanying consolidated balance sheets, this debt comprised $41.8 million of our other long-term debt at December 31, 2003 and $40.0 million of our other short-term borrowings at December 31, 2002. Additionally, during the third quarter of 2003, this joint venture incurred an additional $1.9 million of non-recourse mortgage debt with a maturity date of June 15, 2004. At December 31, 2003, $2.0 million of this non-recourse debt is included in short-term borrowings in the accompanying consolidated balance sheet.

We had short-term borrowings of $270.1 million and $123.2 million with related average interest rates of 2.7% and 4.3% as of December 31, 2003 and 2002, respectively.

One of our subsidiaries has a credit agreement with Residential Funding Corporation (RFC) for the purpose of funding mortgage loans that will be resold. On December 16, 2002, we entered into a Third Amended and Restated Warehousing Credit and Security Agreement effective December 20, 2002. The agreement provided for a revolving warehouse line of credit of $200.0 million, bore interest at the lower of one-month LIBOR or 2.0% (RFC Base Rate) plus 1.0% and expired on August 31, 2003. On June 25, 2003, the agreement was modified to provide a temporary revolving line of credit increase of $200.0 million that resulted in a total line of credit equaling $400.0 million, which expired on August 30, 2003 and changed the RFC Base Rate to one-month LIBOR. By amendment on August 29, 2003, the expiration date of the agreement was extended to September 25, 2003. On September 26, 2003, we entered into a Fourth Amended and Restated Warehousing Credit and Security Agreement. The agreement provides for a revolving line of credit of up to $200.0 million, bears interest at one-month LIBOR plus 1.0% and expires on August 31, 2004. By amendment on November 14, 2003, the agreement was further modified to provide a revolving line of credit increase of $50.0 million that resulted in a total line of credit equaling $250.0 million.

During the years ended December 31, 2003 and 2002, respectively, we had a maximum of $272.5 million and $309.0 million revolving line of credit principal outstanding with RFC. At December 31, 2003 and 2002, respectively, we had a $230.8 million and a $63.1 million warehouse line of credit outstanding, which are included in short-term borrowings in the accompanying consolidated balance sheets. Additionally, we had a $230.8 million and a $63.1 million warehouse receivable, representing mortgage loans funded through the line of credit that had not been purchased as of December 31, 2003 and 2002, respectively, which are also included in the accompanying consolidated balance sheets.

Insignia, which we acquired in July 2003, issued acquisition loan notes in connection with previous acquisitions of businesses in the U.K. The acquisition loan notes are payable to the sellers of the previously acquired U.K. businesses and are secured by restricted cash deposits in approximately the same amount. The acquisition loan notes are redeemable semi-annually at the discretion of the note holder and have a final maturity date of April 2010. At December 31, 2003, $12.2 million of the acquisition loan notes were outstanding and are included in short-term borrowings in the accompanying consolidated balance sheet.

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

Our subsidiaries in Europe have had a Euro cash pool loan since 2001. The Euro cash pool loan is an overdraft line for our European operations issued by HSBC Bank. The Euro cash pool loan has no stated maturity date and bears interest at varying rates based on a base rate as defined by the bank plus 2.5%. The amount of the Euro cash pool loan included in short-term borrowings in the accompanying consolidated balance sheets was $11.5 million and $7.9 million as of December 31, 2003 and 2002, respectively.

One of our subsidiaries has a credit agreement with JP Morgan Chase. The credit agreement provides for a revolving line of credit of up to $20.0 million, bears interest at 1.0% in excess of the bank's cost of funds and expires on May 28, 2004. At December 31, 2003 and 2002, no amounts were outstanding under this line of credit.

In connection with the Insignia Acquisition, on July 23, 2003, we immediately repaid Insignia's outstanding revolving credit facility of $28.0 million and subordinated credit facility of $15.0 million.

13. Commitments and Contingencies

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

The following is a schedule by year of future minimum lease payments for noncancellable operating leases as of December 31, 2003 (dollars in thousands):

2004	$ 96,123
2005	89,961
2006	77,203
2007	69,539
2008	64,555
Thereafter	312,881
Total minimum payments required	$ 710,262

The total minimum payments for noncancellable operating leases were not reduced by the minimum sublease rental income of $4.7 million due in the future under noncancellable subleases.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Substantially all leases require us to pay maintenance costs, insurance and property taxes. The composition of total rental expense under noncancellable operating leases consisted of the following (dollars in thousands):

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Minimum rentals	$81,361	$68,711	$ 27,203	$ 32,831
Less sublease rentals	(2,134)	(1,157)	(500)	(551)
	$79,227	$67,554	$ 26,703	$ 32,280

In connection with the sale of real estate investment assets by Insignia to Island on July 23, 2003 (See Note 3), Insignia agreed to maintain letter of credit support for real estate investment assets that were subject to the purchase agreement until the earlier of (1) the third anniversary of the completion of the sale, (2) the date on which the letter of credit is no longer required pursuant to the applicable real estate investment asset agreement or (3) the completion of a sale of the relevant underlying real estate investment asset. As of December 31, 2003, an aggregate of approximately $10.2 million of this letter of credit support remained outstanding under the purchase agreement. Also in connection with the sale, Insignia agreed to maintain a $1.3 million guarantee of a repayment obligation with respect to one of the real estate investment assets. Island agreed to reimburse us for 50% of any draws against these letters of credit or the repayment guarantee while they are outstanding and delivered a letter of credit to us in the amount of approximately $2.9 million as security for Island's reimbursement obligation. As a result of this reimbursement obligation, we effectively retain potential liability for 50% of any future draws against these letters of credit and the repayment guarantee. However, there can be no assurance that Island will be able to reimburse us in the event of any draws against the letters of credit or the repayment guarantee or that Island's future reimbursement obligations will not exceed the amount of the letter of credit provided to us by Island.

One of our subsidiaries previously executed an agreement with Fannie Mae to initially fund the purchase of a commercial mortgage loan portfolio using proceeds from its RFC line of credit. Subsequently, a 100% participation in the loan portfolio was sold to Fannie Mae and we retained the credit risk on the first 2% of losses incurred on the underlying portfolio of commercial mortgage loans. The current loan portfolio balance is $98.6 million and we have collateralized a portion of our obligations to cover the first 1% of losses through a letter of credit in favor of Fannie Mae for a total of approximately $1.0 million. The other 1% is covered in the form of a guarantee to Fannie Mae.

We had outstanding letters of credit totaling $22.6 million as of December 31, 2003, excluding letters of credit related to our outstanding indebtedness. Approximately $10.8 million of these letters of credit secure certain office leases and are outstanding pursuant to the revolving credit facility under our amended and restated credit agreement. An additional $10.8 million of these letters of credit were issued pursuant to the terms of the purchase agreement with Island described above and are outstanding pursuant to a reimbursement agreement with the Bank of Nova Scotia. Under this agreement, we may issue up to a maximum of approximately $11.0 million of letters of credit outstanding at any one time and the outstanding letters of credit are secured by the same assets of ours that secure our amended and restated credit agreement. The remaining outstanding letters of credit have been issued pursuant to a credit agreement with Wells Fargo Bank for the Fannie Mae letter of credit described above. The outstanding letters of credit as of December 31, 2003 expire at varying dates through

Table of Contents

August 31, 2004. However, we are obligated to renew the letters of credit related to the revolving credit facility until 2023, the letters of credit related to the Island Purchase Agreement until as late as July 23, 2006 and the Fannie Mae letter of credit until our obligation to cover potential credit losses is satisfied.

We had guarantees totaling $9.0 million as of December 31, 2003, which consisted primarily of guarantees of property debt as well as the obligations to Island and Fannie Mae discussed above. Approximately $4.8 million of the guarantees are related to investment activity that is scheduled to expire in October 2008. Approximately $1.7 million of the guarantees are related to office leases in Europe and Asia. These guarantees will expire at the end of the lease terms. The guarantee obligation related to the agreement with Fannie Mae discussed above will expire in December 2004. The guarantee related to the Island Purchase Agreement will expire on the May 30, 2004 maturity date of the underlying loan agreement, unless such loan is renewed, modified or extended prior to such date to provide for a later maturity date.

An important part of the strategy for our investment management business involves investing our capital in certain real estate investments with our clients. These co-investments typically range from 2% to 5% of the equity in a particular fund. As of December 31, 2003, we had committed $26.6 million to fund future co-investments.

14. Income Taxes

Our tax (benefit) provision consisted of the following (in thousands):

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Federal:				
Current	$ (5,335)	$ 10,204	$ 11,747	$ —
Deferred	(6,637)	6,232	(3,252)	(911)
Change in valuation allowances	—	—	796	—
	(11,972)	16,436	9,291	(911)
State:				
Current	—	1,824	3,173	1,600
Deferred	(1,613)	378	(494)	(658)
	(1,613)	2,202	2,679	942
Foreign:				
Current	6,642	12,920	10,137	1,079
Deferred	667	(1,452)	(4,091)	—
	7,309	11,468	6,046	1,079
	$ (6,276)	$ 30,106	$ 18,016	$ 1,110

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following is a reconciliation, stated as a percentage of pre-tax income, of the U.S. statutory federal income tax rate to our effective tax rate on income from operations:

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Federal statutory tax rate	(35)%	35%	35%	(35)%
Permanent differences	1	15	5	25
State taxes, net of federal benefit	(3)	3	5	2
Taxes on foreign income which differ from the U.S. statutory rate	21	9	4	11
State NOLs not benefited	1	—	—	—
Change in valuation allowances	—	—	2	—
Effective tax rate	(15)%	62%	51%	3%

The domestic component of (loss) income before (benefit) provision for income taxes included in the accompanying consolidated statements of operations was $(31.6) million for the year ended December 31, 2003, $32.3 million for the year ended December 31, 2002, $22.6 million for the period from February 20 (inception) to December 31, 2001 and $(21.5) million for the period from January 1 to July 20, 2001. The international component of (loss) income before (benefit) provision for income taxes was $(9.4) million for the year ended December 31, 2003, $16.5 million for the year ended December 31, 2002, $12.8 million for the period from February 20 (inception) to December 31, 2001 and $(11.4) million for the period from January 1 through July 20, 2001.

Cumulative tax effects of temporary differences are shown below at December 31, 2003 and 2002 (in thousands):

	December 31,	
	2003	2002
Asset (Liability)		
Property and equipment	$ 6,738	$ 10,960
Bad debts and other reserves	(17,768)	(14,228)
Capitalized costs and intangibles	(4,113)	(7,003)
Bonus, unexercised restricted stock, deferred compensation	80,048	57,780
Investment	5,622	4,189
Net operating loss (NOL), alternative minimum tax credit and charitable contribution carryforwards	36,200	5
Unconsolidated affiliates	5,266	5,283
Pension obligation	14,492	7,303
Acquisitions	3,237	—
All other	18,892	4,702
Net deferred tax assets before valuation allowances	148,614	68,991
Valuation allowances	(58,754)	(13,892)
Net deferred tax assets	$ 89,860	$ 55,099

Total deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002 were as follows (in thousands):

	December 31,	
	2003	2002
Total deferred tax assets	$213,164	$103,302
Deferred tax asset valuation allowances	(58,754)	(13,892)
	154,410	89,410
Total deferred tax liabilities	(64,550)	(34,311)
Net deferred tax assets	$ 89,860	$ 55,099

As a result of the Insignia Acquisition and the current year's tax loss, at December 31, 2003, we had U.S. federal NOL carryforwards of approximately $67.7 million, translating to a deferred tax asset before valuation allowance of $23.7 million. Approximately $3.8 million of these NOLs begin to expire in 2010 and the remainder begins to expire in 2019. There were also deferred tax assets of approximately $9.8 million related to state NOLs. The utilization of NOLs may be subject to certain limitations under U.S. federal and state laws.

Management determined that as of December 31, 2003, $58.8 million of deferred tax assets do not satisfy the recognition criteria set forth in SFAS No. 109. Accordingly, a valuation allowance has been recorded for this amount. The valuation allowance was recorded against deferred tax assets during the 2001 Merger and the Insignia Acquisition, with the offset to goodwill. Accordingly, any tax benefits subsequently recognized will reduce goodwill.

A deferred U.S. tax liability has not been provided on the unremitted earnings of foreign subsidiaries because it is our intent to permanently reinvest these earnings. Unremitted earnings of foreign subsidiaries, which have been, or are intended to be, permanently invested in accordance with APB No. 23, "*Accounting for Income Taxes—Special Areas*," aggregated $79.0 million at December 31, 2003. The determination of the tax liability upon repatriation is not practicable.

15. Stockholders' Equity

We are authorized to issue 100,000,000 shares of common stock, including 75,000,000 shares of Class A common stock and 25,000,000 shares of Class B common stock, both with $0.01 par value per share. The holders of Class A common stock are entitled to one vote for each share. Holders of Class B common stock are entitled to ten votes for each share. There are no differences between the two classes of common stock other than the number of votes. The holders of Class A and Class B common stock shall share equally on a per-share basis all dividends and other cash, stock or property distributions.

Upon written request of any holder of Class B common stock, any shares will be automatically converted on a share-for-share basis into the same number of shares of Class A common stock. In addition, upon any transfer, sale or other disposition of shares of Class B common stock, other than transfers to certain permitted transferees, such shares shall be converted into shares of Class A common stock on a share-for-share basis. Also, upon completion of an underwritten public offering in which we become listed on a national securities exchange, all outstanding shares of Class B common stock shall automatically be converted into shares of Class A common stock on a share-for-share basis.

As long as Class B common stock is outstanding, if a holder of Class B common stock purchases any shares of Class A common stock, the holder may convert the Class A common shares on a share-for-share basis into the same number of shares of Class B common stock.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. (Loss) Earnings Per Share Information

The following is a calculation of (loss) earnings per share (dollars in thousands, except share data):

	CB Richard Ellis Group									Predecessor Company		
	Year Ended December 31,						Period From February 20 (inception) to December 31, 2001			Period From January 1 to July 20, 2001		
	2003			2002								
	Loss	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Loss	Shares	Per Share Amount
Basic (loss) earnings per share:												
Net (loss) income applicable to common stockholders	$ (34,704)	18,373,118	$ (1.89)	$ 18,727	15,025,308	$ 1.25	$ 17,426	7,845,004	$ 2.22	$ (34,020)	21,306,584	$ (1.60)
Diluted (loss) earnings per share:												
Net (loss) income applicable to common stockholders	$ (34,704)	18,373,118		$ 18,727	15,025,308		$ 17,426	7,845,004		$ (34,020)	21,306,584	
Dilutive effect of contingently issuable shares	—	—		—	196,803		—	64,793		—	—	
Net (loss) income applicable to common stockholders	$ (34,704)	18,373,118	$ (1.89)	$ 18,727	15,222,111	$ 1.23	$ 17,426	7,909,797	$ 2.20	$ (34,020)	21,306,584	$ (1.60)

The following items were not included in the computation of diluted (loss) earnings per share because their exercise price was at or above fair market value during such periods:

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Stock options				
Outstanding	2,488,561	1,451,599	1,503,021	2,562,150
Price ranges	$16.00	$16.00	$16.00	$0.38 - $36.75
Expiration ranges	7/20/11 - 11/5/13	7/20/11 - 7/31/12	7/20/11	6/8/04 - 8/31/10
Stock warrants				
Outstanding	255,477	255,477	255,477	597,969
Price	$30.00	$30.00	$30.00	$30.00
Expiration date	8/27/07	8/27/07	8/27/07	8/28/04

All options and warrants for the year ended December 31, 2003 and for the period from January 1 to July 20, 2001 were anti-dilutive since we reported a net loss in these periods. Any assumed exercise of options or warrants would have been anti-dilutive as they would have resulted in a lower loss per share.

17. Fiduciary Funds

The accompanying consolidated balance sheets do not include the net assets of escrow, agency and fiduciary funds, which are held by us on behalf of clients and which amounted to $626.3 million and $414.6 million at December 31, 2003 and 2002, respectively.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Fair Value of Financial Instruments

SFAS No. 107*, "Disclosures about Fair Value of Financial Instruments,"* requires disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheets. Value is defined as the amount at which an instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The fair value estimates of financial instruments are not necessarily indicative of the amounts we might pay or receive in actual market transactions. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and Cash Equivalents: This balance includes cash and cash equivalents with maturities of less than three months. The carrying amount approximates fair value due to the short maturity of these instruments.

Short-Term Borrowings: The majority of this balance represents the warehouse line of credit. Due to their short-term maturities and variable interest rates, fair value approximates carrying value (See Note 12).

Senior Subordinated Notes: Based on dealers' quotes, the estimated fair value of the 11 1/4% Senior Subordinated Notes is $256.5 million and $208.4 million at December 31, 2003 and 2002, respectively. Their actual carrying value totaled $226.2 million and $225.9 million at December 31, 2003 and 2002, respectively (See Note 12).

9 3/4% Senior Notes: Based on dealers' quotes, the estimated fair value of the 9 3/4% Senior Notes is $222.0 million at December 31, 2003. Their actual carrying value totaled $200.0 million at December 31, 2003 (See Note 12).

16% Senior Notes: There was no trading activity for the 16% Senior Notes, which are due in 2011. Their carrying value totaled $35.5 million and $61.9 million at December 31, 2003 and 2002, respectively (see Note 12).

Senior Secured Terms Loans & Other Long-Term Debt Estimated fair values approximate respective carrying values because the majority of these instruments are based on variable interest rates (see Note 12).

19. Merger-Related and Other Nonrecurring Charges

We recorded merger-related charges of $36.8 million for the year ended December 31, 2003 in connection with the Insignia Acquisition. The charges consisted of the following (dollars in thousands):

	2003 Charge	Utilized to Date	To be Utilized
Lease termination costs	$ 15,805	$ 977	$ 14,828
Severance	7,042	7,042	—
Change of control payments	6,525	6,525	—
Consulting costs	2,738	2,738	—
Other	4,707	4,707	—
Total merger-related charges	$ 36,817	$ 21,989	$ 14,828

During the period from February 20 (inception) to December 31, 2001, we recorded nonrecurring pre-tax charges totaling $6.4 million, which mainly related to the write-off of e-business investments. During the period from January 1 to July 20, 2001, CBRE recorded merger-related and other nonrecurring charges of $22.1 million, which included merger-related costs incurred of $16.4 million, severance costs incurred of $2.8 million related to CBRE's cost reduction program implemented in May 2001, as well as the write-off of an e-business investment of $2.9 million.

20. Guarantor and Nonguarantor Financial Statements

The 9 3/4% Senior Notes are jointly and severally guaranteed on a senior basis by us and substantially all of our domestic subsidiaries. In addition, the 11 1/4% Senior Subordinated Notes are jointly and severally guaranteed on a senior subordinated basis by us and substantially all of our domestic subsidiaries. See Note 12 for additional information on the 9 3/4% Senior Notes and the 11 1/4% Senior Subordinated Notes.

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of December 31, 2003 and 2002; condensed consolidating statements of operations for the years ended December 31, 2003 and 2002, the period from February 20 (inception) to December 31, 2001 and the period from January 1 to July 20, 2001, and condensed consolidating statements of cash flows for the years ended December 31, 2003 and 2002, the period from February 20 (inception) to December 31, 2001 and the period from January 1 to July 20, 2001 of (a) CB Richard Ellis Group as the parent, (b) CBRE as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CB Richard Ellis Group on a consolidated basis; and

(2) Elimination entries necessary to consolidate CB Richard Ellis Group as 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 intercompany balances and transactions. The preliminary purchase accounting adjustments associated with the Insignia Acquisition have been recorded in the accompanying consolidated financial statements. The condensed consolidated balance sheet as of December 31, 2003 reflects the allocation of goodwill based upon the estimated fair value of Insignia's acquired reporting units (See Note 3 for additional information).

Table of Contents

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2003
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 3,008	$ 17	$ 148,752	$ 12,104	$ —	$ 163,881
Restricted cash	—	—	12,545	2,354	—	14,899
Receivables, less allowance for doubtful accounts	27	18	114,215	208,156	—	322,416
Warehouse receivable	—	—	230,790	—	—	230,790
Prepaid expenses and other current assets	63,557	42,151	18,957	22,998	(40,667)	106,996
Total current assets	66,592	42,186	525,259	245,612	(40,667)	838,982
Property and equipment, net	—	—	66,280	47,289	—	113,569
Goodwill	—	—	572,376	247,182	—	819,558
Other intangible assets, net	—	—	101,326	30,405	—	131,731
Deferred compensation assets	—	76,389	—	—	—	76,389
Investment in and advances to unconsolidated subsidiaries	—	4,973	50,732	12,656	—	68,361
Investment in consolidated subsidiaries	321,451	252,399	199,393	—	(773,243)	—
Intercompany loan receivable	—	787,009	—	—	(787,009)	—
Deferred tax assets, net	32,179	—	—	—	—	32,179
Other assets, net	2,555	27,819	44,779	57,559	—	132,712
Total assets	$ 422,777	$ 1,190,775	$ 1,560,145	$ 640,703	$ (1,600,919)	$ 2,213,481
Current Liabilities:						
Accounts payable and accrued expenses	$ 1,187	$ 7,614	$ 64,392	$ 116,594	$ —	$ 189,787
Inter-company payable	40,667	—	—	—	(40,667)	—
Compensation and employee benefits payable	—	—	98,160	50,714	—	148,874
Accrued bonus and profit sharing	—	—	112,365	87,978	—	200,343
Short-term borrowings:						
Warehouse line of credit	—	—	230,790	—	—	230,790
Other	—	—	25,480	13,867	—	39,347
Total short-term borrowings	—	—	256,270	13,867	—	270,137
Current maturities of long-term debt	—	10,000	1,029	256	—	11,285
Other current liabilities	12,522	—	—	469	—	12,991
Total current liabilities	54,376	17,614	532,216	269,878	(40,667)	833,417
Long-Term Debt:						
11 1/4% senior subordinated notes, net of unamortized discount	—	226,173	—	—	—	226,173
Senior secured term loans	—	287,500	—	—	—	287,500
9 3/4% senior notes	—	200,000	—	—	—	200,000
16% senior notes, net of unamortized discount	35,472	—	—	—	—	35,472
Other long-term debt	—	—	330	41,945	—	42,275
Intercompany loan payable	—	—	726,844	60,165	(787,009)	—
Total long-term debt	35,472	713,673	727,174	102,110	(787,009)	791,420
Deferred compensation liability	—	138,037	—	—	—	138,037
Other liabilities	—	—	48,356	62,666	—	111,022
Total liabilities	89,848	869,324	1,307,746	434,654	(827,676)	1,873,896
Minority interest	—	—	—	6,656	—	6,656
Commitments and contingencies						
Stockholders' equity	332,929	321,451	252,399	199,393	(773,243)	332,929
Total liabilities and stockholders' equity	$ 422,777	$ 1,190,775	$ 1,560,145	$ 640,703	$ (1,600,919)	$ 2,213,481

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2002
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 127	$ 54	$ 74,173	$ 5,347	$ —	$ 79,701
Receivables, less allowance for doubtful accounts	—	40	61,624	104,549	—	166,213
Warehouse receivable	—	—	63,140	—	—	63,140
Prepaid expenses and other current assets	18,723	22,201	8,432	7,729	(20,199)	36,886
Total current assets	18,850	22,295	207,369	117,625	(20,199)	345,940
Property and equipment, net	—	—	51,419	15,215	—	66,634
Goodwill	—	—	442,965	134,172	—	577,137
Other intangible assets, net	—	—	89,075	2,007	—	91,082
Deferred compensation assets	—	63,642	—	—	—	63,642
Investment in and advances to unconsolidated subsidiaries	—	4,782	39,205	6,221	—	50,208
Investment in consolidated subsidiaries	302,593	322,794	66,162	—	(691,549)	—
Intercompany loan receivable	—	429,396	—	—	(429,396)	—
Deferred tax assets, net	36,376	—	—	—	—	36,376
Other assets, net	4,896	17,464	20,453	51,044	—	93,857
Total assets	$ 362,715	$ 860,373	$ 916,648	$ 326,284	$ (1,141,144)	$ 1,324,876
Current Liabilities:						
Accounts payable and accrued expenses	$ 2,137	$ 4,610	$ 36,895	$ 58,773	$ —	$ 102,415
Intercompany payable	20,199	—	—	—	(20,199)	—
Compensation and employee benefits payable	—	—	40,938	22,796	—	63,734
Accrued bonus and profit sharing	—	—	59,942	43,916	—	103,858
Income taxes payable	15,451	—	—	—	—	15,451
Short-term borrowings:						
Warehouse line of credit	—	—	63,140	—	—	63,140
Other	—	—	12,145	47,909	—	60,054
Total short-term borrowings	—	—	75,285	47,909	—	123,194
Current maturities of long-term debt	—	9,975	—	736	—	10,711
Other current liabilities	11,724	—	—	—	—	11,724
Total current liabilities	49,511	14,585	213,060	174,130	(20,199)	431,087
Long-Term Debt:						
11 1/4% senior subordinated notes, net of unamortized discount	—	225,943	—	—	—	225,943
Senior secured term loans	—	211,000	—	—	—	211,000
16% senior notes, net of unamortized discount	61,863	—	—	—	—	61,863
Other long-term debt	—	—	—	198	—	198
Intercompany loan payable	—	—	362,344	67,052	(429,396)	—
Total long-term debt	61,863	436,943	362,344	67,250	(429,396)	499,004
Deferred compensation liability	—	106,252	—	—	—	106,252
Other liabilities	—	—	18,450	13,127	—	31,577
Total liabilities	111,374	557,780	593,854	254,507	(449,595)	1,067,920
Minority interest	—	—	—	5,615	—	5,615
Commitments and contingencies						
Stockholders' equity	251,341	302,593	322,794	66,162	(691,549)	251,341
Total liabilities and stockholders' equity	$ 362,715	$ 860,373	$ 916,648	$ 326,284	$ (1,141,144)	$ 1,324,876

Table of Contents

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ 1,137,987	$ 492,087	$ —	$ 1,630,074
Costs and expenses:						
Cost of services	—	—	577,808	218,600	—	796,408
Operating, administrative and other	426	4,973	447,447	225,551	—	678,397
Depreciation and amortization	—	—	56,853	35,769	—	92,622
Merger-related and other nonrecurring charges	—	—	20,367	16,450	—	36,817
Operating (loss) income	(426)	(4,973)	35,512	(4,283)	—	25,830
Equity income from unconsolidated subsidiaries	—	132	13,818	415	—	14,365
Interest income	185	39,312	2,659	2,738	(38,853)	6,041
Interest expense	17,815	61,907	38,046	8,301	(38,853)	87,216
Equity losses from consolidated subsidiaries	(21,214)	(8,432)	(16,739)	—	46,385	—
Loss before (benefit) provision for income taxes	(39,270)	(35,868)	(2,796)	(9,431)	46,385	(40,980)
(Benefit) provision for income taxes	(4,566)	(14,654)	5,636	7,308	—	(6,276)
Net loss	$ (34,704)	$ (21,214)	$ (8,432)	$ (16,739)	$ 46,385	$ (34,704)

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ 849,563	$ 320,714	$ —	$ 1,170,277
Costs and expenses:						
Cost of services	—	—	413,830	133,263	—	547,093
Operating, administrative and other	415	1,186	345,279	154,918	—	501,798
Depreciation and amortization	—	—	15,833	8,781	—	24,614
Merger-related and other nonrecurring charges	—	36	—	—	—	36
Operating (loss) income	(415)	(1,222)	74,621	23,752	—	96,736
Equity income from unconsolidated subsidiaries	—	662	7,449	1,215	—	9,326
Interest income	158	42,845	2,079	916	(42,726)	3,272
Interest expense	11,344	42,731	39,742	9,410	(42,726)	60,501
Equity income from consolidated subsidiaries	27,306	32,898	5,005	—	(65,209)	—
Income before (benefit) provision for income taxes	15,705	32,452	49,412	16,473	(65,209)	48,833
(Benefit) provision for income taxes	(3,022)	5,146	16,514	11,468	—	30,106
Net income	$ 18,727	$ 27,306	$ 32,898	$ 5,005	$ (65,209)	$ 18,727

Table of Contents

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 20 (INCEPTION) TO DECEMBER 31, 2001
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ —	$ 416,446	$ 146,382	$ —	$ 562,828
Costs and expenses:						
Cost of services	—	—	207,019	56,582	—	263,601
Operating, administrative and other	500	3,589	145,145	70,175	—	219,409
Depreciation and amortization	—	—	8,523	3,675	—	12,198
Merger-related and other nonrecurring charges	—	2,144	3,530	768	—	6,442
Operating (loss) income	(500)	(5,733)	52,229	15,182	—	61,178
Equity income from unconsolidated subsidiaries	—	198	1,290	66	—	1,554
Interest income	1,135	19,270	370	561	(18,909)	2,427
Interest expense	8,199	20,353	17,091	2,983	(18,909)	29,717
Equity income from consolidated subsidiaries	22,721	27,713	8,605	—	(59,039)	—
Income before (benefit) provision for income taxes	15,157	21,095	45,403	12,826	(59,039)	35,442
(Benefit) provision for income taxes	(2,269)	(1,626)	17,690	4,221	—	18,016
Net income	$ 17,426	$ 22,721	$ 27,713	$ 8,605	$ (59,039)	$ 17,426

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JANUARY 1 TO JULY 20, 2001
(Predecessor Company)
(Dollars in thousands)

	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$ —	$ 465,280	$ 142,654	$ —	$ 607,934
Costs and expenses:					
Cost of services	—	217,799	61,404	—	279,203
Operating, administrative and other	1,155	216,063	80,778	—	297,996
Depreciation and amortization	—	17,021	8,635	—	25,656
Merger-related and other nonrecurring charges	19,260	2,867	—	—	22,127
Operating (loss) income	(20,415)	11,530	(8,163)	—	(17,048)
Equity income from unconsolidated subsidiaries	492	2,141	241	—	2,874
Interest income	16,757	952	615	(16,757)	1,567
Interest expense	18,014	14,952	4,094	(16,757)	20,303
Equity losses from consolidated subsidiaries	(14,587)	(12,480)	—	27,067	—
Loss before (benefit) provision for income taxes	(35,767)	(12,809)	(11,401)	27,067	(32,910)
(Benefit) provision for income taxes	(1,747)	1,778	1,079	—	1,110
Net loss	$ (34,020)	$ (14,587)	$ (12,480)	$ 27,067	$ (34,020)

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (30,872)	$ 5,041	$ 59,797	$ 29,975	$ 63,941
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures, net of concessions received	—	—	(14,182)	(12,779)	(26,961)
Proceeds from sale of properties and servicing rights	—	—	3,753	196	3,949
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired	—	—	(276,401)	12,718	(263,683)
Other investing activities, net	—	26	6,415	(4,541)	1,900
Net cash provided by (used in) investing activities	—	26	(280,415)	(4,406)	(284,795)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolver and swingline credit facility	—	152,580	—	—	152,580
Repayment of revolver and swingline credit facility	—	(152,580)	—	—	(152,580)
Proceeds from senior secured term loans	—	375,000	—	—	375,000
Repayment of senior secured term loans	—	(298,475)	—	—	(298,475)
Proceeds from 9 3/4% senior notes	—	200,000	—	—	200,000
Repayment of notes payable	—	(43,000)	—	—	(43,000)
Repayment of 16% senior notes	(30,000)	—	—	—	(30,000)
(Repayment of) proceeds from senior notes and other loans, net	—	—	(914)	3,943	3,029
Proceeds from issuance of common stock	120,980	—	—	—	120,980
(Increase) decrease in intercompany receivables, net	(56,894)	(215,929)	296,111	(23,288)	—
Other financing activities, net	(333)	(22,700)	—	(837)	(23,870)
Net cash provided by (used in) financing activities	33,753	(5,104)	295,197	(20,182)	303,664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,881	(37)	74,579	5,387	82,810
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	127	54	74,173	5,347	79,701
Effect of currency exchange rate changes on cash	—	—	—	1,370	1,370
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 3,008	$ 17	$ 148,752	$ 12,104	$ 163,881
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest, net of amount capitalized	$ 15,823	$ 44,201	$ 1,491	$ 2,203	$ 63,718
Income taxes, net of refunds	$ 17,783	$ —	$ —	$ —	$ 17,783

Table of Contents

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 509	$ (7,905)	$ 42,090	$ 30,188	$ 64,882
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures, net of concessions received	—	—	(10,049)	(4,217)	(14,266)
Proceeds from sale of properties and servicing rights	—	—	2,515	3,863	6,378
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired	—	(11,588)	(35)	(3,188)	(14,811)
Other investing activities, net	—	44	196	(1,671)	(1,431)
Net cash used in investing activities	—	(11,544)	(7,373)	(5,213)	(24,130)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolver and swingline credit facility	—	238,000	—	—	238,000
Repayment of revolver and swingline credit facility	—	(238,000)	—	—	(238,000)
Repayment of senior secured term loans	—	(9,351)	—	—	(9,351)
Repayment of senior notes and other loans, net	—	(189)	(3,116)	(4,900)	(8,205)
Decrease (increase) in intercompany receivables, net	—	28,284	462	(28,746)	—
Other financing activities, net	(385)	(172)	(94)	369	(282)
Net cash (used in) provided by financing activities	(385)	18,572	(2,748)	(33,277)	(17,838)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	124	(877)	31,969	(8,302)	22,914
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	3	931	42,204	14,312	57,450
Effect of currency exchange rate changes on cash	—	—	—	(663)	(663)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 127	$ 54	$ 74,173	$ 5,347	$ 79,701
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest, net of amount capitalized	$ 8,509	$ 38,751	$ 1,635	$ 3,752	$ 52,647
Income taxes, net of refunds	$ 19,142	$ —	$ —	$ —	$ 19,142

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE PERIOD FROM FEBRUARY 20 (INCEPTION) TO DECEMBER 31, 2001 (Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 310	$ 5,947	$ 56,478	$ 28,599	$ —	$ 91,334
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures, net of concessions received	—	—	(4,246)	(2,255)	—	(6,501)
Proceeds from sale of properties and servicing rights	—	—	1,996	112	—	2,108
Investment in property held for sale	—	—	—	(40,174)	—	(40,174)
Contribution to CBRE	(154,881)	—	—	—	154,881	—
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired	—	(212,369)	(1,850)	(483)	—	(214,702)
Other investing activities, net	—	(1)	(1,950)	(173)	—	(2,124)
Net cash used in investing activities	(154,881)	(212,370)	(6,050)	(42,973)	154,881	(261,393)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from revolver and swingline credit facility	—	113,750	—	—	—	113,750
Repayment of revolver and swingline credit facility	—	(113,750)	—	—	—	(113,750)
Proceeds from senior secured term loans	—	235,000	—	—	—	235,000
Repayment of senior secured term loans	—	(4,675)	—	—	—	(4,675)
Proceeds from 16% senior notes	65,000	—	—	—	—	65,000
Repayment of senior notes and other loans, net	—	—	(1,185)	(3)	—	(1,188)
Proceeds from 11 1/4% senior subordinated notes	—	225,629	—	—	—	225,629
Repayment of 8 7/8% senior subordinated notes	—	(175,000)	—	—	—	(175,000)
Proceeds from non recourse debt related to property held for sale	—	—	—	37,179	—	37,179
Repayment of revolving credit facility	—	(235,000)	—	—	—	(235,000)
Payment of deferred financing fees	(2,582)	(19,168)	—	—	—	(21,750)
Proceeds from issuance of stock	92,156	154,881	—	—	(154,881)	92,156
Decrease (increase) in intercompany receivables, net	—	30,263	(6,981)	(23,282)	—	—
Other financing activities, net	—	(5,535)	(103)	2,118	—	(3,520)
Net cash provided by (used in) financing activities	154,574	206,395	(8,269)	16,012	(154,881)	213,831
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3	(28)	42,159	1,638	—	43,772
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	—	959	45	12,658	—	13,662
Effect of currency exchange rate changes on cash	—	—	—	16	—	16
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 3	$ 931	$ 42,204	$ 14,312	$ —	$ 57,450
SUPPLEMENTAL DATA:						
Cash paid during the period for:						
Interest, net of amount capitalized	$ 2,600	$ 22,562	$ 874	$ 90	$ —	$ 26,126
Income taxes, net of refunds	$ 5,061	$ —	$ —	$ —	$ —	$ 5,061

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CB RICHARD ELLIS GROUP, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1 TO JULY 20, 2001
(Predecessor Company)
(Dollars in thousands)

	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS USED IN OPERATING ACTIVITIES	$ (37,633)	$ (53,363)	$ (29,234)	$ (120,230)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures, net of concessions received	—	(11,309)	(3,505)	(14,814)
Proceeds from sale of properties and servicing rights	—	9,105	439	9,544
Investment in property held for sale	—	—	(2,282)	(2,282)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired	—	(31)	(1,893)	(1,924)
Other investing activities, net	251	(3,024)	110	(2,663)
Net cash provided by (used in) investing activities	251	(5,259)	(7,131)	(12,139)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from revolving credit facility	195,000	—	—	195,000
Repayment of revolving credit facility	(70,000)	—	—	(70,000)
(Repayment of) proceeds from senior notes and other loans, net	(2,490)	(1,656)	4,592	446
Payment of deferred financing fees	(8)	—	—	(8)
(Increase) decrease in intercompany receivables, net	(85,712)	52,846	32,866	—
Other financing activities, net	1,489	(81)	(616)	792
Net cash provided by financing activities	38,279	51,109	36,842	126,230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	897	(7,513)	477	(6,139)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	62	7,558	13,234	20,854
Effect of currency exchange rate changes on cash	—	—	(1,053)	(1,053)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 959	$ 45	$ 12,658	$ 13,662
SUPPLEMENTAL DATA:				
Cash paid during the period for:				
Interest, net of amount capitalized	$ 17,194	$ 1,165	$ 98	$ 18,457
Income taxes, net of refunds	$ 19,083	$ —	$ —	$ 19,083

Table of Contents

21. Industry Segments

We report our operations through three geographically organized segments: (1) Americas, (2) Europe, Middle East and Africa (EMEA) and (3) Asia Pacific. Summarized financial information by operating segment is as follows (dollars in thousands):

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31, 2001	Period From January 1 to July 20, 2001
	2003	2002		
Revenue				
Americas	$ 1,197,626	$ 896,064	$ 440,349	$ 488,450
EMEA	313,686	182,222	83,012	78,294
Asia Pacific	118,762	91,991	39,467	41,190
	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934
Operating income (loss)				
Americas	$ 35,107	$ 72,868	$ 47,767	$ (10,801)
EMEA	(20,490)	17,287	11,441	(2,149)
Asia Pacific	11,213	6,581	1,970	(4,098)
	25,830	96,736	61,178	(17,048)
Equity income (loss) from unconsolidated subsidiaries				
Americas	$ 14,180	$ 8,425	$ 1,343	$ 2,465
EMEA	188	82	22	20
Asia Pacific	373	819	189	429
	$ 14,365	$ 9,326	$ 1,554	$ 2,874
Interest income	6,041	3,272	2,427	1,567
Interest expense	87,216	60,501	29,717	20,303
(Loss) income before (benefit) provision for income taxes	$ (40,980)	$ 48,833	$ 35,442	$ (32,910)
Depreciation and amortization				
Americas	$ 58,216	$ 16,958	$ 9,221	$ 18,231
EMEA	31,287	4,579	1,763	4,729
Asia Pacific	3,119	3,077	1,214	2,696
	$ 92,622	$ 24,614	$ 12,198	$ 25,656
Capital expenditures, net of concessions received				
Americas	$ 14,960	$ 10,999	$ 4,692	$ 12,237
EMEA	10,353	2,018	694	1,557
Asia Pacific	1,648	1,249	1,115	1,020
	$ 26,961	$ 14,266	$ 6,501	$ 14,814

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	December 31, 2003	December 31, 2002	December 31, 2001
	(Dollars in thousands)		
Identifiable assets			
Americas	$ 1,426,525	$ 868,990	$ 941,732
EMEA	409,087	198,027	171,621
Asia Pacific	124,128	123,059	97,552
Corporate	253,741	134,800	143,607
	$ 2,213,481	$ 1,324,876	$ 1,354,512

Identifiable assets by industry segment are those assets used in our operations in each segment. Corporate identifiable assets include cash and cash equivalents and net deferred tax assets.

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Investments in and advances to unconsolidated subsidiaries		
Americas	$ 56,774	$ 44,294
EMEA	6,494	1,058
Asia Pacific	5,093	4,856
	$ 68,361	$ 50,208

Geographic Information:

	CB Richard Ellis Group			Predecessor Company
	Year Ended December 31,		Period From February 20 (inception) to December 31,	Period From January 1 to July 20,
	2003	2002	2001	2001
	(Dollars in thousands)			
Revenue				
U.S.	$ 1,137,986	$ 849,563	$ 416,445	$ 465,281
U.K.	179,792	95,947	48,206	48,210
All other countries	312,296	224,767	98,177	94,443
	$ 1,630,074	$ 1,170,277	$ 562,828	$ 607,934

The revenue shown in the table above is allocated based upon the country in which services are performed.

	December 31, 2003	December 31, 2002
	(Dollars in thousands)	
Long-lived assets		
U.S.	$ 66,280	$ 51,419
U.K.	31,707	3,297
All other countries	15,582	11,918
	$ 113,569	$ 66,634

The long-lived assets shown in the table above include property and equipment.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

22. Related Party Transactions

Included in other current and other assets in the accompanying consolidated balance sheets are employee loans of $31.7 million and $5.9 million as of December 31, 2003 and 2002, respectively. The majority of these loans represent sign-on and retention bonuses issued or assumed in connection with the Insignia Acquisition as well as prepaid retention and recruitment awards issued to employees. These loans are at varying principal amounts, bear interest at rates up to 10% per annum and mature on various dates through 2008. As of December 31, 2002, the outstanding employee loan balances included a $0.3 million loan to Ray Wirta, our Chief Executive Officer, and a $0.2 million loan to Brett White, our President. These non-interest bearing loans to Mr. Wirta and Mr. White were issued during 2002 and were due and payable on December 31, 2003. The compensation committee of our board of directors forgave Mr. Wirta’s and Mr. White’s loans in full, effective January 1, 2004.

The accompanying consolidated balance sheets also include $4.7 million and $4.8 million of notes receivable from sale of stock as of December 31, 2003 and 2002, respectively. These notes are primarily comprised of full recourse loans to our employees, officers and certain shareholders, and are secured by our common stock that is owned by the borrowers. These recourse loans are at varying principal amounts, require quarterly interest payments, bear interest at rates up to 10.0% per annum and mature on various dates through 2010.

Pursuant to the Equity Incentive Plan (EIP), Mr. Wirta purchased 30,000 shares of CBRE common stock in 2000 at a purchase price of $12.875 per share that was paid for by the delivery of a full recourse promissory note bearing interest at 7.40%. As part of the 2001 Merger, the 30,000 shares of CBRE common stock were exchanged for 30,000 shares of our Class B common stock, which shares were substituted for the CBRE shares as security for the note. All interest charged on the outstanding promissory note balance for any year is forgiven if Mr. Wirta’s performance produces a high enough level of bonus, with approximately $7,500 of interest forgiven for each $10,000 of bonus. In 2003, our board of directors forgave all 2002 interest on Mr. Wirta’s promissory note. As of December 31, 2003 and 2002, Mr. Wirta had an outstanding loan balance of $385,950, which is included in notes receivable from sale of stock in the accompanying consolidated balance sheets.

Pursuant to the EIP, Mr. White purchased 25,000 shares of CBRE common stock in 1998 at a purchase price of $38.50 per share and 20,000 shares of CBRE common stock in 2000 at a purchase price of $12.875 per share. These purchases were paid for by the delivery of full recourse promissory notes. A First Amendment to Mr. White’s 1998 promissory note provided that the portion of the then outstanding principal in excess of the fair market value of the shares would be forgiven in the event that Mr. White was an employee of ours or of our subsidiaries on November 16, 2002 and the fair market value of our common stock was at least $38.50 per share on November 16, 2002. Mr. White’s promissory note was subsequently amended, terminating the First Amendment and adjusting the original 1998 Stock Purchase Agreement by reducing the purchase price from $38.50 to $16.00. During 2002, the 25,000 shares held as security for the Second Amended Promissory Note were tendered as full payment for this note. The remaining note delivered by Mr. White bears interest at 7.40%. As part of the 2001 Merger, the 20,000 shares of CBRE common stock purchased by Mr. White were exchanged for 20,000 shares of our common Class B common stock, which shares were substituted for CBRE shares as security for the note. All interest charged on the outstanding promissory note balances for any year is forgiven if Mr. White’s performance produces a high enough level of bonus, with approximately $7,500 of interest forgiven for each $10,000 of bonus. In 2003, our board of directors forgave all 2002 interest on Mr. White’s promissory note. As of December 31, 2003 and 2002, Mr. White had an outstanding loan balance $257,300, which is included in notes receivable from the sale of stock in the accompanying consolidated balance sheets.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of December 31, 2003 and 2002, Mr. White also had an outstanding loan balance of $179,886 and $164,832, respectively, which is included in notes receivable from the sale of stock in the accompanying consolidated balance sheets. This outstanding loan relates to the acquisition of 12,500 shares of CBRE's common stock prior to the 2001 Merger. Subsequent to the 2001 Merger, these shares were converted into shares of our common stock and the related loan amount was carried forward. As amended, this loan accrues interest at 6.0%, and the principal and all accrued interest is payable on or before April 23, 2010. Mr. White repaid this loan in full on February 10, 2004.

At the time of the 2001 Merger, Mr. Wirta delivered to us an $80,000 promissory note, which bore interest at 10% per year, as payment for the purchase of 5,000 shares of our Class B common stock. Mr. Wirta repaid this promissory note in full in April of 2002. Additionally, Mr. Wirta and Mr. White delivered full-recourse notes in the amounts of $512,504 and $209,734, respectively, as payment for a portion of the shares of Class A common stock purchased in connection with the 2001 Merger. These notes bear interest at 10% per year. During the year ended December 31, 2002, Mr. Wirta paid down his loan amount by $40,004 and Mr. White paid off his note in its entirety. During the year ended December 31, 2003, Mr. Wirta paid down his loan amount by $70,597. As of December 31, 2003 and 2002, Mr. Wirta has an outstanding loan balance of $401,903 and $472,500, respectively, which is included in notes receivable from sale of stock in the accompanying consolidated balance sheets.

In the event that our common stock is not freely tradable on a national securities exchange or an over-the-counter market by May 30, 2004, we agreed in 2001 to loan Mr. Wirta up to $3.0 million on a full-recourse basis to enable him to exercise an existing option to acquire shares held by the Koll Holding Company if Mr. Wirta is employed by us at the time of exercise, was terminated without cause or resigned for good reason. This loan will become repayable upon the earliest to occur of the following: (1) 90 days following termination of his employment, other than without cause or by him for good reason, (2) seven months following the date our common stock becomes freely tradable as described above or (3) the receipt of proceeds from the sale of the pledged shares. This loan will bear interest at the prime rate in effect on the date of the loan, compounded annually, and will be repayable to the extent of any net proceeds received by Mr. Wirta upon sale of any shares of our common stock. Mr. Wirta is required to pledge the shares received upon exercise of the option as security for the loan.

Table of Contents

CBRE HOLDING, INC.

QUARTERLY RESULTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31, 2003	Three Months Ended September 30, 2003	Three Months Ended June 30, 2003	Three Months Ended March 31, 2003
	(Dollars in thousands, except share data)			
Revenue	$ 621,257	$ 423,376	$ 321,717	$ 263,724
Operating income (loss)	$ 19,136	$ (22,676)	$ 21,591	$ 7,779
Net (loss) income	$ (10,084)	$ (28,445)	$ 5,172	$ (1,347)
Basic EPS (1)	$ (0.45)	$ (1.37)	$ 0.34	$ (0.09)
Weighted average shares outstanding for basic EPS (1)	22,563,690	20,743,011	15,040,868	15,029,219
Diluted EPS (1)	$ (0.45)	$ (1.37)	$ 0.34	$ (0.09)
Weighted average shares outstanding for diluted EPS (1)	22,563,690	20,743,011	15,344,038	15,029,219

(1) EPS is defined as earnings (loss) per share

	Three Months Ended December 31, 2002	Three Months Ended September 30, 2002	Three Months Ended June 30, 2002	Three Months Ended March 31, 2002
	(Dollars in thousands, except share data)			
Revenue	$ 376,466	$ 284,928	$ 284,893	$ 223,990
Operating income	$ 49,264	$ 18,384	$ 27,624	$ 1,464
Net income (loss)	$ 15,097	$ 1,881	$ 7,289	$ (5,540)
Basic EPS (1)	$ 1.01	$ 0.13	$ 0.48	$ (0.37)
Weighted average shares outstanding for basic EPS (1)	15,000,576	15,016,044	15,034,616	15,050,633
Diluted EPS (1)	$ 0.99	$ 0.12	$ 0.48	$ (0.37)
Weighted average shares outstanding for diluted EPS (1)	15,238,038	15,225,788	15,217,186	15,050,633

(1) EPS is defined as earnings (loss) per share

Table of Contents

CB RICHARD ELLIS GROUP, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	CB Richard Ellis Group Allowance For Bad Debts
Balance, February 20, 2001 (inception)	$ —
Acquired in connection with the 2001 Merger	12,074
Charges to expense	1,317
Write-offs, payments and other	(1,643)
Balance, December 31, 2001	11,748
Charges to expense	3,415
Write-offs, payments and other	(4,271)
Balance, December 31, 2002	10,892
Acquired in connection with the Insignia Acquisition	5,061
Charges to expense	3,436
Write-offs, payments and other	(3,208)
Balance, December 31, 2003	$ 16,181

	Predecessor Company Allowance For Bad Debts
Balance, December 31, 2000	$ 12,631
Charges to expense	3,387
Write-offs, payments and other	(3,944)
Balance, July 20, 2001	$ 12,074

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands, except share data)
(Unaudited)

	June 30, 2003
Assets	
Cash and cash equivalents	$ 55,991
Receivables, net	137,566
Restricted cash	21,153
Property and equipment, net	42,140
Real estate investments, net	131,411
Goodwill	260,565
Acquired intangible assets, less accumulated amortization of $56,025	4,684
Deferred taxes	62,086
Other assets, net	18,653
Total assets	$ 734,249
Liabilities and Stockholders' Equity	
Liabilities:	
Accounts payable	$ 8,999
Commissions payable	45,744
Accrued incentives	13,958
Accrued and sundry	92,886
Deferred taxes	23,396
Notes payable	56,785
Real estate mortgage notes	71,986
Total liabilities	313,754
Stockholders' Equity:	
Common stock, par value $.01 per share—authorized 80,000,000 shares, 24,082,121 issued and outstanding shares, net of 1,502,600 shares held in treasury	241
Preferred stock, par value $.01 per share—authorized 20,000,000 shares, Series A, 250,000 and Series B, 125,000 issued and outstanding shares	4
Additional paid-in capital	443,101
Notes receivable for common stock	(1,006)
Accumulated deficit	(24,104)
Accumulated other comprehensive income	2,259
Total stockholders' equity	420,495
Total liabilities and stockholders' equity	$ 734,249

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2003	2002
Revenues		
Real estate services	$ 281,280	$ 255,446
Property operations	4,326	4,550
Equity (loss) earnings in unconsolidated ventures	(3,318)	3,259
	282,288	263,255
Costs and expenses		
Real estate services	271,908	239,960
Property operations	3,664	3,165
Administrative	10,192	6,583
Depreciation	6,971	6,744
Property depreciation	753	1,058
Amortization of intangibles	1,222	2,735
	294,710	260,245
Operating (loss) income	(12,422)	3,010
Other income and expenses:		
Interest income	1,646	2,081
Other income	29	13
Interest expense	(3,293)	(4,338)
Property interest expense	(841)	(951)
Loss from continuing operations before income taxes	(14,881)	(185)
Income tax benefit	5,208	83
Loss from continuing operations	(9,673)	(102)
Discontinued operations, net of applicable taxes:		
(Loss) income from operations	(360)	2,869
Income on disposal	3,763	265
(Loss) income before cumulative effect of a change in accounting principle	(6,270)	3,032
Cumulative effect of a change in accounting principle, net of applicable taxes	—	(20,635)
Net loss	(6,270)	(17,603)
Preferred stock dividends	(1,594)	(573)
Net loss available to common shareholders	$ (7,864)	$ (18,176)

See Notes to Condensed Consolidated Financial Statements.

INSIGNIA FINANCIAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Operating activities		
Loss from continuing operations	$ (9,673)	$ (102)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	8,946	10,537
Equity loss (earnings) in unconsolidated ventures	3,318	(3,259)
Changes in operating assets and liabilities:		
Accounts receivable	16,441	36,386
Other assets	(7,752)	3,158
Accrued incentives	(35,339)	(44,039)
Accounts payable and accrued expenses	(9,136)	(23,526)
Commissions payable	(17,543)	(33,747)
Net cash used in operating activities	(50,738)	(54,592)
Investing activities		
Additions to property and equipment, net	(4,982)	(2,197)
Proceeds from real estate investments	4,154	30,940
Payments made for acquisitions of businesses	(4,071)	(6,155)
Proceeds from sale of discontinued operations	66,750	23,250
Investment in real estate	(4,732)	(4,897)
Decrease in restricted cash	365	2,941
Net cash provided by investing activities	57,484	43,882
Financing activities		
Proceeds from issuance of common stock	5,488	1,127
Proceeds from issuance of preferred stock, net	—	12,325
Preferred stock dividends	(1,593)	(633)
Payment on notes payable	(70,104)	(36,722)
Payments on real estate mortgage notes	—	(20,915)
Proceeds from real estate mortgage notes	5,191	—
Debt issuance costs	—	(866)
Net cash used in financing activities	(61,018)	(45,684)
Net cash (used in) provided by discontinued operations	(3,002)	5,209
Effect of exchange rate changes on cash	1,818	1,641
Net decrease in cash and cash equivalents	(55,456)	(49,544)
Cash and cash equivalents at beginning of period	111,447	131,770
Cash and cash equivalents at end of period	$ 55,991	$ 82,226

See Notes to Condensed Consolidated Financial Statements.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business

Insignia Financial Group, Inc. ("Insignia" or the "Company"), a Delaware corporation headquartered in New York, New York, is a leading provider of international real estate and real estate financial services, with operations in the United States, United Kingdom, France, continental Europe, Asia and Latin America. Insignia's real estate service businesses offer a diversified array of services including commercial leasing, sales brokerage, corporate real estate consulting, property management, property development, re-development and real estate oriented financial services. In addition to traditional real estate services, Insignia has historically deployed its own capital, together with the capital of third party investors, in principal real estate investments, including co-investment in existing property assets, real estate development and managed private investment funds. The Company's real estate service operations and real estate investments are more fully described below.

Insignia's primary real estate service businesses include the following: Insignia/ESG (United States, commercial real estate services), Insignia Richard Ellis (United Kingdom, commercial real estate services) and Insignia Bourdais (France, commercial real estate services; acquired in December 2001). Insignia also offers commercial real estate services throughout continental Europe, Asia and Latin America. Insignia's other businesses in continental Europe include operations in Germany, Italy, Spain, Holland and Belgium. Insignia's New York-based residential businesses—Insignia Douglas Elliman and Insignia Residential Group—were sold on March 14, 2003 (see further discussion under the caption "Discontinued Operations" in Note 6).

2. Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

3. Reclassifications

Certain amounts for the prior year have been reclassified to conform to the 2003 presentation. These reclassifications have no effect on reported net loss.

4. Seasonality

The Company's revenues are substantially derived from tenant representation, agency leasing, investment sales and consulting services. Revenues generated by these services are transactional in nature and therefore affected by seasonality, availability of space, competition in the market place and changes in business and capital market conditions. A significant portion of the expenses associated with these transactional activities are directly correlated to revenue. Also, certain conditions to revenue recognition for leasing commissions are outside of the Company's control.

Consistent with the industry in general, the Company's revenues and operating income have historically been lower during the first three calendar quarters than in the fourth quarter. The reasons for the concentration of earnings in the fourth quarter include a general, industry-wide focus on completing transactions by calendar year

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

end, as well as the constant nature of the Company’s non-variable expenses throughout the year versus the seasonality of its revenues. This phenomenon has generally produced a historical pattern of higher revenues and income in the last half of the year and a gradual slowdown in transactional activity and corresponding operating results during the first quarter. This tendency notwithstanding, it is possible that any fourth quarter may not be the best performing quarter of a particular year. Insignia’s quarterly earnings are also susceptible to the potential adverse effects of unforeseen market disruptions like that of the third quarter of 2001 caused by the events of September 11. Consequently, future revenue production and earnings may be difficult to predict and comparisons from period to period may be difficult to interpret.

5. Foreign Currency

The financial statements of the Company’s foreign subsidiaries are measured using the local currency as the functional currency. The British pound and euro represent the only foreign currencies of material operations, which collectively generated approximately 30% of the Company’s service revenues for the six months ended June 30, 2003. Revenues and expenses of all foreign subsidiaries have been translated into U.S. dollars at the average exchange rates prevailing during the periods. Assets and liabilities have been translated at the rates of exchange at the balance sheet date. Translation gains and losses are deferred as a separate component of stockholders’ equity in accumulated other comprehensive income (loss), unless there is a sale or complete liquidation of the underlying foreign investment. Gains and losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the consolidated statements of operations in determining net income.

For the six months ended June 30, 2003, European operations were translated to U.S. dollars at average exchange rates of $1.61 to the British pound and $1.10 to the euro. The assets and liabilities of the Company’s European operations have been translated at exchange rates of $1.65 to the British pound and $1.14 to the euro at June 30, 2003.

6. Discontinued Operations

On March 14, 2003, Insignia completed the sale of its New York-based residential businesses, Insignia Residential Group and Insignia Douglas Elliman, to Montauk Battery Realty. Montauk Battery Realty is located on Long Island, New York and its principal owners are New Valley Corp. and Dorothy Herman, chief executive officer of Prudential Long Island Realty. The total purchase price of $71.75 million was paid or is payable as follows: (i) $66.75 million paid in cash to Insignia at the closing of the transaction; (ii) $500,000 in cash held in escrow on the closing date and up to another $500,000 held in escrow pending receipt of specified commissions; and (iii) the assumption by the buyer of up to $4.0 million in existing contingent earn-out payment obligations of Insignia Douglas Elliman. The escrowed amounts are available to secure Insignia’s indemnity obligations under the purchase and sale agreement. Any amounts remaining in escrow on March 14, 2004 and not securing previously made indemnity claims will be released to Insignia.

Insignia Douglas Elliman, acquired by Insignia in June 1999, provides sales and rental services in the New York City residential cooperative, condominium and rental apartment market and also operates in upscale suburban markets in Long Island (Manhasset, Locust Valley and Port Washington/Sands Point). Insignia Residential Group is the largest manager of cooperative, condominium and rental apartments in the New York metropolitan area, providing full service third-party fee management for more than 250 properties, comprising approximately 60,000 residential units. These residential businesses collectively produced service revenues in 2002 and 2001 of $133.7 million and $119.2 million, respectively.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

During the six months ended June 30, 2003, Insignia recognized a net gain of approximately $3.8 million (net of $4.7 million of applicable income taxes) in connection with the sale of its residential businesses. These businesses also generated an operating loss of $360,000 on revenues of $20.5 million during the 2003 period. The gain on sale and operating loss are reported as discontinued operations for financial reporting purposes. During the first quarter of 2002, Insignia recognized income on disposal of $265,000 (net of applicable taxes of $1.8 million) related to the sale of Realty One, the Company's former single-family home brokerage business.

The following tables summarize the aggregate assets and liabilities of Insignia Douglas Elliman and Insignia Residential Group at December 31, 2002 and the results of operations and income on disposal attributed to Insignia Douglas Elliman (2003), Insignia Residential Group (2003) and Realty One (2002) during the six months ended June 30, 2003 and 2002, respectively.

	December 31, 2002
	(In thousands)
Assets	
Cash and cash equivalents	$ 66
Receivables	2,479
Property and equipment	11,766
Goodwill	34,117
Acquired intangible assets	11,999
Deferred taxes	3,365
Other assets	2,177
Assets of discontinued operations	65,969
Liabilities	
Accounts payable	2,535
Commissions payable	564
Accrued incentives	3,027
Accrued and sundry liabilities	3,256
Deferred taxes	789
Liabilities of discontinued operations	10,171
Net assets	$ 55,798

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Revenues	$20,517	$ 69,009
(Loss) income from operations, net of tax benefit of $248 (2003) and tax expense of $2,347 (2002)	(360)	2,869
Income on disposal, net of tax expense of $4,741 (2003) and $1,809 (2002)	3,763	265
Net income	$ 3,403	$ 3,134

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

7. Goodwill and Intangible Assets

The table below reconciles the change in the carrying amount of goodwill, by operating segment, for the period from December 31, 2002 to June 30, 2003.

	Commercial	Residential	Total
		(In thousands)	
Balance as of December 31, 2002	$ 255,444	$ 34,117	$289,561
Adjustment for discontinued operations	—	(34,117)	(34,117)
	255,444	—	255,444
Other adjustments to purchase consideration	(877)	—	(877)
Foreign currency translation	5,998	—	5,998
Balance as of June 30, 2003	$ 260,565	$ —	$260,565

The following tables present certain information on the Company's acquired intangible assets as of June 30, 2003.

Acquired Intangible Assets	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
			(In thousands)	
As of June 30, 2003				
Property management contracts	5 years	$ 52,679	$ 51,895	$ 784
Favorable premises leases	11 years	2,666	257	2,409
Other	3 years	5,364	3,873	1,491
Total		$ 60,709	$ 56,025	$ 4,684

All intangible assets are being amortized over their estimated useful lives with no residual value. Intangibles included in "Other" consist of customer backlog, non-compete agreements, franchise agreements and trade names. The aggregate acquired intangible amortization expense for the six months ended June 30, 2003 and 2002 totaled $1.2 million and $2.7 million, respectively. The decline in amortization expense in 2003 is attributed to property management contracts and customer backlog that were fully amortized in 2002.

8. Real Estate Investments

Insignia has historically invested in real estate assets and real estate debt securities. Insignia has engaged in real estate investment generally through: (i) investment in operating properties through co-investments with various clients or, in limited instances, by itself; (ii) investment in and development of commercial real estate on its own behalf and through co-investments; and (iii) minority ownership in and management of private investment funds, whose investments primarily consist of securitized real estate debt.

At June 30, 2003, the Company's real estate investments totaled $131.4 million, consisting of the following: (i) $19.3 million in minority-owned operating properties; (ii) $87.2 million of real estate carrying value attributed to three real estate investment entities consolidated by Insignia for financial reporting purposes; (iii) $8.1 million in four minority owned office development properties; (iv) $1.7 million in a land parcel held for development;

and (v) $15.1 million in minority-owned private investment funds owning debt securities. The properties owned by the consolidated investment entities are subject to mortgage debt of $72.0 million and Insignia's investment in the properties totaled $22.3 million at June 30, 2003. Insignia's investment in consolidated properties includes $19.2 million invested in a marina-based development property in the U.S. Virgin Islands. Insignia's minority-owned investments in operating real estate assets include office, retail, industrial, apartment and hotel properties. At June 30, 2003, these real estate assets consisted of over 5.8 million square feet of commercial property and 1,967 multi-family apartment units and hotel rooms. The Company's minority ownership interests in co-investment property range from 1% to 33%.

Gains realized from sales of real estate by minority owned entities for the six months ended June 30, 2003 and 2002 totaled $734,000 and $1.6 million, respectively. During the six months ended June 30, 2003, the Company recorded impairment against its real estate investments of $3.9 million on five property assets. The Company evaluates its real estate investments on a quarterly basis for evidence of impairment. Impairment losses are recognized whenever events or changes in circumstances indicate declines in value of such investments below carrying value and the related undiscounted cash flows are not sufficient to recover the asset's carrying amount. The impairments were based on changes in factors including increased vacancies, lower market rental rates and decreased projections of operating cash flows which diminished prospects for recovery of the Company's full investment upon final disposition. The gains realized from real estate sales and the losses taken on impairments are included in the caption "equity (loss) earnings in unconsolidated ventures" in the Company's condensed consolidated statements of operations.

The Company's only financial obligations with respect to its real estate investments, beyond its investment, are (i) partial construction financing guarantees, backed by letters of credit, totaling $8.9 million; (ii) other letters of credit and guarantees of property debt totaling $2.8 million; and (iii) future capital commitments for capital improvements and additional asset purchases totaling $2.3 million.

9. Debt

At June 30, 2003, Insignia's debt consisted of the following:

	June 30, 2003
	(In thousands)
Notes Payable	
Senior revolving credit facility	$ 28,000
Subordinated credit facility	15,000
Acquisition loan notes	13,785
	56,785
Real Estate Mortgage Notes	71,986
Total	$ 128,771

The Company's debt includes borrowings under its $165.0 million senior revolving credit facility (as amended), borrowings under a $37.5 million subordinated credit facility entered into in June 2002, acquisition loan notes issued in connection with previous acquisitions in the United Kingdom and real estate mortgage notes collateralized by real estate properties.

The senior credit facility bears interest at a margin above LIBOR, which was 2.0% at June 30, 2003. In March 2003, Insignia repaid $67.0 million on the senior revolving credit facility as a result of the March 14, 2003

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

sale of its residential businesses, lowering its outstanding balance to $28.0 million. In conjunction with the pay-down, the commitment under the senior credit facility was reduced from $230.0 million to $165.0 million. The senior revolving credit facility matures in May 2004. The subordinated credit facility borrowings, which are subordinate to Insignia's senior credit facility, bear interest at an annual rate of 11.25%, payable quarterly. Insignia may borrow the remaining $22.5 million available under this credit facility through the period ending in December 2003. The subordinated debt matures in June 2009. The acquisition loan notes are payable to sellers of the acquired U.K. businesses and are backed by restricted cash deposits in approximately the same amount. The loan notes are redeemable semi-annually at the discretion of the note holder and have a final maturity date of April 2010. The real estate mortgage notes are secured by property assets owned by consolidated subsidiaries. Maturities on the real estate mortgage notes range from December 2004 to October 2023.

10. Comprehensive Income (Loss)

The following table presents a calculation of comprehensive income (loss) for the periods indicated.

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Net loss	$(6,270)	$(17,603)
Other comprehensive income (loss):		
Foreign currency translation	7,354	5,967
Reclassification adjustment for realized gain	—	(50)
Minimum pension liability	—	(61)
Total other comprehensive income (loss)	7,354	5,856
Total comprehensive income (loss)	$ 1,084	$(11,747)

Table of Contents

11. Industry Segment Data

In 2003, Insignia's operating activities from continuing operations encompass only one reportable segment, commercial real estate services. The Company's residential real estate service businesses were disposed of in the first quarter of 2003 and are reported as discontinued operations. The Company's commercial service businesses offer similar products and services and are managed collectively because of the similarities between such services. These businesses provide services including tenant representation, property and asset management, agency leasing and brokerage, investment sales, development and re-development, consulting and other real estate financial services. Insignia's commercial businesses include Insignia/ESG in the United States, Insignia Richard Ellis in the United Kingdom, Insignia Bourdais in France and other businesses in continental Europe, Asia and Latin America. The following table summarizes certain geographic financial information for the periods indicated.

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Total Revenues		
United States	$ 194,341	$ 187,644
United Kingdom	54,462	49,939
France	22,032	18,082
Other Europe	7,468	4,866
Asia and Latin America	3,985	2,724
	$ 282,288	$ 263,255
Long-Lived Assets		
United States	$ 277,262	$ 261,741
United Kingdom	120,334	112,138
France	31,794	25,013
Other Europe	8,471	5,637
Asia and Latin America	939	773
	$ 438,800	$ 405,302

Long-lived assets are comprised of property and equipment, real estate investments, goodwill and acquired intangible assets.

12. Contingencies

Insignia and certain subsidiaries are defendants in lawsuits arising in the ordinary course of business. Management does not expect that the results of any such lawsuits will have a significant adverse effect on the financial condition, results of operations or cash flows of the Company. All contingencies, including unasserted claims or assessments, which are probable and the amount of loss can be reasonably estimated are accrued in accordance with Statement of Accounting Standards ("SFAS") No. 5, *Accounting for Contingencies*.

13. CB Richard Ellis Merger and Related Transactions

On February 17, 2003, Insignia entered into an Agreement and Plan of Merger with CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. ("CB") and Apple Acquisition Corp., a wholly owned subsidiary of CB, pursuant to which, upon the terms and subject to the conditions set forth therein, including the approval of Insignia's stockholders, Apple Acquisition Corp. would be merged with and into Insignia (the "Merger"), with

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Insignia being the surviving corporation in the Merger and becoming a wholly owned subsidiary of CB. The Merger closed on July 23, 2003 and Insignia's common shareholders received cash consideration of $11.156 per share. Insignia incurred approximately $4.9 million of expenses for legal and other services in connection with the Merger during the first six months of 2003. Such expenses are included in administrative expenses in the Company's statement of operations for the six months ended June 30, 2003.

Separately, on July 23, 2003, Insignia sold substantially all of its real estate investment assets to Island Fund I LLC prior to the closing of the Merger. The purchase price in the sale aggregated $44.8 million and included $36.9 million paid in cash to Insignia at closing and the assumption by the buyer of $7.9 million in contractual obligations to certain executive officers, including the Company's Chairman, who are also officers of Island Fund. The Company recognized a loss of approximately $12.8 million (before income tax effects) in connection with the sale.

14. Supplemental Information

The following supplemental information includes: (i) condensed consolidating balance sheet as of June 30, 2003; and (ii) condensed consolidating statements of operations and cash flows for the six months ended June 30, 2003 and 2002, respectively, of the Company's domestic commercial service operations (including operations of Insignia/ESG, Inc. and unallocated administrative expenses and corporate assets of Insignia), all other operations (comprised of international service operations and real estate investment operations) and the Company on a consolidated basis. Investments in consolidated subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in consolidated subsidiaries and intercompany balances and transactions.

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Balance Sheet
June 30, 2003

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
		(In thousands)		
Assets				
Cash and cash equivalents	$ 38,386	$ 17,605	$ —	$ 55,991
Receivables, net	98,651	38,915	—	137,566
Restricted cash	14,300	6,853	—	21,153
Intercompany receivables	43,978	—	(43,978)	—
Investment in consolidated subsidiaries	129,895	—	(129,895)	—
Property and equipment, net	32,220	9,920	—	42,140
Real estate investments, net	—	131,411	—	131,411
Goodwill	112,662	147,903	—	260,565
Acquired intangible assets, net	426	4,258	—	4,684
Deferred taxes	54,501	7,585	—	62,086
Other assets, net	8,160	10,493	—	18,653
Total assets	$ 533,179	$ 374,943	$ (173,873)	$ 734,249
Liabilities and Stockholders' Equity				
Liabilities:				
Accounts payable	$ 6,288	$ 2,711	$ —	$ 8,999
Commissions payable	43,548	2,196	—	45,744
Accrued incentives	10,704	3,254	—	13,958
Accrued and sundry	44,707	48,179	—	92,886
Deferred taxes	21,182	2,214	—	23,396
Intercompany payables	—	43,978	(43,978)	—
Notes payable	56,785	—	—	56,785
Real estate mortgage notes	—	71,986	—	71,986
Total liabilities	183,214	174,518	(43,978)	313,754
Total stockholders' equity	349,965	200,425	(129,895)	420,495
Total liabilities and stockholders' equity	$ 533,179	$ 374,943	$ (173,873)	$ 734,249

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2003

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
		(In thousands)		
Revenues	$ 193,333	$ 88,955	$ —	$ 282,288
Costs and expenses				
Real estate services	187,672	84,236	—	271,908
Property operations	—	3,664	—	3,664
Administrative	10,192	—	—	10,192
Depreciation and amortization	6,271	1,922	—	8,193
Property depreciation	—	753	—	753
	204,135	90,575	—	294,710
Operating loss	(10,802)	(1,620)	—	(12,422)
Other income and expenses:				
Interest income	593	1,053	—	1,646
Other income (expense)	41	(12)	—	29
Interest expense	(3,081)	(212)	—	(3,293)
Property interest expense	—	(841)	—	(841)
Equity earnings in consolidated subsidiaries	2,211	—	(2,211)	—
Loss from continuing operations before income taxes	(11,038)	(1,632)	(2,211)	(14,881)
Income tax benefit	4,768	440	—	5,208
Loss from continuing operations	(6,270)	(1,192)	(2,211)	(9,673)
Discontinued operations, net of applicable taxes:				
Loss from operations	—	(360)	—	(360)
Income on disposal	—	3,763	—	3,763
Net loss	$ (6,270)	$ 2,211	$ (2,211)	$ (6,270)

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Operations
For the Six Months Ended June 30, 2002

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
	(In thousands)			
Revenues	$ 179,835	$ 83,420	$ —	$ 263,255
Costs and expenses				
Real estate services	171,590	68,370	—	239,960
Property operations	—	3,165	—	3,165
Administrative	6,583	—	—	6,583
Depreciation and amortization	7,585	1,894	—	9,479
Property depreciation	—	1,058	—	1,058
	185,758	74,487	—	260,245
Operating (loss) income	(5,923)	8,933	—	3,010
Other income and expenses:				
Interest income	946	1,135	—	2,081
Other income (expense)	53	(40)	—	13
Interest expense	(4,060)	(278)	—	(4,338)
Property interest expense	—	(951)	—	(951)
Equity losses in consolidated subsidiaries	(12,213)	—	12,213	—
(Loss) income from continuing operations before income taxes	(21,197)	8,799	12,213	(185)
Income tax benefit (expense)	3,594	(3,511)	—	83
(Loss) income from continuing operations	(17,603)	5,288	12,213	(102)
Discontinued operations, net of applicable taxes:				
Income from operations	—	2,869	—	2,869
Income on disposal	—	265	—	265
Income (loss) before cumulative effect of a change in accounting principle	(17,603)	8,422	12,213	3,032
Cumulative effect of a change in accounting principle, net of applicable taxes	—	(20,635)	—	(20,635)
Net loss	$ (17,603)	$ (12,213)	$ 12,213	$ (17,603)

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2003

	Domestic Commercial Service Operations	Other Operations	Consolidated Total
		(In thousands)	
Net cash used in operating activities	$ (22,851)	$ (27,887)	$ (50,738)
Investing activities			
Additions to property and equipment, net	(1,294)	(3,688)	(4,982)
Proceeds from real estate investments	—	4,154	4,154
Payments made for acquisitions of businesses	—	(4,071)	(4,071)
Proceeds from sale of discontinued operation	—	66,750	66,750
Investment in real estate	—	(4,732)	(4,732)
Decrease (increase) in restricted cash	2,977	(2,612)	365
Net cash provided by investing activities	1,683	55,801	57,484
Financing activities			
Decrease (increase) in intercompany receivables, net	53,518	(53,518)	—
Proceeds from issuance of common stock	5,488	—	5,488
Preferred stock dividends	(1,593)	—	(1,593)
Payments on notes payable	(70,104)	—	(70,104)
Proceeds from real estate mortgage notes	—	5,191	5,191
Net cash used in financing activities	(12,691)	(48,327)	(61,018)
Net cash used in discontinued operations	—	(3,002)	(3,002)
Effect of exchange rate changes on cash	—	1,818	1,818
Net decrease in cash and cash equivalents	(33,859)	(21,597)	(55,456)
Cash and cash equivalents at beginning of period	72,245	39,202	111,447
Cash and cash equivalents at end of period	$ 38,386	$ 17,605	$ 55,991

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2002

	Domestic Commercial Service Operations	Other Operations	Consolidated Total
		(In thousands)	
Net cash (used in) provided by operating activities	$ (63,181)	$ 8,589	$ (54,592)
Investing activities			
Additions to property and equipment, net	(1,878)	(319)	(2,197)
Proceeds from real estate investments	—	30,940	30,940
Payments made for acquisitions of businesses	(804)	(5,351)	(6,155)
Proceeds from sale of discontinued operation	—	23,250	23,250
Investment in real estate	—	(4,897)	(4,897)
Decrease (increase) in restricted cash	3,932	(991)	2,941
Net cash provided by investing activities	1,250	42,632	43,882
Financing activities			
Decrease (increase) in intercompany receivables, net	35,275	(35,275)	—
Proceeds from issuance of common stock	1,127	—	1,127
Proceeds from issuance of preferred stock, net	12,325	—	12,325
Preferred stock dividends	(633)	—	(633)
Payments on notes payable	(36,722)	—	(36,722)
Payments on real estate mortgage notes	—	(20,915)	(20,915)
Debt issuance costs	(866)	—	(866)
Net cash provided by (used in) financing activities	10,506	(56,190)	(45,684)
Net cash provided by discontinued operations	—	5,209	5,209
Effect of exchange rate changes on cash	—	1,641	1,641
Net (decrease) increase in cash and cash equivalents	(51,425)	1,881	(49,544)
Cash and cash equivalents at beginning of period	106,954	24,816	131,770
Cash and cash equivalents at end of period	$ 55,529	$ 26,697	$ 82,226

INDEPENDENT AUDITORS' REPORT

The Stockholders
Insignia Financial Group, Inc.:

We have audited the accompanying consolidated balance sheet of Insignia Financial Group, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Insignia Financial Group, Inc. and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation, and the provisions of Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets effective January 1, 2002.

/S/ KPMG LLP

New York, New York
October 15, 2003

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Insignia Financial Group, Inc.

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of Insignia Financial Group, Inc. for the year ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations, changes in stockholders' equity and cash flows of Insignia Financial Group, Inc. for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/S/ ERNST & YOUNG LLP

New York, New York
February 8, 2002, except Notes 3, 4, 5, 15 and 19,
as to which the date is October 15, 2003

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2002
	(In thousands)
Assets	
Cash and cash equivalents	$ 111,513
Receivables, net of allowance of $6,684	155,321
Restricted cash	21,518
Property and equipment, net	55,614
Real estate investments, net	134,135
Goodwill	289,561
Acquired intangible assets, less accumulated amortization of $65,276	17,611
Deferred taxes	47,609
Other assets, net	39,957
Assets of discontinued operation	—
Total assets	$ 872,839
Liabilities and Stockholders’ Equity	
Liabilities:	
Accounts payable	$ 13,743
Commissions payable	63,974
Accrued incentives	52,324
Accrued and sundry	117,990
Deferred taxes	15,795
Notes payable	126,889
Real estate mortgage notes	66,795
Liabilities of discontinued operation	—
Total liabilities	457,510
Stockholders’ Equity:	
Preferred stock, par value $.01 per share—authorized 20,000,000 shares, Series A, 250,000 and Series B, 125,000 issued and outstanding shares	4
Common Stock, par value $.01 per share—authorized 80,000,000 shares 23,248,242 issued and outstanding shares, net of 1,502,600 shares held in treasury	232
Additional paid-in capital	437,622
Notes receivable for common stock	(1,193)
Accumulated deficit	(16,241)
Accumulated other comprehensive loss	(5,095)
Total stockholders’ equity	415,329
Total liabilities and stockholders’ equity	$ 872,839

See accompanying notes to the consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31	
	2002	**2001**
	(In thousands)	
Revenues		
Real estate services	$ 577,544	$ 613,253
Property operations	9,195	3,969
Equity earnings in unconsolidated ventures	3,482	13,911
Other income, net	793	2,096
	591,014	633,229
Costs and expenses		
Real estate services	526,076	554,744
Property operations	7,264	1,145
Administrative	14,344	13,439
Depreciation	13,915	12,509
Property depreciation	1,920	990
Amortization of intangibles	4,406	20,344
	567,925	603,171
Operating income	23,089	30,058
Other income and expenses:		
Interest income	3,936	4,853
Interest expense	(8,854)	(12,369)
Property interest expense	(2,122)	(1,744)
Losses from internet investments, net	—	(10,263)
Other expense	—	(661)
Income from continuing operations before income taxes	16,049	9,874
Income tax expense	(7,012)	(3,522)
Income from continuing operations	9,037	6,352
Discontinued operations, net of applicable tax		
Income (loss) from operations	4,180	(2,231)
Income (loss) on disposal	4,918	(17,629)
	9,098	(19,860)
Income (loss) before cumulative effect of a change in accounting principle	18,135	(13,508)
Cumulative effect of a change in accounting principle, net of applicable taxes	(20,635)	—
Net loss	(2,500)	(13,508)
Preferred stock dividends	(2,173)	(1,000)
Net loss available to common shareholders	$ (4,673)	$ (14,508)

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

	Years Ended December 31	
	2002	**2001**
	(In thousands, except per share data)	
Per share amounts:		
Earnings per common share—basic		
Income from continuing operations	$ 0.30	$ 0.24
Income (loss) from discontinued operations	0.39	(0.90)
Income (loss) before cumulative effect of a change in accounting principle	0.69	(0.66)
Cumulative effect of a change in accounting principle	(0.89)	—
Net loss	$ (0.20)	$ (0.66)
Earnings per common share—assuming dilution:		
Income from continuing operations	$ 0.29	$ 0.23
Income (loss) from discontinued operations	0.38	(0.85)
Income (loss) before cumulative effect of a change in accounting principle	0.67	(0.62)
Cumulative effect of a change in accounting principle	(0.87)	—
Net loss	$ (0.20)	$ (0.62)
Weighted average common shares and assumed conversions:		
— Basic	23,122	22,056
— Assuming dilution	23,691	23,398

See accompanying notes to the consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Preferred Stock	Additional Paid-in Capital	Notes Receivable for Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Comprehensive Loss	Total
	(In thousands, except share data)							
Balances at December 31, 2000	$ 216	$ 3	$ 413,831	$ (2,051)	$ 2,846	$ (5,964)		$ 408,881
Net loss	—	—	—	—	(13,508)	—	$ (13,508)	(13,508)
Other comprehensive income (loss):								
Foreign currency translation, net of tax benefit of $1,769	—	—	—	—	—	(2,033)	(2,033)	(2,033)
Unrealized gain on securities, net of tax of $7	—	—	—	—	—	7	7	7
Minimum pension liability, net of tax benefit of $696	—	—	—	—	—	(900)	(900)	(900)
Total comprehensive loss	—	—	—	—	—	—	$ (16,434)	—
Exercise of stock options and warrants—381,241 shares of Common Stock issued	4	—	2,139	—	—	—		2,143
Issuance of 159,520 shares of Common Stock under Employee Stock Purchase Program	2	—	1,470	—	—	—		1,472
Issuance of 402,645 shares of Common Stock in connection with Insignia Bourdais acquisition	4	—	3,995	—	—	—		3,999
Restricted stock awards—30,330 shares of Common Stock issued	—	—	627	—	—	—		627
Restricted stock—279,370 shares issued	3	—	(3)	—	—	—		—
Preferred stock dividend—25,000 shares of Common Stock issued	—	—	250	—	(1,250)	—		(1,000)
Payments on notes receivable for shares of Common Stock	—	—	—	169	—	—		169
Balances at December 31, 2001	$ 229	$ 3	$ 422,309	$ (1,882)	$ (11,912)	$ (8,890)		$ 399,857

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)

	Common Stock	Preferred Stock	Additional Paid-in Capital	Notes Receivable for Common Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Comprehensive (Loss) Income	Total
	(In thousands, except share data)							
Balance at December 31, 2001 (from previous page)	$ 229	$ 3	$ 422,309	$ (1,882)	$ (11,912)	$ (8,890)		$ 399,857
Net loss	—	—	—	—	(2,500)	—	$ (2,500)	(2,500)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—
Foreign currency translation, net of tax of $6,215	—	—	—	—	—	12,383	12,383	12,383
Reclassification adjustment for realized gain, net of tax of $39	—	—	—	—	—	(50)	(50)	(50)
Unrealized gain on securities, net of tax of $752	—	—	—	—	—	1,128	1,128	1,128
Minimum pension liability, net of tax benefit of $3,832	—	—	—	—	—	(9,666)	(9,666)	(9,666)
Total comprehensive income							$ 1,295	
Exercise of stock options and warrants—113,519 shares of Common Stock issued	1	—	673	—	—	—		674
Issuance of 111,840 shares of Common Stock under Employee Stock Purchase Program	1	—	902	—	—	—		903
Issuance of 131,480 shares of Common Stock in connection with Insignia Bourdais acquisition	1	—	1,305	—	—	—		1,306
Restricted stock awards—87,155 shares of Common Stock issued	1	—	706	—	—	—		707
Preferred stock issuance—125,000 shares	—	1	12,269	—	—	—		12,270
Preferred stock dividend	—	—			(1,829)	—		(1,829)
Cancellation of notes receivable for 47,786 shares of Common Stock	(1)	—	(542)	543	—	—		—
Payments on notes receivable for shares of Common Stock	—	—	—	146	—	—		146
Balance at December 31, 2002	$ 232	$ 4	$ 437,622	$ (1,193)	$ (16,241)	$ (5,095)		$ 415,329

See accompanying notes to consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2002	**2001**
	(In thousands)	
Operating activities		
Income from continuing operations	$ 9,037	$ 6,352
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	20,241	33,843
Other expenses	—	661
Equity earnings in real estate ventures	(3,482)	(10,381)
Gain on sale of consolidated real estate property	(1,306)	—
Foreign currency transaction gains	—	(331)
Losses from internet investments	—	10,263
Deferred income taxes	(644)	(2,754)
Changes in operating assets and liabilities, net of effects of acquired businesses:		
Receivables	24,184	23,486
Other assets	(9,610)	5,656
Accrued incentives	(16,002)	(22,194)
Accounts payable and accrued expenses	1,157	(34,344)
Commissions payable	(21,893)	18,616
Cash provided by operating activities	1,682	28,873
Investing activities		
Additions to property and equipment	(8,388)	(11,789)
Investment in internet-based businesses	—	(4,010)
Distribution proceeds from real estate investments	44,648	63,787
Proceeds from sale of discontinued operations	23,250	—
Payments made for acquisition of businesses, net of acquired cash	(8,918)	(18,983)
Investments in real estate	(46,684)	(33,905)
Decrease (increase) in restricted cash	3,964	(14,879)
Cash provided by (used in) investing activities	$ 7,872	$ (19,779)

INSIGNIA FINANCIAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31	
	2002	2001
	(In thousands)	
Financing activities		
Proceeds from issuance of common stock	$ 903	$ 1,472
Proceeds from issuance of preferred stock	12,270	—
Proceeds from exercise of stock options	674	2,143
Preferred stock dividends	(1,829)	(1,000)
Payments on notes payable	(59,785)	(138,350)
Proceeds from notes payable	15,000	158,999
Payments on real estate mortgage notes	(28,361)	(33,086)
Proceeds from real estate mortgage notes	20,000	21,987
Debt issuance costs	(1,415)	(2,130)
Cash (used in) provided by financing activities	(42,543)	10,035
Net cash provided by (used in) discontinued operation	8,787	(4,402)
Effect of exchange rate changes in cash	3,789	(1,217)
Net (decrease) increase in cash and cash equivalents	(20,413)	13,510
Cash and cash equivalents at beginning of year	131,860	124,527
	111,447	138,037
Cash of discontinued operations	66	(6,177)
Cash and cash equivalents at end of year	$ 111,513	$ 131,860
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 8,956	$ 11,036
Cash paid for income taxes	9,527	7,714

See accompanying notes to consolidated financial statements.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002

1. Business

Insignia Financial Group, Inc. ("Insignia" or the "Company"), a Delaware corporation headquartered in New York, New York, is a leading provider of international real estate and real estate financial services, with operations in the United States, the United Kingdom, France, continental Europe, Asia and Latin America. Insignia's principal executive offices are located at 200 Park Avenue in New York.

Insignia's real estate service businesses specialize in commercial leasing, sales brokerage, corporate real estate consulting, property management, property development and re-development, apartment brokerage and leasing, condominium and cooperative apartment management, real estate-oriented financial services, equity co-investment and other services. In 2002, Insignia's primary real estate service businesses include the following: Insignia/ESG (U.S. commercial real estate services), Insignia Richard Ellis (U.K. commercial real estate services), Insignia Bourdais (French commercial real estate services; acquired in December 2001), Insignia Douglas Elliman (New York apartment brokerage and leasing) and Insignia Residential Group (New York condominium, cooperative and rental apartment management). Insignia's commercial real estate service operations in continental Europe, Asia and Latin America include the following locations: Madrid and Barcelona, Spain; Frankfurt, Germany; Milan and Bologna, Italy; Brussels, Belgium; Amsterdam, The Netherlands; Tokyo, Japan; Hong Kong; Beijing and Shanghai, China; Bangkok, Thailand; Mumbai, Hyderabad, Bangalore, Chennai and Delhi, India; Manila, Philippines; and Mexico City, Mexico. The Company also owns 10% of an Irish commercial services company with offices in Dublin, the Republic of Ireland and Belfast, Northern Ireland.

In addition to traditional real estate services, Insignia has historically deployed its own capital, together with the capital of third party investors, in principal real estate investments, including co-investment in existing property assets, real estate development and managed private investment funds.

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Principles of Consolidation

Insignia's consolidated financial statements include the accounts of all majority-owned subsidiaries and all entities over which the Company exercises voting control. All significant intercompany balances and transactions have been eliminated. Entities in which the Company owns less than a majority interest and has substantial influence are recorded on the equity method of accounting (net of payments to certain employees in respect of equity grants or rights to proceeds).

In one instance, a minority-owned partnership (with additional promotional interests in profits depending on performance) is consolidated by virtue of general partner control. Since the cumulative losses of the partnership have exceeded the limited partners' original investment, the partnership is consolidated into Insignia's financial statements and no minority interest is reflected, even though Insignia holds a minority economic interest.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates and assumptions are used in the evaluation and financial reporting for, among other things, bad debts, self-insurance liabilities, intangibles and investment valuations, deferred taxes and pension costs. Actual results could differ from those estimates under different assumptions or conditions.

Reclassifications

Certain amounts for 2001 have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on the net loss or total stockholders' equity previously reported.

Cash and Cash Equivalents

The amount of cash on deposit in federally insured institutions generally exceeds the limit on insured deposits. The Company considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents.

Restricted Cash

At December 31, 2002 restricted cash consisted of approximately $17.3 million in cash pledged to secure the bond guarantee of notes issued in connection with the Richard Ellis Group Limited ("REGL") and St. Quintin Holdings Limited ("St. Quintin") acquisitions and approximately $4.2 million related to accounts of the consolidated real estate entities.

Real Estate Investments

Insignia has invested in real estate assets and real estate related debt securities. Generally, the Company's investment strategy involves identifying investment opportunities and investing as a minority owner in entities formed to acquire such assets. The Company's minority-owned investments are generally accounted for under the equity method of accounting due to the Company's influence over the operational decisions made with respect to the real estate entities. The Company's portion of earnings in these real estate entities is reported in equity earnings in unconsolidated ventures in its consolidated statements of operations, including gains on sales of property and net of impairments. The Company's share of unrealized gains on marketable equity and debt securities available for sale is reported as a component of other comprehensive income (loss), net of tax. Income from dispositions of minority-owned development assets is reported in real estate services revenues in the Company's consolidated statements of operations. The Company's policy with respect to the timing of recognition of promoted profit participation interests in its real estate investments is to record such amounts upon collection.

Each entity in which the Company holds a real estate investment is a special purpose entity, the assets of which are subject to the obligations only of that entity. Each entity's debt, except for limited and specific guarantees and other commitments aggregating $14.0 million, is either (i) non-recourse except to the real estate assets of the subject entity (subject to limited exceptions standard in such non-recourse financing, including the misapplication of rents or environmental liabilities), or (ii) an obligation solely of such limited liability entity and thus having no recourse to other assets of the Company.

The Company provides real estate services to and receives real estate service fees from the entities comprising its principal investment activities. Such fees are generally derived from the following services: (i) property management, (ii) asset management, (iii) development management, (iv) investment management, (v) leasing, (vi) acquisition, (vii) sales and (viii) financings. With respect to fees that are currently recorded as expense by the entities, the Company includes the fees in current income, while its share as owner of such fee is reflected in the income or loss from the investment entity. If the fee is capitalized by the investment entity, the Company records as income only the portion of the fee attributable to third party ownership and defers the portion attributable to its ownership.

The Company evaluates all real estate investments on a quarterly basis for evidence of impairment. Impairment losses are recognized whenever events or changes in circumstances indicate declines in value of such investments below carrying value and the related undiscounted cash flows are not sufficient to recover the asset's carrying amount. Generally, Insignia relies upon the expertise of its own property professionals to assess real estate values; however, in certain circumstances where Insignia considers its expertise limited with respect to a particular investment, third party valuations may also be obtained. Property valuations and estimates of related future cash flows are by nature subjective and will vary from actual results.

In October 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144,*Accounting for the Impairment or Disposal of Long-Lived Assets,* which provides accounting guidance for financial accounting and reporting for the impairment or disposal of long-lived assets. Insignia early adopted SFAS No. 144 as of January 1, 2001. SFAS No. 144 requires, in most cases, that gains/losses from dispositions of investment properties and all earnings from such properties be reported as "discontinued operations." SFAS No. 144 is silent with respect to treatment of gains or losses from sales of investment property held in a joint venture. The Company has concluded that, as a matter of policy, all gains and losses realized from sales of minority owned property in its real estate co-investment program constitute earnings from a continuing line of business. Therefore, operating activity related to that investment program will continue to be included in income (loss) from continuing operations. However, SFAS No. 144 requires that gains or losses from sales of consolidated properties, if material, be reported as discontinued operations. As a result, the Company's earnings from dispositions of consolidated properties would be excluded from reported income from continuing operations and included in discontinued operations, if material.

Consolidated Real Estate

At December 31, 2002, the Company consolidated three investment entities owning real estate property. These consolidated properties include a wholly owned retail property; a wholly owned marine development property and a minority owned residential property consolidated due to general partner control. Rental revenue attributable to the Company's consolidated property operations are recognized when earned. Real estate is stated at depreciated cost. The cost of buildings and improvements include the purchase price of property, legal fees and acquisitions costs. Costs directly related to the development property are capitalized. Capitalized development costs include interest, property taxes, insurance, and other direct project costs incurred during the period of development.

The Company periodically reviews its properties to determine if its carrying amounts will be recovered from future operating cash flows. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements, which could differ materially from actual results in future periods.

Development Activities

At December 31, 2002, the Company held minority investments in four office properties whose development the Company has directed. A variety of costs have been incurred in the development and leasing of these properties. Capitalized development costs include interest, internal wages, property taxes, insurance, and other project costs incurred during the period of development.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

After determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project is substantially complete and capitalization must cease involves a degree of judgment. The Company's capitalization policy on its development properties is guided by SFAS No. 34, *Capitalization of Interest Costs*, and SFAS No. 67, *Accounting for Costs and the Initial Rental Operations of Real Estate Properties*. The Company ceases capitalization when a property is held available for occupancy upon substantial completion of tenant improvements.

Revenue Recognition

The Company's real estate services revenues are generally recorded when the related services are performed or at closing in the case of real estate sales. Leasing commissions that are payable upon tenant occupancy, payment of rent or other events beyond the Company's control are recognized upon the occurrence of such events. As certain conditions to revenue recognition for leasing commissions are outside of the Company's control and are not clearly defined, judgment must be exercised in determining when such events have occurred. Revenues from tenant representation, agency leasing, investment sales and residential brokerage, which collectively comprise a substantial portion of Insignia's service revenues, are transactional in nature and therefore subject to seasonality and changes in business and capital market conditions. As a consequence, the timing of transactions and resulting revenue recognition is difficult to predict.

Insignia's revenue from property management services is generally based upon percentages of the revenue generated by the properties that it manages. In conjunction with the provision of management services, the Company customarily employs personnel (either directly or on behalf of the property owner) to provide services solely to the properties managed. In most instances, Insignia is reimbursed by the owners of managed properties for direct payroll related costs incurred in the employment of property personnel. The aggregate amount of such payroll cost reimbursements has ranged from $50.0 million to $60.0 million annually. Such payroll reimbursements are generally characterized in the Company's consolidated statements of operations as a reduction of actual expenses incurred. This characterization is based on the following factors: (i) the property owner generally has authority over hiring practices and the approval of payroll prior to payment by the Company; (ii) Insignia is the primary obligor with respect to the property personnel, but bears little or no credit risk under the terms of the management contract; (iii) reimbursement to the Company is generally completed simultaneously with payment of payroll or soon thereafter; and (iv) the Company generally earns no margin in the arrangement, obtaining reimbursement only for actual cost incurred.

Advertising Expense

The cost of advertising is expensed as incurred. The Company incurred approximately $8,327,000 and $8,926,000 in advertising costs during 2002 and 2001, respectively.

Acquired Intangible Assets

The Company's acquired intangible assets consist of property management contracts, favorable leases, non-competitive agreements, trademarks and franchises. Acquired intangible assets are stated at cost, less accumulated amortization. These assets are amortized using the straight-line method over 3 to 20 years, and are reviewed when indicators of impairment exist. Intangible assets are reviewed for impairment when indicators of impairment exist.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets, typically ranging from 3 to 10 years.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Foreign Currency

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. The British pound and euro represent the only foreign currencies of material operations, which collectively generate approximately 25% of the Company's annual revenues. All currencies other than the British pound, euro and dollar have comprised less than 1% of annual revenues. Revenues and expenses of all foreign subsidiaries have been translated into U.S. dollars at the average exchange rates prevailing during the periods. Assets and liabilities have been translated at the rates of exchange at the balance sheet date. Translation gains and losses are deferred as a separate component of stockholders' equity in accumulated other comprehensive income (loss), unless there is a sale or complete liquidation of the underlying foreign investment. Gains and losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the consolidated statements of operations in determining net income. For the twelve months ended December 31, 2002, the Company's European operations have been translated into U.S. dollars at average exchange rates of $1.51 to the pound and $0.95 to the euro. For the twelve months of 2001, European operations were translated to U.S. dollars at average exchange rates of $1.44 and $0.90 to the pound and euro, respectively.

The assets and liabilities of the Company's European operations have been translated at exchange rates of $1.60 to the pound and $1.05 to the euro at December 31, 2002.

Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of unrealized gains (losses) on marketable equity securities, foreign currency translation and minimum pension liability adjustments. At December 31, 2002, accumulated other comprehensive losses totaled $5.1 million (net of applicable taxes), comprised of unrealized gains on marketable securities of $1.1 million and foreign currency translation gains of $4.4 million and a minimum pension liability of $10.6 million.

Minority Interest

During the first half of 2000, Insignia consolidated EdificeRex.com, Inc. ("EdificeRex"), the Company's internally developed internet-based business that launched in February 2000, and recorded net operating losses of approximately $9.3 million, or $3.2 million in excess of the Company's investment. EdificeRex was de-consolidated in the third quarter of 2000, due to an equity restructuring that reduced the Company's voting interest to approximately 47%. The $3.2 million excess loss was carried as a deferred credit on the Company's balance sheet until EdificeRex disposed of all of its operating divisions and liquidated during the fourth quarter of 2001. At liquidation, the Company recognized the deferred credit of $3.2 million in earnings, which is included in losses from internet investments.

Income Taxes

Deferred income tax assets and liabilities are recorded to reflect the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases and operating loss and tax credit carry forwards. Valuation allowances are provided against deferred tax assets that are unlikely to be realized. Federal income taxes are not provided on the unremitted earnings of foreign subsidiaries because it has been the practice of the Company to reinvest those earnings in the businesses outside the United States.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Impairment

In October 2001, the FASB issued SFAS No. 144,*Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 provides guidance for accounting and financial reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, it retains the fundamental provisions of that Statement. It also supersedes the accounting and reporting of APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* related to the disposal of a segment of a business. However, it retains the requirement in Opinion 30 to report separately discontinued operations and extends that reporting to a component of an entity either disposed of or classified as held for sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Insignia early adopted SFAS No. 144 as of January 1, 2001.

Impairment losses are recognized for long-lived assets held and used when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets' carrying amount. Impairment losses are measured for assets held for sale by comparing the fair value of assets (less costs to dispose) to their respective carrying amounts.

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. As described in Note 4, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets,* as of January 1, 2002. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

Prior to the adoption of SFAS No. 142, goodwill was amortized on a straight-line basis over the expected periods to be benefited, generally 5 to 25 years, and evaluated for potential impairment by determining whether the underlying undiscounted cash flows of the acquired business were sufficient to recover the carrying value of the asset.

Stock-Based Compensation

At December 31, 2002, the Company had four stock-based employee compensation plans that are described more fully in Note 14. Prior to 2002, the Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25*, Accounting for Stock Issued to Employees*and related interpretations. Effective January 1, 2002 the Company adopted the fair value recognition provisions of SFAS 123, *Accounting for Stock-Based Compensation*, prospectively to all employee awards granted, modified or settled after January 1, 2002. Awards under the Company's plans vest over five years. The cost related to stock-based employee compensation included in the determination of net income for 2002 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of SFAS 123. The following table illustrates the pro forma effect on net income and earnings per share if the fair value based method had been applied to all outstanding awards in each period.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The Company's pro forma information follows:

	2002	2001
	(In thousands, except per share data)	
Pro forma:		
Income from continuing operations	$ 6,556	$ 4,014
Net loss	(4,981)	(15,846)
Per share amounts:		
Pro forma earnings per share—basic		
Income from continuing operations	$ 0.19	$ 0.14
Net loss	(0.31)	(0.76)
Pro forma earnings per share—assuming dilution		
Income from continuing operations	0.19	0.13
Net loss	(0.30)	(0.72)

The pro forma information has been determined as if the Company had accounted for its employee stock options, warrants and unvested restricted stock awards granted under the fair value method with fair values estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	2002	2001
Risk-free interest rate	2.5%	3.7%
Dividend yield	N/A	N/A
Volatility factors of the expected market price	0.45	0.49
Weighted-average expected life of the options	3.9	4.3

The Black-Scholes option valuation model was developed for use in estimating the fair value of transferable options and warrants with no vesting restrictions. This method requires the input of subjective assumptions including the expected stock price volatility and weighted average expected life of the options. The Company's employee stock options have characteristics significantly different from those of transferable options and changes in the subjective input assumptions can materially affect the value estimate. The Black-Scholes model is not the only reliable measure that could be used to determine the fair value of employee stock options. The Company believes that any and all valuations of employee stock options will necessarily be estimates.

Risks and Uncertainties

The Company's future results could be adversely affected by a number of factors, including (i) a general economic downturn in the Company's principal markets, most notably New York, London and Paris; (ii) unfavorable foreign currency fluctuations; (iii) changes in interest rates; and (iv) fluctuations in rental rates and real estate values.

Earnings Per Share

Basic earnings per share is calculated using income available to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share is similar to basic earnings per share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive securities, such as preferred stock, options and warrants, had been issued or exercised.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB") issued Interpretation No. 46,*Consolidation of Variable Interest Entities, an interpretation of ARB No. 51.* This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The Interpretation requires certain disclosures in financial statements issued after January 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. A public enterprise with a variable interest in a variable interest entity created before February 1, 2003, shall apply this guidance (other than the required disclosures prior to the effective date) to that entity as of the beginning of the first interim or annual reporting period beginning after December 15, 2003. The application of this Interpretation is not expected to have a material effect on the Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45,*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34.* This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146,*Accounting for Costs Associated with Exit or Disposal Activities.*SFAS No. 146 provides guidance for accounting and financial reporting for costs associated with exit or disposal activities and supersedes Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity.* SFAS No. 146 requires the recognition of a liability for costs associated with an exit or disposal activity when the liability is incurred and establishes fair value as the initial measurement of a liability. Under EITF Issue No. 94-3, a liability for an exit cost is recognized at the date of a commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002.

3. Discontinued Operations

Sale of Insignia Douglas Elliman and Insignia Residential Group

On March 14, 2003, Insignia completed the sale of its New York-based residential businesses, Insignia Douglas Elliman and Insignia Residential Group, to Montauk Battery Realty, LLC. Montauk Battery Realty is located on Long Island, New York and its principal owners are New Valley Corp. and Dorothy Herman, chief executive officer of Prudential Long Island Realty. Insignia Douglas Elliman, acquired by Insignia in June 1999, provides sales and rental services in the New York City residential cooperative, condominium and rental apartment market and also operates in upscale suburban markets in Long Island (Manhasset, Locust Valley and Port Washington/Sands Point). Insignia Residential Group is the largest manager of cooperative, condominium and rental apartments in the New York metropolitan area.

The financial terms of the sale included the payment of $66.75 million in cash to Insignia at closing of the transaction, $500,000 in cash held in escrow on the closing date and up to another $500,000 held in escrow pending receipt of specified commissions. In addition, the buyer acceded to existing contingent earn-out obligations of Insignia Douglas Elliman totaling up to $4.0 million, depending on the future of the business. The

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

escrowed amounts are available to secure Insignia's indemnity obligations under the purchase and sale agreement. Any amounts remaining in escrow on March 14, 2004 and not securing previously made indemnity claims will be released to Insignia. Simultaneous with closing, Insignia paid down $67.0 million on its senior revolving credit facility, decreasing outstanding borrowings to $28.0 million. Insignia recognized a net gain of approximately $3.8 million (net of $4.7 million of applicable income taxes) during the first quarter of 2003 in connection with the sale of these residential businesses.

The operations of Insignia Douglas Elliman and Insignia Residential Group were discontinued in the first quarter of 2003. The Company's statements of operations and statements of cash flows for the years ended December 31, 2002 and 2001 have been restated to classify the operations and cash flows of these residential businesses as discontinued operations for financial reporting purposes.

Sale of Realty One

In December 2001, Insignia entered into a contract to sell its Realty One single-family home brokerage business and affiliated companies to Real Living, Inc., effective as of December 31, 2001. Real Living, Inc. is a privately held company formed by HER Realtors of Columbus, Ohio and Huff Realty of Cincinnati, Ohio. The sale closed on January 31, 2002. Proceeds from the sale potentially total $33.0 million, including approximately $29.0 million in cash received at closing (before extinguishment of $5.5 million of Realty One debt) and additional receipts aggregating as much as $4.0 million. The additional receipts include the following: (i) a $1.0 million reimbursement, collected in February 2002, for Realty One operating losses in January 2002; (ii) a potential earn-out of as much as $2 million receivable through 2003 (depending on the performance of the Realty One business); and (iii) a $1 million operating lease receivable over four years for the use of proprietary software developed by Insignia for an internet-based residential brokerage model. The $2.0 million earnout is receivable in increments of $1.0 million each for the 2002 and 2003 fiscal years. The first $1.0 million earnout for the 2002 fiscal year was achieved in full and be received by the Company in May 2003, as required by the terms of the sale. Remaining amounts due to Insignia under the terms of the sale totaling $2.7 million were included in other assets in the Company's consolidated balance sheet at December 31, 2002. Insignia recognized a loss in connection with the sale of Realty One of $17.6 million (net of applicable tax benefit of $4.0 million) for the year ended December 31, 2001. During the twelve months ended December 31, 2002, the Company recognized net income of $4.9 million from discontinued operations, including $265,000 (net of tax), in post-closing adjustments in the first quarter and $4.7 million in the third quarter from the reduction of a valuation allowance on the tax benefit on the capital portion of the loss on sale. This capital loss was fully reserved in 2001 because of uncertainty of its deductibility due to loss disallowance rules in the Treasury Regulations and insufficient income of the appropriate character. In the third quarter of 2002, it was determined that the loss would be fully deductible for tax purposes, resulting in the realization of a tax benefit for financial reporting purposes.

Table of Contents

The results of operations of Insignia Douglas Elliman, Insignia Residential Group and Realty One are reported separately as discontinued operations for the years ended December 31, 2002 and 2001. The following tables summarize the aggregate assets and liabilities of Insignia Douglas Elliman and Insignia Residential Group at December 31, 2002 and the results of operations and income (loss) on disposal of Insignia Douglas Elliman, Insignia Residential Group and Realty One for the periods presented (in thousands):

Assets	
Cash and cash equivalents	$ 66
Receivables	2,479
Mortgage loans held for sale	—
Property and equipment	11,766
Goodwill	34,117
Acquired intangible assets	11,999
Other assets	5,542
	65,969
Liabilities	
Accounts payable	2,535
Commissions payable	564
Accrued incentives	3,027
Accrued and sundry liabilities	4,045
Mortgage warehouse line of credit	—
Notes payable	—
	10,171
Net assets of discontinued operations	$ 55,798

	Years ended December 31	
	2002	2001
	(In thousands)	
Revenues	$ 133,691	$ 222,043
Income (loss) from operations, net of tax expense of $3,707 (2002) and tax benefit of $1,123 (2001)	4,180	(2,231)
Income (loss) on disposal, net of applicable tax benefits of $2,844 (2002) and $4,000 (2001)	4,918	(17,629)
Net income (loss)	$ 9,098	$ (19,860)

4. Changes in Accounting Principles

Stock-Based Compensation

In September 2002, the Company adopted the fair value expense recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, in accounting for employee stock options. The accounting change results in the expensing of the estimated fair value of employee stock options granted by the Company, applied on a prospective basis for all stock options granted on or after January 1, 2002. The Company previously followed Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under APB Opinion No. 25, no compensation expense is recognized when the exercise price of an employee stock option equals or exceeds the market price at issuance.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The Company issued 290,000 employee options during 2002. The fair value of these options has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) estimated stock price volatility of 40%; (ii) risk free interest rate of 2.5%; (iii) weighted average option life of 3.9 years; and (iv) a forfeiture rate of 3%. Under these assumptions, the aggregate value of the options totaled approximately $384,000, which is amortizable to expense over the vesting periods of six years. For 2002, stock compensation expense recognized totaled approximately $102,000.

The ultimate impact of the accounting change on the Company’s future earnings will depend on the number of options issued in the future, as to which the Company has no specific plan, and the estimated value of each option. Insignia does not expense the value of outstanding options issued before January 1, 2002.

Goodwill and Intangible Assets

In June 2001, the FASB issued SFAS No. 141,*Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*. SFAS 141 replaced APB 16 and requires the use of the purchase method 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 142, goodwill and other intangible assets deemed to have indefinite 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 or indefinite-lived intangibles might be impaired. Other acquired intangible assets with finite lives continue to be amortized over their estimated useful lives. The Company adopted SFAS No. 141 for all business combinations completed after June 30, 2001 and fully implemented SFAS No. 141 and SFAS No. 142 effective January 1, 2002. The Company identified its reporting units and determined the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill and intangible assets, to those units as of January 1, 2002 for purposes of performing a required transitional goodwill impairment assessment within six months of adoption.

In early 2002, the Company performed internal analyses on its reporting units based on estimated industry multiples and the carrying values of tangible and intangible assets which demonstrated that the value of the Company’s U.S. commercial operation significantly exceeded its carrying value and that goodwill of the Asian operation was fully impaired.

These analyses also indicated potential impairment in the Company’s European operations and Insignia Douglas Elliman. The Company engaged Standard & Poor’s to value the European and Insignia Douglas Elliman operations and those appraisals indicated no impairment in the Company’s European operations and partial impairment in Insignia Douglas Elliman.

As a result of this evaluation, Insignia measured impairment for Insignia Douglas Elliman and the Asian business of an aggregate $30.0 million, before applicable taxes. The Company recorded a $20.6 million (net of tax benefit of $9.4 million) transitional goodwill impairment charge in earnings as the cumulative effect of a change in accounting principle, effective January 1, 2002.

The Company concluded its annual impairment test as of December 31, 2002, and that test did not demonstrate further goodwill impairment. The estimation of business values for measuring goodwill impairment is highly subjective and selections of different projected income levels and valuation multiples within observed ranges can yield different results.

Amortization of goodwill (from continuing operations) totaled approximately $14.8 million for 2001. Elimination of goodwill amortization would have improved income from continuing operations by approximately

Table of Contents

$10.3 million (net of applicable taxes) for 2001. The following table provides pro forma information to reflect the effect of adoption of SFAS No. 142 on earnings for 2001.

	2001
	(In thousands)
Reported income from continuing operations	$ 6,352
Less: Preferred stock dividend	(1,000)
Income from continuing operations available to common shareholders	5,352
Add: Goodwill amortization, net of tax benefit of $4,520	10,260
Adjusted income from continuing operations available to common shareholders	$ 15,612
Earnings per common share—basic:	
Reported income from continuing operations	$ 0.24
Add: Goodwill amortization, net of tax benefit of $0.20	0.47
Adjusted income from continuing operations	$ 0.71
Earnings per common share—assuming dilution:	
Reported income from continuing operations	$ 0.25
Add: Goodwill amortization, net of tax benefit of $0.18	0.41
Adjusted income from continuing operations	$ 0.66

Additional contingent purchase price of acquired businesses totaling $17.9 million was recorded as additional goodwill during 2002. Such additional purchase price included: (i) Insignia Bourdais earnout of $10.3 million (paid by issuance of 131,480 shares of Insignia common stock, a cash payment of $4.7 million and $4.3 million accrued at December 31, 2002); (ii) a $4.0 million earnout with respect to the prior Boston acquisition by Insignia/ESG; (iii) a $2.0 million earnout related to Insignia Douglas Elliman; and (iv) $1.6 million of payments related to other acquisitions. The table below reconciles the change in the carrying amount of goodwill, by operating segment, for the period from December 31, 2001 to December 31, 2002.

	Commercial	Residential	Total
		(In thousands)	
Balance as of December 31, 2001	$ 228,967	$ 59,386	$ 288,353
Effect of adoption of SFAS 142	(3,201)	(26,822)	(30,023)
Balance as of January 1, 2002	225,766	32,564	258,330
Additional purchase consideration	15,922	2,000	17,922
Other reclassifications	(143)	—	(143)
Goodwill related to partial sale of business unit	—	(447)	(447)
Foreign currency translation	13,899	—	13,899
Balance as of December 31, 2002	$ 255,444	$ 34,117	$ 289,561

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The following table presents certain information on the Company's acquired intangible assets as of December 31, 2002 (in thousands):

Acquired Intangible Assets	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
Property management contracts	7 years	$ 72,883	$ 60,081	$ 12,802
Favorable premises leases	8 years	4,831	1,667	3,164
Other	3 years	5,173	3,528	1,645
Total		$ 82,887	$ 65,276	$ 17,611

All intangible assets are being amortized over their estimated useful lives with no residual value. Intangibles included in "Other" consist of customer backlog, non-compete agreements, franchise agreements and trade names. The aggregate reported acquired intangible amortization expense for 2002 and 2001 totaled approximately $4.4 million and $5.6 million, respectively. Amortization of favorable premises leases, totaling approximately $157,000 for 2002 is included in rental expense (included in real estate services expenses) in the Company's consolidated statements of operations.

The estimated acquired intangible assets amortization expense, including amounts reflected in rental expense, for the subsequent five fiscal years through December 31, 2007 approximates $2.0 million, $941,000, $550,000, $523,000 and $370,000, respectively.

5. Earnings Per Share

The following table sets forth the computation of the numerator and denominator used for the computation of basic and diluted earnings per share for the periods indicated.

	2002	2001
	(In thousands)	
Numerator:		
Numerator for basic and diluted earnings per share—income available to common stockholders after assumed conversions (before discontinued operations and cumulative effect)	$ 6,864	$ 5,352
Denominator:		
Denominator for basic earnings per share—weighted average common shares	23,122	22,056
Effect of dilutive securities:		
Stock options, warrants and unvested restricted stock	569	1,342
Denominator for diluted earnings per share—weighted average common shares and assumed conversions	23,691	23,398

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The potential dilutive shares from the conversion of preferred stock is not assumed for the year ended December 31, 2002 or 2001, because the inclusion of such shares would be antidilutive.

6. Acquisitions

The Company's significant acquisitions during the last two years are discussed below. All acquisitions were accounted for as purchases and the results of operations have been included in Insignia's statement of operations from the respective date of acquisition. Contingent purchase consideration is generally accounted for as additional costs in excess of net assets of acquired businesses when incurred.

Groupe Bourdais

In late December 2001, Insignia completed the acquisition of Groupe Bourdais, one of France's premier commercial real estate services companies. Groupe Bourdais now operates under the Insignia Bourdais name. The Insignia Bourdais purchase price consists of total potential consideration of approximately $50.2 million. Amounts paid and or accrued in cash or stock (534,125 common shares) at December 31, 2002 total approximately $31.7 million. Additional consideration up to approximately $18.5 million may be paid over the two years ending December 31, 2004, depending on the performance of the Insignia Bourdais operation. The acquisition consisted substantially of specifically identified intangible assets and goodwill. Identified intangible assets, included customer backlog, property management contracts, a non-compete agreement, franchise agreements, trademarks and a favorable premises lease. The results of Insignia Bourdais have been included in the Company's financial statements since January 1, 2002.

Baker Commercial

In October 2001, Insignia acquired Baker Commercial Real Estate ("Baker"), a leading provider of commercial real estate services in the greater Dallas area. Baker provides tenant representation, land and investment property sales, and strategic real estate planning. The Baker acquisition augments Insignia's existing regional tenant representation and investment sales capabilities in the greater Dallas area. The base purchase price was approximately $2.2 million and was paid in cash. Additional purchase consideration of up to $1.0 million payable over 2003 and 2004 is contingent on the future performance of the Dallas operations.

Other Information (Unaudited)

Pro forma unaudited results of operations for the year ended December 31, 2001, assuming consummation of the Bourdais acquisition at January 1, 2001, is as follows (in thousands, except per share data):

Revenues	$672,115
Income from continuing operations	9,012
Net loss	(11,053)
Pro forma per share amounts:	
Net loss—basic	$ (0.50)
Net loss—assuming dilution	(0.47)

These pro forma results do not purport to represent the operations of the Company nor are they necessarily indicative of the results that actually would have been realized by the Company if the purchase of these

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

businesses had occurred at the beginning of the periods specified. Except for the Bourdais acquisition, the financial operations of the acquired businesses were not significant to those of the Company. The base purchase consideration for the Bourdais and Baker acquisitions and other individually insignificant acquisitions is summarized as follows:

	2001
	(In thousands)
Common stock	$ 4,000
Accrued and sundry liabilities	10,990
Cash paid at the closing dates	20,508
	$ 35,498

The base purchase consideration was allocated as follows:

	2001
	(In thousands)
Cash acquired	$ 8,856
Receivables	5,469
Property and equipment	415
Property management contracts	1,008
Non-compete agreements	153
Goodwill	14,540
Other assets	5,057
	$ 35,498

7. Receivables

At December 31, 2002, receivables consisted of the following (in thousands):

Commissions and accounts receivable, net of allowance	$ 140,589
Notes receivable:	
Broker signing bonuses and advances	7,111
Brokerage and other employees	3,483
Executive officers, with interest at the Company's cost of debt capital (approximately 5.25%)	3,269
Reimbursement due from Chairman (collected on February 28, 2003)	691
Other	178
	14,732
	$ 155,321

Accounts receivable consists primarily of property management fees and cost reimbursements. Commissions receivable consists primarily of brokerage and leasing commissions from users of the Company's real estate services. The Company's receivables are not collateralized; however, credit losses have been insignificant. The Company's bad debt expense totaled approximately $5.0 million and $1.9 million in 2002 and 2001, respectively.

Table of Contents

Long-term commissions receivable totaling $8.4 million at December 31, 2002 have been discounted to their present value based on an estimated discount rate of 5.25%. Broker signing bonuses and advances are generally forgiven over the terms of employment, subject to potential repayment based on certain specific conditions.

Principal collections on brokerage, employee and executive notes receivable and scheduled forgiveness of Broker signing bonuses and advances are as follows:

	Amount
	(In thousands)
2003	$ 6,369
2004	2,865
2005	3,860
2006	1,205
2007	433
	$ 14,732

8. Property and Equipment

At December 31, 2002, property and equipment consisted of the following (in thousands):

Data processing equipment	$ 32,010
Computer software	34,291
Furniture and fixtures	17,466
Leasehold improvements	19,805
Other equipment	7,436
	111,008
Less: Accumulated depreciation	(55,394)
	$ 55,614

The useful life of each property and equipment category is listed below: Data processing equipment, 3 years; Computer software, 2-10 years; Furniture and fixtures, 7-10 years; Leasehold improvements, generally 5-10 years; Other equipment, 3-7 years.

9. Real Estate Investments

The Company has engaged in real estate investment generally through: (i) investment in operating properties through co-investments with various clients or, in limited instances, by itself; (ii) investment in and development of commercial real estate on its own behalf and through co-investments; and (iii) minority ownership in and management of private investment funds, whose investments primarily consist of securitized real estate debt. The Company is currently not engaged in new investments although, is continuing its investment in existing real estate entities as needed or required by current business plans.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

At December 31, 2002, the Company's real estate investments totaled $134.1 million and consisted of the following (in thousands):

Minority interests in operating properties	$ 21,109
Consolidated properties	85,205
Minority owned development properties	10,014
Land held for future development	1,726
Minority interests in real estate debt investment funds	16,081
Total Real Estate Investments	$ 134,135

The real estate carrying amounts of the three consolidated properties at December 31, 2002 were financed by real estate mortgage notes encumbering the assets totaling $66.8 million. At December 31, 2002, Insignia had equity investments of approximately $21.7 million in these consolidated properties and has no further obligations to the subsidiaries or their creditors.

Insignia maintains an incentive compensation program pursuant to which certain employees, including executive officers, participate in the profits generated by its real estate investments, through grants of either equity interests (at the time investments are made) or contractual right to participate in proceeds from successful investments. Such grants generally consist of an aggregate of 50% to 63.5% of the cash proceeds paid to Insignia after Insignia has recovered its full investment plus a 10% per annum return thereon. In addition, upon disposition, the Company generally makes discretionary incentive payments of 5% to 10% to certain employees who directly contributed to the success of an investment. With respect to the private investment funds, employees are collectively entitled to share 55% to 60% of proceeds received by Insignia in respect of its promoted profits participation in those funds. Employees share only in promoted profits and are not entitled to any portion of earnings on the Company's actual investment. Gains on sales of real estate and equity earnings for 2002 and 2001 are recorded net of employee entitlements and discretionary incentives of approximately $8.1 million and $10.8 million, respectively. The Company's principal investment programs are more fully described below.

Property Investment

The Company maintains minority investments in operating real estate assets including office, retail, industrial, apartment and hotel properties. As of December 31, 2002, Insignia held equity investments totaling $21.1 million in 30 minority owned property assets. These properties consist of approximately 6.0 million square feet of commercial property and 1,967 multi-family apartment units and hotel rooms. The Company's minority ownership interests in co-investment property range from 1% to 33%. Gains realized from sales of real estate by minority owned ventures totaled $4.2 million in 2002 and $11.0 million in 2001. Such amounts are included in the caption "equity earnings in unconsolidated ventures" in the Company's consolidated statements of operations.

Insignia also consolidates two operating properties, a wholly owned retail property located in Norman, Oklahoma and a New York City apartment complex owned by a limited partnership in which the Company owns a 1% controlling general partner interest. These properties contain approximately 155,000 square feet of commercial space and 420 multi-family apartment units. With respect to the New York City apartment complex, in addition to its 1% interest, Insignia is entitled to approximately $1.3 million of the first $7.3 million distributed and approximately 45% of all additional distributions. In July 2002, Insignia invested approximately $1.3 million in the limited partnership as a new limited partner pursuant to a $1.5 million equity financing and the purchase of

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

an existing partners interest. The remaining equity financing was invested in June 2002 by existing limited partners. Certain executives and other employees of Insignia have the right to acquire from the Company, at its cost, approximately 50% of the $1.3 million limited partner investment made in July 2002. Such executives and employees have no other incentive grants or participation rights with respect to this investment.

Although Insignia's economic interest in the New York City apartment complex at its initial investment was nominal (until the limited partners received a return of all invested capital), the Company commenced consolidating this property in its financial statements as of January 1, 2002 because (i) the partnership agreement for the property-owning partnership grants the general partner complete authority over the management and affairs of the partnership, including any sale or refinancing of its sole asset without limited partner approval, and (ii) accounting principle's generally accepted in the United States require consolidation on the basis of voting control (regardless of the level of equity ownership).

At December 31, 2002, the carrying amounts of these two consolidated properties totaled $46.4 million, and non-recourse real estate mortgage debt totaled $46.8 million. In September 2002, a consolidated retail property was sold for a $1.3 million net gain. The gain is included under the caption "other income, net" in the Company's consolidated statements of operations.

Development

The Company's development program includes minority-owned office developments and a wholly owned marina based development located in the U.S. Virgin Islands. In July 2002, a subsidiary of the Company acquired three contiguous parcels of property and related leasehold rights in St. Thomas, U.S. Virgin Islands, which comprise 32.3 acres of property, including 18 submerged acres with full water rights. The initial purchase price was approximately $35.0 million, paid with $18.5 million in cash and $20.0 million borrowed by the subsidiary under a non-recourse $40.0 million mortgage loan facility. The property is currently undergoing predevelopment activities together with operating activities of an existing marina. The property and its debt are consolidated in the Company's consolidated financial statements. Insignia's equity investment in the property totaled $19.3 million at December 31, 2002.

Insignia also has minority ownership in four office projects whose development is directed by the Company and owns a parcel of land in Denver, located adjacent to one of the office developments, that is held for future development. Development activities on all four office buildings have been completed other than tenant improvements associated with additional leasing. Insignia's ownership in the four office developments ranges from 25% to 33% and all have commenced operations.

The Company's only financial obligations with respect to the office developments, beyond its investment, are partial construction financing guarantees, backed by letters of credit, totaling $8.9 million. The Company's investment in the office development assets and land parcel totaled $11.7 million at December 31, 2002. The Company has not initiated any new office developments since September 2000 and does not currently intend to further expand this development program.

Interest capitalized in connection with development properties totaled approximately $1,673,000 and $500,000 in 2002 and 2001, respectively.

Private Investment Funds

Insignia Opportunity Trust ("IOT") is an Insignia-sponsored private real estate investment fund formed in late 1999. IOT, through its subsidiary operating partnership, Insignia Opportunity Partners ("IOP"), invests

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

primarily in secured real estate debt instruments and, to a lesser extent, in other real estate debt and equity instruments, with a focus on below investment grade commercial mortgage-backed securities. IOT completed its deployment of committed capital (totaling $71.0 million) in 2002, of which $10.0 million was invested by Insignia and the remainder by third-party investors. Insignia has an aggregate ownership interest of approximately 13% in IOT and IOP and also has a 10% non-subordinated promoted interest in IOP.

In September 2001, Insignia closed the capital-raising phase for a second real estate investment fund, Insignia Opportunity Partners II (“IOP II”), with $48.5 million of equity capital commitments from Insignia and third-party investors. IOP II invests primarily in secured real estate debt instruments, similar to the investment initiatives of IOT. IOP II had called $28.2 million of its total capital commitments at December 31, 2002. Insignia holds a 10% ownership in IOP II and serves as its day-to-day advisor.

Insignia realized total earnings from both funds of approximately $4.0 million (2002) and $2.6 million (2001). Such earnings are included in equity earnings in unconsolidated ventures.

At December 31, 2002, Insignia held investments totaling $16.1 million in IOT, IOP and IOP II and had commitments to invest an additional $2.1 million in IOP II. The following table summarizes financial information of IOT and IOP II as of December 31, 2002 (in thousands):

Total assets	$ 150,139
Total liabilities	36,358
Total revenues	25,992

Apart from its real estate investments, Insignia had obligations totaling $14.0 million to all real estate entities at December 31, 2002, which consisted of the following (in thousands):

Letters of credit partially backing construction loans	$ 8,900
Other partial guarantees of property debt	2,825
Future capital contributions for capital improvements	150
Future capital contributions for asset purchases	2,105
Total Obligations	$13,980

Outstanding letters of credit generally have one-year terms to maturity and bear standard renewal provisions. Other letters of credit and guarantees of property debt do not bear formal maturity dates and remain outstanding until certain conditions (such as final sale of property and funding of capital commitments) have been satisfied. The future capital contributions represent contractual equity commitments for specified activities of the respective real estate entities. Insignia, as a matter of policy, would consider advancing funds to real estate entities beyond its legal obligation as a new capital contribution subject to normal investment returns.

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Summarized financial information of unconsolidated real estate entities is as follows:

Condensed Statements of Operations Information	Year ended December 31 2002	2001
	(In thousands)	
Revenues	$ 197,255	$ 222,502
Total operating expenses	(190,543)	(208,556)
Income before gains on sales of properties	6,712	13,946
Gains on sales of properties	41,252	107,025
Net income	$ 47,964	$ 120,971
Company's share of net income:		
Included in equity earnings in unconsolidated ventures	$ 3,482	$ 13,911

Equity earnings in unconsolidated ventures included pre-tax gains on dispositions of minority-owned investments totaling $4.2 million and $11.0 million in 2002 and 2001, respectively.

Condensed Balance Sheet Information	December 31, 2002
	(In thousands)
Cash and investments	$ 46,068
Receivables and deposits	25,946
Investments in commercial mortgage backed securities	127,116
Investments in mezzanine loans	1,731
Other assets	31,573
Real estate	1,056,037
Less accumulated depreciation	(95,891)
Net real estate	960,146
Total assets	$ 1,192,581
Mortgage notes payable	$ 712,601
Other liabilities	27,435
Total liabilities	740,036
Partners' capital	452,545
Total liabilities and partners' capital	$ 1,192,581

Real Estate Impairment

During 2002, the Company recorded impairment against its real estate investments of $3.5 million on eight property assets. The impairment charge includes $560,000 for a owned land parcel in Denver, held for future development, based on a third party appraisal. The Company recorded an impairment charge during 2001 of $824,000.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

10. Other Assets

At December 31, 2002, other assets consisted of the following (in thousands):

Loan costs, net	$ 2,412
Amount receivable in connection with disposition	2,693
Federal tax refund receivable (domestic)	3,966
Prepaid taxes	5,246
Other prepaid expenses	12,088
Real estate sales proceeds	7,865
Other	5,687
	$ 39,957

Real estate sales proceeds of $7.9 million represents sale proceeds from a minority owned real estate property received in December 2002 and payable to a third party investor in 2003. The corresponding payable is included in the Company's accrued and sundry liabilities at December 31, 2002.

11. Accrued and Sundry Liabilities

At December 31, 2002, accrued and sundry liabilities consisted of the following (in thousands):

Employee compensation and benefits	$ 13,791
Acquisition related lease and annuity liabilities	6,379
Amounts payable in connection with acquisitions	6,450
Deferred compensation	21,192
Deferred revenue	13,948
Current taxes payable	7,175
Value added taxes	6,312
Minimum pension liability	14,571
Real estate sales proceeds payable	7,865
Liabilities of consolidated real estate entities	3,136
Other	17,171
	$ 117,990

Deferred revenue consists of lease commissions collected but deferred due to contingencies and the Company's ownership portion of acquisition and development fees in certain real estate partnerships. Deferred acquisition and development fees are realized in income upon disposal of the Company's ownership, generally from property sales, and deferred leasing commissions are recognized upon the fulfillment of all conditions to commission payment, such as tenant occupancy or payment of rent.

12. Private Financing

In June 2002, Insignia executed agreements for $50.0 million of new capital through a private investment by funds affiliated with Blackacre Capital Management, LLC ("Blackacre"). The investment consists of $12.5

million in newly issued shares of Series B convertible preferred stock and a commitment to provide $37.5 million of subordinated debt. The preferred stock carries an 8.5% annual dividend, payable quarterly at Insignia's option in cash or in kind, and is convertible into Insignia common stock at a price of $15.40 per share, subject to adjustment. The preferred stock has a perpetual term, although Insignia may call the preferred stock, at stated value, after June 7, 2005. In February 2000, Blackacre purchased $25.0 million of convertible preferred stock, which has now been exchanged for a Series A convertible preferred stock with an 8.5% annual dividend and a conversion price of $14.00 per share.

The Blackacre credit facility, which is subordinate to Insignia's senior credit facility, bears interest at an annual rate of 11.25% to 12.25%, payable quarterly, depending on the amount borrowed. In July 2002, Insignia borrowed $15.0 million under the credit facility. The proceeds were used to finance the purchase of the development property and related leasehold rights in St. Thomas, United States Virgin Islands (discussed under "Real Estate Principal Investment Activities" above). Insignia may draw down the remaining $22.5 million of availability at any time until December 2003. Any further borrowings will bear interest at 12.25%. The subordinated debt has a final maturity of June 2009.

13. Long-Term Debt

Total long-term debt consists of notes payable of the Company and real estate mortgage notes of consolidated real estate entities.

Notes Payable

At December 31, 2002, notes payable consisted of the following (in thousands):

Senior revolving credit facility with interest due quarterly at LIBOR plus 2.0 to 2.5% (totaling approximately 4.3%). Final payment due date is May 8, 2004	$	95,000
Senior subordinated credit facility with interest due quarterly at 11.25% and a final maturity of June 2009		15,000
Acquisition loan notes with an interest rate of approximately 3.0% and a final maturity of April 2010		16,889
	$	126,889

The Company's debt includes outstanding borrowings under its $230.0 million senior revolving credit facility and a $37.5 million subordinated credit facility entered into in June 2002 with Blackacre. The margin above LIBOR on the senior facility was 2.50% at December 31, 2002. The Company also had outstanding letters of credit of $11.0 million at December 31, 2002. At December 31, 2002 the unused commitment on the senior revolving credit facility was approximately $124.0 million.

The $37.5 million Blackacre credit facility is subordinate to Insignia's senior credit facility and bears interest, payable quarterly, at an annual rate of 11.25% to 12.25%, depending on the amount borrowed. At December 31, 2002, the Company had borrowings of $15.0 million outstanding on the subordinated credit facility at an interest rate of 11.25%. Any further borrowings bear interest at 12.25%. Insignia may draw down the remaining $22.5 million of availability at any time until December 2003. The subordinated debt has a final maturity of June 2009.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The senior credit facility provides for foreign denominated borrowings up to an aggregate $75 million. No foreign denominated borrowings were outstanding at December 31, 2002. The senior facility is collateralized by a pledge of the stock of domestic subsidiaries and material foreign subsidiaries.

The Company also maintains a £5 million line of credit in the UK for short term working capital purposes in Europe. The Company has not borrowed on this line of credit during the past two years.

The U.K. acquisition loan notes outstanding at December 31, 2002 are guaranteed by a bank, as required by the terms of the respective purchase agreements. The bank holds restricted cash deposits sufficient to repay the notes in full when due. These loan notes are redeemable semi-annually at the discretion of the note holder.

In March 2003, the Company repaid $67.0 million on the senior credit facility as a result of the sale of its residential businesses Insignia Douglas Elliman and Insignia Residential Group. In conjunction with the pay-down, the commitment under the senior credit facility was reduced from $230.0 million to $165.0 million.

The Company's credit agreements and other debt agreements contain various restrictive covenants requiring, among other things, minimum consolidated net worth and certain other financial ratios. The Company's revolving credit facility restricts the payment of cash dividends to an amount not to exceed twenty-five percent of net income for the immediately preceding fiscal quarter. At December 31, 2002, Insignia had approximately $80.0 million of availability on its credit facilities under these covenants. At December 31, 2002, the Company was in compliance with all covenants.

Real Estate Mortgage Notes

At December 31, 2002, real estate mortgage notes represented non-recourse loans collateralized by real estate properties and consisted of the following (in thousands):

Brookhaven Village, mortgage loan bearing interest at 6.24% with a final maturity in December 2004	$ 8,305
U.S. Virgin Islands development loan bearing interest at LIBOR plus 5.0% with a floor of 8.0% (8% at December 31, 2002). The note matures in August 2005	20,000
West Village, FHA loan bearing interest at 7.25%. The loan matures in October 2013	7,064
West Village, HPD note bearing interest at 8.5% and maturing in October 2023 (loan amount plus unpaid accrued interest)	29,897
West Village, non-interest bearing residual receipt note maturing in October 2023	1,529
	$ 66,795

The mortgage note encumbering Brookhaven Village includes a participation feature whereby the lender is entitled to 35% of the net cash flow, net refinancing proceeds or net sales proceeds after the Company has achieved a 10% annual return on equity. The projected participation liability to the lender equaled approximately $715,000 at December 31, 2002. This amount is substantially contingent upon a sale of the asset. The U.S. Virgin Island development loan includes a one time deferred financing fee of 4.35% to 17% of the loan proceeds, depending of the length of financing. This deferred financing fee is payable at loan maturity or the early repayment of the loan.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Scheduled principal maturities on all long-term debt payable after December 31, 2002 are as follows:

	Notes Payable	Real Estate Mortgage Notes	Total
		(In thousands)	
2003	$ 16,889	$ 412	$ 17,301
2004	95,000	8,786	103,786
2005	—	20,518	20,518
2006	—	556	556
2007	—	598	598
Thereafter	15,000	35,925	50,925
	$ 126,889	$ 66,795	$ 193,684

14. Stock Compensation Plans

The Company's 1998 Stock Incentive Plan, as amended and restated (the "1998 Plan"), authorized the grant of options and restricted stock awards to management personnel totaling up to 4,500,000 shares of the Company's common stock. The term of each option is determined by the Company's Board of Directors but will in no event exceed ten years from the date of grant. Options granted typically have five-year terms and are granted at prices not less than 100% of the fair market value of the Company's common stock on the date of grant. The 1998 Plan may be terminated by the Board of Directors at any time. In September 1998, the Company was spun-off from its former parent, a company also named Insignia Financial Group, Inc. At the spin-off date, the Company assumed, under the 1998 Plan, approximately 1,787,000 options issued by the former parent to employees of the businesses included in the spin-off. At December 31, 2002, 1,926,583 options were outstanding under the 1998 Plan.

At December 31, 2002, approximately 96,000 unvested restricted stock awards to acquire shares of the Company's common stock were outstanding under the 1998 Plan. These awards, which have a five-year vesting period, were granted to executive officers and other employees of the Company. Compensation expense recognized by the Company for these awards totaled approximately $706,000 and $627,000 for 2002 and 2001, respectively.

During 2002, the Company granted 150,000 nonqualified options to the president of Insignia Douglas Elliman, pursuant to his employment agreement. These options were issued outside of the 1998 Plan and have a five-year vesting period.

The Company assumed 1,289,329 options under Non-Qualified Stock Option Agreements in connection with the acquisition of REGL. The options had five-year terms at the date of grant and the terms remained unchanged at the date of assumption. At December 31, 2002, 654,806 options remained outstanding.

The Company assumed approximately 612,000 options under Non-Qualified Stock Option Agreements in connection with the acquisition of St. Quintin. The options had five-year terms at the date of grant and the terms remained unchanged at the date of assumption. At December 31, 2002, 266,484 options remained outstanding.

The Company assumed 110,000 options under a Non-Qualified Stock Option Plan in connection with a prior acquisition. At December 31, 2002, 65,000 options remained outstanding under the plan. The options had five and one half-year terms at the date of grant and the terms remained unchanged at the date of assumption.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The terms of all options assumed in connection with acquisitions remained subject to continued vesting over their original terms. These options have been accounted for as additional purchase consideration for each respective business combination.

During 2000, Insignia granted 1,493,000 warrants to purchase Insignia common stock to certain key executives, non-employee directors and other employees under Warrant Agreements. Such warrants had five-year terms at the date of grant. At December 31, 2002, 1,432,500 warrants remained outstanding.

Pursuant to the Company's Supplemental Stock Purchase and Loan Program, Insignia has loans outstanding to seven employees, including three executive officers, of the Company. These loans were originally made in 1998 and 1999 for the purchase of 158,663 newly issued shares of Insignia's common stock at an average share price of approximately $12.18. The loans require principal and interest payments, at a fixed rate of 7.5%, in 40 equal quarterly installments ending December 31, 2009. The notes are secured by the common shares and are non-recourse to the employee except to the extent of 25% of the outstanding amount. The outstanding principal balances of these notes totaled $1,193,000 at December 31, 2002. The notes receivable are classified as a reduction of stockholders' equity in the Company's consolidated balance sheet.

The Company's 1998 Employee Stock Purchase Plan (the "Employee Plan") was adopted to provide employees with an opportunity to purchase common stock through payroll deductions at a price not less than 85% of the fair market value of the Company's common stock. The Employee Plan was developed to qualify under Section 423 of the Internal Revenue Code of 1986.

In connection with the Company's spin-off in September 1998, 1,196,000 warrants to purchase shares of common stock of the Company (at $14.50 per share) were issued to holders of the Convertible Preferred Securities of the Company's former parent. The term of each warrant is five years. The Company's former parent purchased the warrants from Insignia in 1998 for approximately $8.5 million. At December 31, 2002, all warrants remained outstanding and were fully exercisable.

The Company's common stock reserved for future issuance in connection with stock compensation plans totaled 5,751,373 shares at December 31, 2002.

Summaries of the Company's stock option, warrant and unvested restricted stock activity, and related information for the years ended December 31, 2002 and 2001 are as follows:

	2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	6,616,404	$ 10.32	8,304,155	$ 10.06
Options and warrants granted	290,000	10.33	30,000	11.70
Options granted in connection with a prior acquisition	—	—	20,000	10.80
Exercised	(200,674)	3.48	(690,941)	6.64
Forfeited/canceled	(954,357)	11.95	(1,046,810)	9.40
Outstanding at end of year	5,751,373	10.30	6,616,404	$ 10.32
Exercisable at end of year	4,501,359	$ 10.66	4,233,299	$ 11.31
Weighted-average fair value of grants during the year		$ 2.90		$ 5.32

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Significant option, warrant and unvested restricted stock groups outstanding at December 31, 2002 and related weighted average price and life information follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.00 - $7.50	1,017,526	1.9 years	$5.82	560,066	$6.41
$7.51 - $11.00	2,108,000	2.5 years	$8.40	1,723,330	$8.06
$11.01 - $14.00	1,308,965	1.7 years	$12.61	901,081	$12.65
$14.01 - $15.69	1,316,882	0.8 years	$14.51	1,316,882	$14.51
	5,751,373		$10.30	4,501,359	$10.66

15. Income Taxes

For financial reporting purposes, income (loss) from continuing operations before income taxes includes the following components:

	2002	2001
	(In thousands)	
United States	$ (3,583)	$ 4,200
Foreign	19,632	5,674
	$ 16,049	$ 9,874

Significant components of the income tax expense from continuing operations are as follows:

	2002	2001
	(In thousands)	
Current:		
Federal	$ (324)	$ 1,080
Foreign	8,279	4,868
State and local	(299)	328
Total current	7,656	6,276
Deferred:		
Federal	2,053	(1,662)
Foreign	960	(944)
State and local	(3,657)	(148)
Total deferred	(644)	(2,754)
	$ 7,012	$ 3,522

Table of Contents

Components of income tax expense (benefit) reported other than in continuing operations are as follows:

	2002	2001
	(In thousands)	
Discontinued Operations:		
Income (loss) from operations	$ 3,707	$(1,123)
Income (loss) on disposal	(2,844)	(4,000)
Total	863	(5,123)
Accumulated Other Comprehensive Income:		
Minimum pension liability	(3,832)	(696)
Unrealized investment gains	752	7
Currency translation	6,215	(1,769)
Total	3,135	(2,458)
Cumulative Change in Accounting Principles:		
Goodwill impairment	(9,388)	—

The reconciliation of income tax attributable to continuing operations computed at the U.S. statutory rate to income tax expense is shown below*(In thousands)*:

	2002		2001	
	Amount	Percent	Amount	Percent
Tax at U.S. statutory rates	$ 5,617	35.0%	$ 3,456	35.0%
Effect of different tax rates in foreign jurisdictions	(387)	(2.4)	(424)	(4.3)
State income taxes, net of federal tax benefit	(2,571)	(16.0)	(1,521)	(15.4)
Effect of nondeductible meals and entertainment expenses	479	3.0	1,075	10.9
Effect of nondeductible goodwill amortization	—	—	1,386	14.0
Change in valuation allowances for continuing operations	1,913	11.9	1,468	14.9
Effect of settlement of IRS exam	(73)	(0.4)	(1,961)	(19.9)
Effect of executive compensation limitation	1,504	9.3	351	3.6
Other	530	3.3	(308)	(3.1)
	$ 7,012	43.7%	$ 3,522	35.7%

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax liabilities and assets as of December 31, 2002 are as follows (in thousands):

Deferred tax liabilities:	
Acquisition related intangibles	$ (1,799)
Tax over book depreciation	(6,149)
Partnership earnings differences	—
Compensation	(5,415)
Accumulated comprehensive income—unrealized gains	(752)
Other, net	(1,680)
Total deferred tax liabilities	(15,795)
Deferred tax assets:	
Net operating losses	13,494
Acquisition related items	4,082
Book over tax depreciation	—
Commission income receivable (net)	1,499
Alternative minimum tax credit	1,234
Partnership earnings differences	3,897
Bad debt reserves	2,400
Reserve for asset impairments	2,540
Compensation and benefits	17,261
Accumulated comprehensive income—minimum pension liability	4,528
Accumulated comprehensive income—currency translation	—
Other, net	2,250
Total deferred tax assets	53,185
Valuation allowance for deferred tax assets	(5,576)
Deferred tax assets, net of valuation allowance	47,609
Net deferred tax assets	$ 31,814

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to realize fully the deferred assets, the Company will need to generate future taxable income of approximately $58.1 million, principally for U.S. purposes.

The Company has generated losses and has created other net deferred assets in prior years. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future income during the carryforward period are reduced. Net operating losses in the U.S. were carried forward from 2001 for federal income tax purposes. At December 31, 2002, approximately $12.6 million and $41.1 million of net operating losses will carry forward to 2003 for federal, state and local income tax purposes respectively. These amounts expire between 2015 and 2022.

In 2001, the Company entered into an agreement to sell Realty One and its affiliated companies. In connection with the Realty One sale, the Company incurred a pre-tax loss of approximately $21.6 million. Under the tax law existing at December 31, 2001, approximately $12.5 million of the loss could not be deducted for income tax purposes and no income tax benefit has been provided on this portion of the loss in 2001. Subsequent to 2001, the U.S. Treasury Department issued new legislative regulations that allowed for the deduction of the loss for income tax purposes. Sufficient capital gains were generated to offset the loss.

Undistributed earnings of the Company's foreign operations amounted to approximately $39.0 million in aggregate as of December 31, 2002. Deferred income taxes are not provided at U.S. tax rates on these earnings as it is intended that the earnings will be permanently reinvested outside of the U.S. Any such taxes should not be significant, since U.S. tax rates are no more than 5% in excess of U.K. and French tax rates and goodwill, with respect to the U.K. and French operations, are amortizable for U.S. tax purposes.

During 2002, certain of the Company's foreign operations generated operating losses in aggregate of approximately $8.1 million. All potential tax benefits pertaining to such losses have been fully reserved due to absence of profits.

In 2000, the Internal Revenue Service ("IRS") commenced an examination of the income tax returns for the 1998 (January 1, 1998 through September 30, 1998), 1997 and 1996 tax years. In November 2001, the IRS made a final determination to which the Company agreed. The agreed assessment paid by the Company was approximately $1.1 million, including taxes and interest. The examination will have final resolution when the U. S. Treasury Department issues a determination letter resulting from the review by the Joint Committee on Taxation. The statute of limitations expired on March 31, 2003 and the Company does not anticipate any additional assessments.

16. EmployeeBenefit Plans

401(k) Retirement Plan

The Company established a 401(k) savings plan covering substantially all U.S. employees. The Company may make a contribution equal to 25% of the employees' contribution up to a maximum of 6% of the employees' compensation and participants fully vest in employer contributions after 5 years. All contributions to the 401(k) plan are expensed currently in earnings. The Company expensed approximately $1,026,000 and $1,201,000 in contributions to the 401(k) plan during 2002 and 2001, respectively.

Defined Contribution Plan

Insignia Richard Ellis maintains a defined contribution plan that is available to all of its employees at their option after the completion of six months of service and the attainment of 25 years of age. Insignia Richard Ellis contributions are 3.5% of salary for ages 25 to 30, 4.5% of salary for ages 31 to 35 and 5.5% to 7% of salary for ages 36 and over. Insignia Richard Ellis expensed approximately $1,598,000 and $1,430,000 in contributions to the plan during 2002 and 2001, respectively.

Defined Benefit Plans

Insignia Richard Ellis maintains two defined benefit plans for certain of its employees. The plans provide for benefits based upon the final salary of participating employees. The funding policy is to contribute annually an amount to fund pension cost as actuarially determined by an independent pension consulting firm.

Table of Contents

The following table summarizes the accumulated benefit obligation, projected benefit obligation, funded status and net periodic pension cost of the Insignia Richard Ellis defined benefit plans as of December 31, 2002 (in thousands):

Accumulated Benefit Obligation	$ 57,089
Projected Benefit Obligation ("PBO")	
PBO—Beginning of year	$ 48,355
Service cost	1,158
Interest cost	3,017
Benefits paid net of participant contributions	(566)
Net actuarial loss	4,023
Foreign currency exchange rate changes	5,593
PBO—End of year	61,580
Change in Plan Assets	
Fair value of plan assets at beginning of year	44,131
Actual return on plan assets	(6,198)
Employer contributions	884
Benefits paid net of participant contributions	(566)
Foreign currency exchange rate changes	4,267
Fair value of plan assets at end of year	42,518
Funded status of the plans	(19,062)
Unrecognized net actuarial loss	19,585
Adjustment required to recognize minimum liability	(15,094)
Net pension liability recognized in the Company's consolidated balance sheets	$ (14,571)

	Years Ended December 31	
	2002	2001
	(In thousands)	
Net Periodic Pension Cost		
Service cost	$ 1,158	$ 909
Interest cost	3,017	2,657
Return on plan assets	(2,975)	(3,398)
	$ 1,200	$ 168
Assumptions used in determining accounting:		
Discount rate	5.5%	6.0%
Weighted average increase in compensation levels	4.3%	4.5%
Rate of return on plan assets	6.5%	6.5%

The adjustment to accumulated other comprehensive income in 2002 pertaining to the minimum pension liability was approximately $9.7 million (net of tax benefit of $3.8 million).

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

17. RelatedParty Transactions

In May 2002, Insignia made a loan in the amount of $270,000 to an Executive Vice President of the Company. The variable interest rate on the loan is the same as the average cost of funds borrowed by Insignia, which was approximately 5.25% at December 31, 2002. Interest on the loan is payable to Insignia in cash on June 30 and December 31 of each year; provided, however, that until December 31, 2004 all interest accrued and payable may, at the discretion of the executive (but subject to Insignia's right of offset as more fully described below), be added to the outstanding principal balance of the loan instead of paid in cash. The loan is repayable on the earlier of (i) June 30, 2005 or (ii) 30 days following a termination of the executive's employment with Insignia for any reason. Pursuant to its rights under the note, beginning on August 1, 2002, Insignia began withholding 50% of any distribution payable to the executive, in respect of the executive's equity interest in the Company's profits interest in IOP, to be applied as a payment of accrued interest first and then outstanding principal. The outstanding balance on the loan was $269,083 at December 31, 2002.

In March 2002, Insignia made a loan in the amount of $1.5 million to its Chairman and Chief Executive Officer. The variable interest rate on the loan is the same as the average cost of funds borrowed by Insignia, which was approximately 5.25% at December 31, 2002. The loan is payable on or before March 5, 2005. The Company deducts quarterly interest payments due on the loan from certain bonuses payable to the Chairman. To the extent such bonuses are not paid, all accrued and unpaid interest is payable at maturity. The loan and any accrued interest thereon would be forgiven in limited circumstances, such as a significant transaction or change of control. The outstanding balance on the loan at December 31, 2002 was $1.5 million.

In June 2001, Insignia made a loan in the amount of $1.5 million to its President. The variable interest rate on the loan is the same as the average cost of funds borrowed by Insignia, which was approximately 5.25% at December 31, 2002. The loan becomes due upon the earliest of (i) voluntary termination of the President's employment with Insignia, (ii) the termination of the President's employment with Insignia for cause or (iii) March 15, 2006. Insignia will forgive $375,000 of the principal amount of the loan and accrued interest thereon on March 15 of the year following each of 2002, 2003, 2004 and 2005 to the extent that actual Net EBITDA equals or exceeds 75% of annual budgeted Net EBITDA for any such year, as approved by the Board of Directors. In addition, if aggregate actual Net EBITDA for fiscal 2002, 2003, 2004 and 2005 equals or exceeds aggregate annual budgeted EBITDA for such years, any outstanding principal amount of the loan and accrued interest thereon, will be forgiven as of March 15, 2006. The outstanding balance on the loan at December 31, 2002 was $1.5 million.

Pursuant to the Company's Supplemental Stock Purchase and Loan Program, Insignia has loans outstanding to seven employees, including three executive officers, of the Company. These loans were originally made in 1998 and 1999 for the purchase of 158,663 newly issued shares of Insignia's common stock at an average share price of approximately $12.18. The loans require principal and interest payments, at a fixed rate of 7.5%, in 40 equal quarterly installments ending December 31, 2009. The notes are secured by the common shares and are non-recourse to the employee except to the extent of 25% of the outstanding amount. At December 31, 2002, the loans outstanding totaled $1,193,000 and are presented as a reduction of stockholders' equity in the Company's consolidated balance sheet.

A director of Insignia is a partner in a law firm that represents Insignia or certain of its affiliates from time to time. The amount of fees paid by the Company to the firm during 2002 and 2001 totaled $1,363,000 and $59,000, respectively.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

18. Commitments,Contingencies and Other Matters

Ordinary Course of Business Claims

Insignia and certain subsidiaries are defendants in lawsuits arising in the ordinary course of business. Management does not expect that the results of any such lawsuits will have a significant adverse effect on the financial condition, results of operations or cash flows of the Company. All contingencies including unasserted claims or assessments, which are probable and for which the amount of loss can be reasonably estimated, are accrued in accordance with SFAS No. 5, *Accounting for Contingencies.*

Indemnification

In 1998, the Company's former parent entered into a Merger Agreement with Apartment Investment and Management Company ("AIMCO"), and one of AIMCO's subsidiaries, pursuant to which the former parent was merged into AIMCO. Shortly before the merger, the former parent distributed the stock of Insignia to its shareholders in a spin-off transaction. As a requirement of the Merger Agreement, Insignia entered into an Indemnification Agreement with AIMCO. In the Indemnification Agreement, Insignia agreed generally to indemnify AIMCO against all losses exceeding $9.1 million that result from: (i) breaches by the Company or former parent of representations, warranties or covenants in the Merger Agreement; (ii) actions taken by or on behalf of former parent prior to the merger; and (iii) the spin-off.

In December 2001, the Company entered into a stock purchase agreement with Real Living, Inc., the purchaser, that provided for the sale of 100% of the stock of Realty One and its affiliated companies. Such affiliated companies included First Ohio Mortgage Corporation, Inc., First Ohio Escrow Corporation, Inc. and Insignia Relocation Management, Inc. As a part of the sale, the Company agreed generally to indemnify the purchaser against all losses up to the purchase price (subject to certain deductible amounts), resulting from the following: (i) breaches by the Company of any representations, warranties or covenants in the stock purchase agreement; (ii) pre-disposition obligations for goods, services, taxes or indebtedness except for those assumed by Real Living, Inc.; (iii) change of control payments made to employees of Realty One; and (iv) any third party losses arising or related to the period prior to the disposition. In addition, the Company provided an indemnification for losses incurred by Wells Fargo Home Mortgage, Inc. ("Wells Fargo") and/or the purchaser in respect of (i) mortgage loan files existing on the date of closing; (ii) fraud in the conduct of its home mortgage business; and (iii) the failure to follow standard industry practices in the home mortgage business. The aggregate loss for which the Company is potentially liable to Wells Fargo is limited to $10 million and the aggregate of any claims made by the purchaser and Wells Fargo shall not exceed the purchase price.

In March 2003, Insignia completed the sale of its New York-based residential real estate service businesses, Insignia Douglas Elliman and Insignia Residential Group, to Montauk Battery Realty, LLC. In connection with the sale, Insignia agreed generally to indemnify the purchaser for the amount of any loss, liability, claim, damage, cost or expense up to the aggregate purchase price (subject to certain deductible amounts) arising, directly or indirectly, from or in connection with the following: (i) breaches by the Company of any representations, warranties, covenants or obligations in the purchase and sale agreement; (ii) claims pending or threatened on the date of sale; (iii) any conduct, action or inaction or circumstances related to the operation, management or ownership of the businesses arising or related to the period prior to the sale; and (iv) any liabilities or obligations arising or related to the period prior to the sale.

As of December 31, 2002, the Company was not aware of any matters that would give rise to a material claim under any indemnities and warranties.

INSIGNIA FINANCIAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Environmental

Under various federal and state environmental laws and regulations, a current or previous owner or operator of real estate may be required to investigate and remediate certain hazardous or toxic substances or petroleum-product releases at the property, and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. The owner or operator of a site may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from or at the site, including the presence of asbestos containing materials. Insurance for such matters may not be available.

The presence of contamination or the failure to remediate contamination may adversely affect the owner's ability to sell or lease real estate or to borrow using the real estate as collateral. There can be no assurance that Insignia, or any assets owned or controlled by Insignia (as on-site property manager), currently are in compliance with all of such laws and regulations or that Insignia will not become subject to liabilities that arise in whole or in part out of any such laws, rules or regulations. The liability may be imposed even if the original actions were legal and Insignia did not know of, or was not responsible for, the presence of such hazardous or toxic substances. Insignia may also be solely responsible for the entire payment of any liability if it is subject to joint and several liability with other responsible parties who are unable to pay. Insignia may be subject to additional liability if it fails to disclose environmental issues to a buyer or lessee of property. Management is not currently aware of any environmental liabilities that are expected to have a material adverse effect upon the operations or financial condition of the Company.

Operating Leases

The Company leases office space and equipment under noncancelable operating leases. Minimum annual rentals under operating leases for the five years ending after December 31, 2002 and thereafter are as follows (in thousands):

2003	$ 27,276
2004	25,878
2005	24,105
2006	22,306
2007	20,829
Thereafter	64,638
Total minimum payments	$ 185,032

Rental expense, which is recorded on a straight-line basis, was approximately $29,705,000 (2002) and $24,496,000 (2001). Certain of the leases are subject to renewal options and annual escalation based on the Consumer Price Index or annual increases in operating expenses.

Convertible Preferred Stock

Insignia has 375,000 shares, or $37.5 million, of convertible preferred stock outstanding to investment funds affiliated with Blackacre Capital Management. The convertible preferred stock includes 250,000 shares, or $25.0 million, of Series A, initially purchased in February 2000, and 125,000 shares, or $12.5 million, of Series B purchased in June 2002. The initial preferred originally carried a 4% annual dividend and was exchanged in June 2002 for Series A convertible preferred stock. The convertible preferred stock carries an 8.5% annual dividend (totaling approximately $3.2 million), payable quarterly at Insignia's option in cash or in kind. The Company paid cash dividends of approximately $1.8 million in 2002.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The convertible preferred stock has a perpetual term, although Insignia may call the preferred stock, at stated value, after June 7, 2005. Upon the dissolution, liquidation or winding up of the Company, the holders of Series A and Series B convertible preferred stock are entitled to receive the stated value of $100.00 per share (totaling $37.5 million) plus accrued and unpaid dividends.

Stock Repurchase

At December 31, 2002, Insignia held in treasury 1,502,600 repurchased shares of its Common Stock. Such shares were repurchased at an aggregate cost of approximately $16.2 million and are reserved for issuance upon the exercise of warrants granted in 2001 to certain executive officers, non-employee directors and other employees of the Company.

In July 2002, the Company authorized a stock repurchase program of up to $5.0 million, subject to compliance with all covenants contained within the Company's existing debt agreements. As of December 31, 2002, the Company had not initiated any stock repurchases under this authorization.

19. IndustrySegments

As of December 31 2002, Insignia's operating activities encompassed two segments that include (i) commercial real estate services, including principal investment activities, and (ii) residential real estate services. The Company's New York-based residential real estate service businesses were sold in March 2003; therefore, operating activities from continuing operations exclude the operations of these businesses. Residential operations are reported as discontinued operations in the Company's consolidated statements of operations. In 2001, the Company's operating activities included internet-based initiatives as a segment. The Company's segments include businesses that offer similar products and services and are managed separately because of the distinction between such services. The accounting policies of the segments are the same as those used in the preparation of the consolidated financial statements.

The commercial segment provides services including tenant representation, property and asset management, agency leasing and brokerage, investment sales, development and re-development, consulting and other services. The commercial segment also includes the Company's principal real estate investment activities and fund management. Insignia's commercial segment is comprised of the operations of Insignia/ESG in the U.S., Insignia Richard Ellis in the U.K., Insignia Bourdais in France and other businesses in continental Europe, Asia and Latin America. The Company's unallocated administrative expenses and corporate assets, consisting primarily of cash and property and equipment, are included in "Other" in the segment reporting. The Company's internet-based initiatives launched in 1999 were terminated in 2001.

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The following tables summarize certain financial information by industry segment.

Year ended December 31, 2002	Commercial	Residential	Other	Total
		(In thousands)		
Revenues				
Real estate services	$ 577,544	$ —	$ —	$577,544
Property operations	9,195	—	—	9,195
Equity earnings in unconsolidated ventures	3,482	—	—	3,482
Other income, net	589	—	204	793
	590,810	—	204	591,014
Operating income (loss)	37,318	—	(14,229)	23,089
Other income and expense:				
Interest income	2,300	—	1,636	3,936
Interest expense	(474)	—	(8,380)	(8,854)
Property interest expense	(2,122)	—	—	(2,122)
Income (loss) from continuing operations before income taxes	$ 37,022	$ —	$(20,973)	$ 16,049
Total assets	$ 724,330	$ 62,604	$ 85,905	$872,839
Real estate investments, net	134,135	—	—	134,135
Capital expenditures, net	8,388	—	—	8,388

Year ended December 31, 2001	Commercial	Residential	Internet	Other	Total
Revenues					
Real estate services	$ 613,253	$ —	$ —	$ —	$613,253
Property operations	3,969	—	—	—	3,969
Equity earnings in unconsolidated ventures	13,911	—	—	—	13,911
Other income, net	1,765	—	—	331	2,096
	632,898	—	—	331	633,229
Operating income (loss)	43,244	—	—	(13,186)	30,058
Other income and expenses:					
Interest income	2,084	—	—	2,769	4,853
Interest expense	(639)	—	—	(11,730)	(12,369)
Property interest expense	(1,744)	—	—	—	(1,744)
Losses from internet investments	—	—	(10,263)	—	(10,263)
Other expenses	(661)	—	—	—	(661)
Income (loss) from continuing operations before income taxes	$ 42,284	$ —	$(10,263)	$(22,147)	$ 9,874
Total assets	$ 678,091	$ 147,654	$ 1,007	$ 91,630	$918,382
Real estate investments, net	95,710	—	—	—	95,710
Capital expenditures, net	11,704	—	—	85	11,789

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Certain geographic information is as follows:

	Year ended December 31, 2002		Year ended December 31, 2001	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
United States	$ 406,198	$ 343,072	$ 512,754	$ 339,619
United Kingdom	121,746	115,029	105,896	106,701
France	43,058	30,189	—	12,800
Other countries	20,012	8,631	14,579	8,603
	$ 591,014	$ 496,921	$ 633,229	$ 467,723

Long-lived assets are comprised of property and equipment, real estate investments, goodwill and acquired intangibles.

20. FairValues of Financial Instruments

The fair value estimates of financial instruments are not necessarily indicative of the amounts the Company might pay or receive in actual market transactions. The carrying amount reported on the balance sheet for cash and cash equivalents approximates its fair value. Receivables reported on the balance sheet generally consist of property and lease commission receivables and various note receivables. The property and note receivables approximate their fair values. Lease commission receivables are carried at their discounted present value; therefore the carrying amount and fair value amount are the same. The carrying amounts for notes payable and real estate mortgage notes payable approximate their respective fair value because the interest rates generally approximate current market interest rates for similar instruments.

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

21. QuarterlyFinancial Data (unaudited)

	2002				
	Total	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data)				
Revenues	$ 591,014	$ 172,332	$ 155,414	$ 139,225	$ 124,043
Income (loss) from continuing operations	9,037	6,254	2,779	905	(901)
Discontinued operations	9,098	80	5,990	2,270	758
Income (loss) before cumulative effect of a change in accounting principle	18,135	6,334	8,769	3,175	(143)
Cumulative effect of a change in accounting principle	(20,635)	—	—	—	(20,635)
Net (loss) income	$ (2,500)	$ 6,334	$ 8,769	$ 3,175	$ (20,778)
Per share amounts:					
Earnings per share—basic					
Income (loss) from continuing operations	$ 0.30	$ 0.23	$ 0.09	$ 0.03	$ (0.05)
Discontinued operations	0.39	0.01	0.25	0.09	0.03
Income (loss) before cumulative effect of a change in accounting principle	0.69	0.24	0.34	0.12	(0.02)
Cumulative effect of a change in accounting change in accounting principle	(0.89)	—	—	—	(0.90)
Net (loss) income	(0.20)	$ 0.24	0.34	0.12	(0.92)
Earnings per share—assuming dilution					
Income (loss) from continuing operations	0.29	0.23	0.09	0.03	(0.05)
Discontinued operations	0.38	0.01	0.25	0.09	0.03
Income (loss) before cumulative effect of a change in accounting principle	0.67	0.24	0.34	0.12	(0.02)
Cumulative effect of a change in accounting principle	(0.87)	—	—	—	(0.90)
Net (loss) income	$ (0.20)	$ 0.24	$ 0.34	$ 0.12	$ (0.92)

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

	2001				
	Total	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(In thousands, except per share data)				
Revenues	$ 633,229	$ 228,981	$ 115,949	$ 140,747	$ 147,552
Income (loss) from continuing operations	6,352	13,534	(5,561)	(1,821)	200
Discontinued operations	(19,860)	(18,593)	1,091	376	(2,734)
Net loss	$ (13,508)	$ (5,059)	$ (4,470)	$ (1,445)	$ (2,534)
Per share amounts:					
Earnings per share—basic					
Income (loss) from continuing operations	$ 0.24	$ 0.59	$ (0.26)	$ (0.09)	$ 0.00
Discontinued operations	(0.90)	(0.83)	0.05	0.01	(0.13)
Net loss	(0.66)	(0.24)	(0.21)	(0.08)	(0.13)
Earnings per share—assuming dilution					
Income (loss) from continuing operations	0.23	0.50	(0.26)	(0.09)	0.00
Discontinued operations	(0.85)	(0.70)	0.05	0.01	(0.13)
Net loss	$ (0.62)	$ (0.20)	$ (0.21)	$ (0.08)	$ (0.13)

Fourth quarter earnings included a gain of approximately $10.4 million from the sale of a real estate property in which the Company held a 17.5% profits interest. In addition, the fourth quarter included impairment write-downs of $4.6 million in remaining internet investments and income of $3.2 million in connection with the liquidation of EdificeRex.

22. SubsequentEvents

CB Richard Ellis Merger

On February 17, 2003, Insignia entered into an Agreement and Plan of Merger (the "Merger Agreement") with CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. ("CB") and Apple Acquisition Corp., a wholly owned subsidiary of CB, pursuant to which, upon the terms and subject to the conditions set forth therein, Apple Acquisition Corp. will be merged with and into Insignia (the "Merger"), with Insignia being the surviving corporation in the Merger and becoming a wholly owned subsidiary of CB. The Merger Agreement provides that Insignia's Certificate of Incorporation and the Bylaws of Apple Acquisition Corp. will be the Certificate of Incorporation and the Bylaws, respectively, of the surviving corporation. Under the Merger Agreement, at closing each share of common stock, par value $0.01 per share, of Insignia (the "Common Stock") will be converted into the right to receive $11.00 per share in cash (the "Common Merger Consideration"), subject to adjustment based on the potential sale of certain real estate assets (excluding assets of the service businesses) prior to the closing of the Merger. The Merger Agreement provides that if Insignia receives more than a specified amount of cash net proceeds for these assets, the excess net cash proceeds will be paid to holders of Common Stock, options, warrants and unvested restricted stock as additional Common Merger Consideration, up to an additional $1.00 per share of Common Stock. The Merger closed on July 23, 2003 and Insignia's common shareholders received cash consideration of $11.156 per share.

Separately, on July 23, 2003, Insignia sold substantially all of its real estate investment assets to Island Fund I LLC prior to the closing of the Merger. The purchase price in the sale aggregated $44.8 million and included $36.9 million paid in cash to Insignia at closing and the assumption by the buyer of $7.9 million in contractual

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

obligations to certain executive officers, including the Company's Chairman, who are also officers of Island Fund. The Company recognized a loss of approximately $12.8 million (before applicable income taxes) in connection with the sale.

When Insignia entered into the Merger Agreement it considered whether the right to sell certain of its real estate investment assets had any effect on the evaluation of such investments for purposes of determining impairment and discontinuance for financial reporting purposes. Insignia concluded that the investment assets did not qualify for classification as assets held for sale based on the following factors: (i) management had not committed to a formal plan to sell the asset (or disposal group); (ii) an active program to locate a buyer and other actions required to complete the sell the assets had not been initiated; (ii) the sale of any investment assets below book value was not considered probable; and (iv) the Company would not sell assets below book value unless the merger closed and such sales produced additional incremental share consideration above $11.00 per share.

Table of Contents

23. Supplemental Information

The following supplemental information includes: (i) condensed consolidating balance sheet as of December 31, 2002; (ii) condensed consolidating statement of operations for the year ended December 31, 2002 and (iii) condensed consolidating statement of cash flows for the year ended December 31, 2002 of the Company's domestic commercial service operations (including operations of Insignia/ESG, Inc. and unallocated administrative expenses and corporate assets of Insignia), all other operations (comprised of residential service operations, international service operations and real estate investment operations) and the Company on a consolidated basis. Investments in consolidated subsidiaries are presented using the equity method of accounting. The principal elimination entries eliminate investments in consolidated subsidiaries and intercompany balances and transactions.

Condensed Consolidating Balance Sheet
As of December 31, 2002

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
		(In thousands)		
Assets				
Cash and cash equivalents	$ 72,245	$ 39,268	$ —	$ 111,513
Receivables, net of allowance	103,780	51,541	—	155,321
Restricted cash	17,277	4,241	—	21,518
Intercompany receivables	44,196	—	(44,196)	—
Investment in consolidated subsidiaries	246,184	—	(246,184)	—
Property and equipment, net	36,271	19,343	—	55,614
Real estate investments, net	—	134,135	—	134,135
Goodwill, net	112,662	176,899	—	289,561
Acquired intangible assets, net	1,345	16,266	—	17,611
Deferred taxes	42,805	4,804	—	47,609
Other assets, net	26,922	13,035	—	39,957
Total assets	$ 703,687	$ 459,532	$ (290,380)	$ 872,839
Liabilities and Stockholders' Equity				
Liabilities:				
Accounts payable	$ 5,510	$ 8,233	$ —	$ 13,743
Commissions payable	63,380	594	—	63,974
Accrued incentives	23,720	28,604	—	52,324
Accrued and sundry	54,560	63,430	—	117,990
Deferred taxes	14,299	1,496	—	15,795
Intercompany payables	—	44,196	(44,196)	—
Notes payable	126,889	—	—	126,889
Real estate mortgage notes	—	66,795	—	66,795
Total liabilities	288,358	213,348	(44,196)	457,510
Total stockholders' equity	415,329	246,184	(246,184)	415,329
Total liabilities and stockholders' equity	$ 703,687	$ 459,532	$ (290,380)	$ 872,839

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2002

	Domestic Commercial Service Operations	Other Operations	Eliminations	Consolidated Total
		(In thousands)		
Revenues	$ 392,935	$ 198,079	$ —	$ 591,014
Costs and expenses				
Real estate services	366,904	159,172	—	526,076
Property operations	—	7,264	—	7,264
Administrative	14,344	—	—	14,344
Depreciation and amortization	14,292	4,029	—	18,321
Property depreciation	—	1,920	—	1,920
	395,540	172,385	—	567,925
Operating income (loss)	(2,605)	25,694	—	23,089
Other income and expenses:				
Interest income	1,678	2,258	—	3,936
Interest expense	(8,380)	(474)	—	(8,854)
Property interest expense	—	(2,122)	—	(2,122)
Equity earnings in consolidated subsidiaries	2,438	—	(2,438)	—
Income (loss) from continuing operations before income taxes	(6,869)	25,356	(2,438)	16,049
Income tax (expense) benefit	4,369	(11,381)	—	(7,012)
Income (loss) from continuing operations	(2,500)	13,975	(2,438)	9,037
Discontinued operations, net of applicable tax				
Income from operations	—	4,180	—	4,180
Income on disposal	—	4,918	—	4,918
Income (loss) before cumulative effect of a change in accounting principle	(2,500)	23,073	(2,438)	18,135
Cumulative effect of a change in accounting principle, net of applicable taxes	—	(20,635)	—	(20,635)
Net loss	$ (2,500)	$ 2,438	$ (2,438)	$ (2,500)

Table of Contents

INSIGNIA FINANCIAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2002

	Domestic Commercial Service Operations	Other Operations	Consolidated Total
		(In thousands)	
Cash (used in) provided by operating activities	$ (52,231)	$ 53,913	$ 1,682
Investing activities			
Additions to property and equipment, net	(6,315)	(2,073)	(8,388)
Proceeds from real estate investments	—	44,648	44,648
Proceeds from sale of discontinued operation	—	23,250	23,250
Payments made for acquisition of businesses	(3,650)	(5,268)	(8,918)
Investment in real estate	—	(46,684)	(46,684)
Decrease (increase) in restricted cash	5,496	(1,532)	3,964
Cash (used in) provided by investing activities	(4,469)	12,341	7,872
Financing activities			
Decrease (increase) in intercompany receivables	56,173	(56,173)	—
Proceeds from issuance of common stock	903	—	903
Proceeds from issuance of preferred stock	12,270	—	12,270
Proceeds from exercise of stock options	674	—	674
Preferred stock dividends	(1,829)	—	(1,829)
Payments on notes payable	(59,785)	—	(59,785)
Proceeds from notes payable	15,000	—	15,000
Payments on real estate mortgage notes	—	(28,361)	(28,361)
Proceeds from real estate mortgage notes	—	20,000	20,000
Debt issuance costs	(1,415)	—	(1,415)
Cash provided by (used in) financing activities	21,991	(64,534)	(42,543)
Net cash provided by discontinued operations	—	8,787	8,787
Effect of exchange rate changes in cash	—	3,789	3,789
Net (decrease) increase in cash and cash equivalents	(34,709)	14,296	(20,413)
Cash and cash equivalents at beginning of year	106,954	24,906	131,860
	72,245	39,202	111,447
Cash of discontinued operations	—	66	66
Cash and cash equivalents at end of year	$ 72,245	$ 39,268	$ 111,513
Supplemental Information:			
Cash paid for interest	$ 7,238	$ 1,718	$ 8,956
Cash paid for income taxes	2,784	6,743	9,527

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the fees and expenses in connection with the issuance and distribution for the securities being registered hereunder, which fees and expenses will be borne solely by the registrant. Except for the Securities and Exchange Commission registration fee and the NASD fee, all amounts are estimates.

Description	Amount
Securities and Exchange Commission registration fee	$ 76,933
NASD filing fee	15,500
The New York Stock Exchange listing fee	150,000
Legal fees and expenses	900,000
Accounting fees and expenses	500,000
Printing and engraving fees and expenses	500,000
Blue Sky fees and expenses	5,000
Transfer agent fees and expenses	25,000
Miscellaneous expenses	127,567
Total	$ 2,300,000

Item 14. Indemnification of Directors and Officers.

Section 102 of the Delaware General Corporation Law, or the DGCL, as amended, allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damage for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL provides, among other things, that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of such corporation) by reason of the fact that the person is or was a director, officer, agent or employee of such corporation or is or was serving at our request as a director, officer, agent, or employee of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, judgment, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit or proceeding. The power to indemnify applies (1) if the person is successful on the merits or otherwise in defense of any action, suit or proceeding or (2) if the person acted in good faith and in a manner he reasonably believed to be in the best interest, or not opposed to the best interest, of the Delaware corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The power to indemnify applies to actions brought by or in the right of the Delaware corporation as well, but only to the extent of defense expenses (including attorneys' fees but excluding amounts paid in settlement) actually and reasonably incurred and not to any satisfaction of judgment or settlement of the claim itself, and with the further limitation that in these actions no indemnification shall be made in the event of any adjudication of negligence or misconduct in the performance of his duties to the Delaware corporation, unless the court believes that in light of all the circumstances indemnification should apply.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for these actions. A director who was either absent when the unlawful actions were approved or dissented at the time, may avoid liability by causing his or her dissent to these actions to be entered in the books containing the minutes of the meetings of the board of directors at the time the action occurred or immediately after the absent director receives notice of the unlawful acts.

Our restated certificate of incorporation includes a provision that limits the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation is not permitted under the Delaware General Corporation Law.

Our restated certificate of incorporation provides that we must indemnify our current or former directors and officers to the fullest extent permitted by Delaware law. Our restated certificate of incorporation provides that each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding (brought in the right of CB Richard Ellis Group or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was a director or officer of CB Richard Ellis Group or, while a director or officer, is or was serving at the request of CB Richard Ellis Group as a director, officer, partner, member, fiduciary, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, must be indemnified and held harmless by CB Richard Ellis Group to the fullest extent permitted by Delaware law. Our restated certificate of incorporation also provides that each person (and the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of CB Richard Ellis Group or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was an employee or agent of CB Richard Ellis Group or, while an employee or agent, is or was serving at the request of CB Richard Ellis Group as a director, officer, partner, member, fiduciary, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, may be indemnified and held harmless by CB Richard Ellis Group to the fullest extent permitted by Delaware law.

Our restated certificate of incorporation provides that we must advance expenses, as incurred, to our directors and executive officers in connection with a legal proceeding to the fullest extent permitted by Delaware law.

In addition, we maintain insurance on behalf of our directors and executive officers insuring them against any liability asserted against them in their capacities as directors or officers or arising out of this status.

We must indemnify and hold harmless (1) each holder of our common stock and the warrants to acquire our common stock (and the shares of common stock received upon exercise of the warrants) acquired by the persons defined as “Securityholders” pursuant to the Securityholders’ Agreement, dated as of July 20, 2001, by and among, CB Richard Ellis Group, CB Richard Ellis Services, Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, FS Equity Partners III, L.P., FS Equity Partners International, L.P., Credit Suisse First Boston Corporation, DLJ Investment Funding, Inc., The Koll Holding Company, Frederic V. Malek, the management investors named therein and the other persons from time to time party thereto and each of their respective affiliates and any controlling person of any of such holders and (2) each of such holder’s respective directors, officers, employees and agents from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities (including all reasonable attorneys’ fees and expenses), but excluding special or consequential damages, arising from, relating to or otherwise in respect of, any governmental or other third party claim against such indemnified person that arises from, relates to or is otherwise in respect of (i) the business, operations, liabilities or obligations of CB Richard Ellis Group or its subsidiaries or (ii) the ownership by such holder or any of their respective affiliates of any equity securities of CB Richard Ellis Group (except to the extent such losses and expenses (x) arise from any claim that such indemnified person’s investment decision relating to the purchase or sale of such securities violated a duty or other obligation of the indemnified person to the claimant or (y) are finally determined in a judicial action by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such holder or its affiliates). The indemnification provided by CB Richard Ellis Group is separate from and in addition to any other indemnification by CB Richard Ellis Group to which the indemnified person may be entitled.

Item 15. Recent Sales of Unregistered Securities.

Except as otherwise indicated, all information in this Part II assumes a 3-for-1 stock split of the registrant's outstanding Class A common stock and Class B common stock that will be effected prior to the closing of the offering contemplated by this registration statement, which split will be effected by a stock dividend. In the three years prior to the filing of this registration statement, the registrant issued the following unregistered securities in private placements conducted pursuant to Section 4(2) of the Securities Act of 1933, as amended, as transactions not involving public offerings:

(1) On February 22, 2001, the registrant issued and sold 30 shares of its Class B common stock to Blum Strategic Partners, L.P. (formerly known as RCBA Strategic Partners, L.P.) for aggregate cash consideration of $160.00.

(2) On June 7, 2001, the registrant issued and sold 725,625 shares of Class B common stock to Blum Strategic Partners, L.P. for aggregate cash consideration of $3,870,000.

(3) On June 7, 2001, Blum CB Corp., a wholly owned subsidiary of registrant, issued and sold to Credit Suisse First Boston Corporation, Credit Lyonnais Securities (USA) Inc., HSBC Securities (USA) Inc. and Scotia Capital (USA) Inc. $229.0 million in aggregate principal amount of its 11¾% senior subordinated notes due June 15, 2011 at a cash price equal to 98.528% of the aggregate principal amount of such notes and the registrant guaranteed such securities on a senior subordinated basis. On November 21, 2001, CB Richard Ellis Services, Inc. (which assumed the obligations of Blum CB Corp. with respect to the 11¾% senior subordinated notes due June 15, 2011 in connection with the merger of Blum CB Corp. with and into CB Richard Ellis Services on July 20, 2001), the registrant and the other guarantors of such unregistered securities exchanged such securities for 11¾% senior subordinated notes due June 15, 2011 and related guarantees that had been registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-4 (No. 333-70972) that had been declared effective by the Securities and Exchange Commission on October 23, 2001.

(4) On July 20, 2001, the registrant issued and sold to Credit Suisse First Boston Corporation 65,000 units consisting of $65.0 million in aggregate principal amount of its 16% senior notes due July 20, 2011 and 1,019,460 shares of its Class A common stock for a cash price of $1,000 per unit. On November 21, 2001, the registrant exchanged the unregistered 16% senior notes due July 20, 2011 for 16% senior notes due July 20, 2011 that had been registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-4 (No. 333-70980) that had been declared effective by the Securities and Exchange Commission on October 23, 2001. Also on July 20, 2001, the registrant issued and sold to an affiliate of Credit Suisse First Boston Corporation an aggregate of 546,081 shares in consideration for its prior commitment to purchase such units.

(5) On July 20, 2001, the registrant issued and sold the following unregistered securities:

- an aggregate of 23,903,322 shares of its Class B common stock to Blum Strategic Partners, L.P., FS Equity Partners III, L.P., FS Equity Partners International, L.P., The Koll Holding Company, Frederic V. Malek, Ray Wirta and Brett White in consideration for their contribution to the registrant of 7,967,774 shares of the common stock of CB Richard Ellis Services, Inc.;
- an aggregate of 13,305,462 shares of its Class B common stock to Blum Strategic Partners, L.P. and Blum Strategic Partners II, L.P. for a cash price of $5.33 per share;
- 15,000 shares of its Class B common stock to Ray Wirta in consideration for his delivery to the registrant of a full recourse note in the aggregate principal amount of $80,000;
- 1,875,000 shares of its Class A common stock to California Public Employees' Retirement System for a cash price of $5.33 per share; and
- warrants to acquire an aggregate of 766,431 shares of its Class B common stock to FS Equity Partners III, L.P. and FS Equity Partners International, L.P. in consideration for the cancellation of warrants previously held by them to acquire an aggregate of 364,884 shares of common stock of CB Richard Ellis Services.

Table of Contents

(6) The registrant has, in recruiting various key employees, offered such employees the right to purchase shares of its Class A common stock, in each case at $5.33 per share:

Number of Shares	Date of Purchase	Consideration
7,500	January 13, 2002	$20,000 cash $20,000 note
30,000	January 15, 2003	$80,000 cash $80,000 note
75,000	January 31, 2003	$400,000 cash
9,375	February 10, 2003	$50,000 cash
9,375	February 10, 2003	$50,000 cash
75,000	October 3, 2003	$400,000 cash

Such stock was issued pursuant to the registrant's 2001 Stock Incentive Plan in transactions exempt from registration under Rule 701 promulgated pursuant to the Securities Act of 1933, as amended.

(7) On May 22, 2003, CBRE Escrow, Inc., an indirect wholly owned subsidiary of registrant, issued and sold to Credit Suisse First Boston LLC, Credit Lyonnais Securities (USA) Inc. and HSBC Securities (USA) Inc. $200.0 million in aggregate principal amount of its 9 3/4% senior notes due May 15, 2010 at a cash price equal to 100% of the aggregate principal amount of such notes. In connection with the merger of CBRE Escrow with and into the registrant's wholly owned subsidiary, CB Richard Ellis Services, Inc., on July 23, 2003, CB Richard Ellis Services assumed the obligations of CBRE Escrow with respect to its 9 3/4% senior notes due May 15, 2010 and the registrant guaranteed such securities on a senior basis. On January 7, 2004, CB Richard Ellis Services, Inc., the registrant and the other guarantors of such unregistered securities exchanged such securities for 9 3/4% senior notes due May 15, 2010 and related guarantees that had been registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-4 (No. 333-109841) that had been declared effective by the Securities and Exchange Commission on December 5, 2003.

(8) On July 23, 2003, the registrant issued and the following unregistered securities:

- an aggregate of 19,941,405 shares of its Class B common stock to Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG and Frederic V. Malek for a cash price of $5.33 per share; and
- an aggregate of 2,558,595 shares of its Class A common stock to DLJ Investment Partners, L.P., DLJ Investment Partners II, L.P., DLJIP II Holdings, L.P. and California Public Employees' Retirement System for a cash price of $5.33 per share.

(9) Prior to March 31, 2004, the registrant issued an aggregate of 76,011 shares of its Class A common stock in connection with distributions related to stock fund units under the deferred compensation plan of its wholly owned subsidiary, CB Richard Ellis Services, Inc. The plan participants receiving such shares previously had made aggregate deferrals of $335,296 under the plan with respect to such stock fund units. The issuances of such shares in connection with distributions under such plan were pursuant to Rule 701 promulgated by the Securities and Exchange Commission under Section 3(b) of the Securities Act of 1933, as amended, with respect to transactions pursuant to compensation benefit plans and contracts relating to compensation.

(10) As of March 31, 2004, 3,387,543 shares of the registrant's Class A common stock were underlying stock fund units with respect to $5.4 million of deferrals made under the deferred compensation plan of CB Richard Ellis Services, Inc. Prior to the completion of the offering by the registrant, the issuance of any shares in connection with distributions under the plan related to such stock fund units would be pursuant to Rule 701 promulgated by the Securities and Exchange Commission under Section 3(b) of the Securities Act of 1933, as amended, with respect to transactions pursuant to compensation benefit plans and contracts relating to compensation. The registrant intends to file a Registration Statement on

Form S-8 under the Securities Act of 1933, as amended, to register shares of its Class A common stock issuable in connection with distributions under such plan. The Registration Statement on Form S-8 is expected to be filed following the effective date of this registration statement.

(11) Prior to March 31, 2004, current and former employees of the registrant had exercised options to acquire an aggregate of 18,750 shares of the registrant's Class A common stock for $5.33 per share. The issuance of such shares in connection with the exercise of such options was pursuant to the registrant's 2001 Stock Incentive Plan and exempt from registration under Rule 701 promulgated pursuant to the Securities Act of 1933, as amended.

(12) As of March 31, 2004, 7,455,936 shares of the registrant's Class A common stock are subject to outstanding options granted under the registrant's 2001 stock incentive plan. Prior to the completion of the offering by the registrant, the issuance of any such shares in connection with the exercise of such options would be pursuant to Rule 701 promulgated by the Securities and Exchange Commission under Section 3(b) of the Securities Act of 1933, as amended, with respect to transactions pursuant to compensation benefit plans and contracts relating to compensation. The registrant intends to file a Registration Statement on Form S-8 under the Securities Act of 1933, as amended, to register shares of its Class A common stock issuable under its 2001 stock incentive plan. The Registration Statement on Form S-8 is expected to be filed following the effective date of this registration statement.

Item 16. Exhibits and Financial Statement Schedules.

Exhibit	Description
1	Form of Underwriting Agreement*
2.1	Amended and Restated Agreement and Plan of Merger, dated as of May 28, 2003, by and among Insignia Financial Group, Inc., CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and Apple Acquisition Corp. (incorporated by reference to Exhibit 2.2 of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC on October 20, 2003)
2.2	Purchase Agreement, dated as of May 28, 2003, by and among Insignia Financial Group, Inc., CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc., Apple Acquisition Corp. and Island Fund I LLC (incorporated by reference to Exhibit 2.3 of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on October 20, 2003)
3.1	Form of Restated Certificate of Incorporation of CB Richard Ellis Group, Inc. to be filed prior to the offering*
3.2	Form of Restated Certificate of Incorporation of CB Richard Ellis Group, Inc. to be filed immediately after the closing of the offering*
3.3	Restated By-laws (incorporated by reference to Exhibit 3.4 of the CB Richard Ellis Group, Inc. Registration Statement on Form S-1 (No. 333-59440) filed with the SEC on July 5, 2001)
3.4	Form of Restated By-laws of CB Richard Ellis Group, Inc. to be effective prior to the closing of the offering*
4.1	Form of Class A common stock certificate of CB Richard Ellis Group, Inc.*
4.2(a)	Securityholders' Agreement, dated as of July 20, 2001 ("Securityholders' Agreement"), by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc., Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, FS Equity Partners III, L.P., FS Equity Partners International, L.P., Credit Suisse First Boston Corporation, DLJ Investment Funding, Inc., The Koll Holding Company, Frederic V. Malek, the management investors named therein and the other persons from time to time party thereto (incorporated by reference to Exhibit 25 to Amendment No. 9 to Schedule 13D with respect to CB Richard Ellis Services, Inc. filed with the SEC on July 25, 2001)
4.2(b)	Amendment and Waiver to Securityholders' Agreement, dated as of April 14, 2004, by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and the other parties to the Securityholders' Agreement*

Exhibit	Description
4.3	Anti-Dilution Agreement, dated as of July 20, 2001, by and between CB Richard Ellis Group, Inc. and Credit Suisse First Boston Corporation (incorporated by reference to Exhibit 20 to Amendment No. 9 to Schedule 13D with respect to CB Richard Ellis Services, Inc. filed with the SEC on July 25, 2001)
4.4	Warrant Agreement, dated as of July 20, 2001, by and between CB Richard Ellis Group, Inc., and FS Equity Partners III, L.P. and FS Equity Partners International, L.P. (incorporated by reference to Exhibit 26 to Amendment No. 9 to Schedule 13D with respect to CB Richard Ellis Services, Inc. filed with the SEC on July 25, 2001)
4.5(a)	Indenture, dated as of May 22, 2003, between CBRE Escrow, Inc., and U.S. Bank National Association, as Trustee, for 9¾% Senior Notes Due May 15, 2010 (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on October 20, 2003)
4.5(b)	First Supplemental Indenture, dated as of July 23, 2003, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the Subsidiary Guarantors and U.S. Bank National Association (incorporated by reference to Exhibit 4.1(b) of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on December 5, 2003)
4.5(c)	Second Supplemental Indenture, dated as of December 4, 2003, among CB Richard Ellis Services, Inc., Investors 1031, LLC and U.S. Bank National Association (incorporated by reference to Exhibit 4.1(c) of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on December 5, 2003)
4.6(a)	Indenture, dated as of June 7, 2001, among CB Richard Ellis Services, Inc., BLUM CB Corp., CB Richard Ellis Group, Inc., the Subsidiary Guarantors named therein and State Street Bank and Trust Company of California, N.A., as Trustee, for 11¼% Senior Subordinated Notes due 2011 (incorporated by reference to Exhibit 4.1(c) of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on December 5, 2003)
4.6(b)	First Supplemental Indenture, dated as of July 20, 2001, among CB Richard Ellis Services, Inc., the Subsidiary Guarantors and State Street Bank and Trust Company of California, N.A. (incorporated by reference to Exhibit 10.17(b) of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on December 5, 2003)
4.6(c)	Second Supplemental Indenture, dated as of July 23, 2003, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the Subsidiary Guarantors and U.S. Bank National Association as successor to Street Bank and Trust Company of California, N.A (incorporated by reference to Exhibit 10.17(c) of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on December 5, 2003)
4.6(d)	Third Supplemental Indenture, dated as of December 4, 2003 among CB Richard Ellis Services, Inc., Investors 1031, LLC, and U.S. Bank National Association (incorporated by reference to Exhibit 10.17(d) of the CB Richard Ellis Services, Inc. Registration Statement on Form S-4 filed with the SEC (No. 333-190841) on December 5, 2003)
4.7	Indenture, dated as of July 20, 2001, among CB Richard Ellis Group, Inc., and State Street Bank and Trust Company, N.A., as Trustee, for 16% Senior Notes due 2011 (incorporated by reference to Exhibit 21 to Amendment No. 9 to Schedule 13D with respect to CB Richard Ellis Services, Inc. filed with the SEC on July 25, 2001)
5	Opinion of Simpson Thacher & Bartlett LLP*
10.1(a)	Amendment Agreement and Waiver, dated as of April 23, 2004, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the Lenders named therein and Credit Suisse First Boston, as Administrative Agent*
10.1(b)	Amended and Restated Credit Agreement, dated as of April 23, 2004, by and among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the Lenders named therein and Credit Suisse First Boston, as Administrative Agent*

Exhibit	Description
10.2	CB Richard Ellis Group, Inc. 2001 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 25, 2003)
10.3	2004 Stock Incentive Plan of CB Richard Ellis Group, Inc.*
10.4	CB Richard Ellis Services, Inc. Amended and Restated Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.11 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 25, 2003)
10.5	CB Richard Ellis Services, Inc. Amended and Restated 401(k) Plan, as amended (incorporated by reference to Exhibit 10.12 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 25, 2003)
10.6	Employment Agreement, dated as of July 20, 2001, between CB Richard Ellis Services, Inc. and Ray Wirta (incorporated by reference to Exhibit 10.13 of the CB Richard Ellis Group, Inc. Registration Statement on Form S-4 (No. 333-70980) filed with the SEC on October 4, 2001)
10.7	Termination of Employment Agreement, effective as of February 15, 2004, between CB Richard Ellis Services, Inc. and Ray Wirta (incorporated by reference to Exhibit 10.6 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 30, 2004)
10.8	Employment Agreement dated June 13, 2002 between CB Richard Ellis Services, Inc. and Kenneth J. Kay (incorporated by reference to Exhibit 10.1 of the CB Richard Ellis Group, Inc. Quarterly Report on Form 10-Q filed with the SEC on August 13, 2002)
10.9	Full Recourse Note, dated as of April 8, 2004, by and between Ray Wirta and CB Richard Ellis Group, Inc.*
10.10	Pledge Agreement, dated as of April 8, 2004, by and between Ray Wirta and CB Richard Ellis Group, Inc.*
10.11	Amended and Restated Executive Service Agreement, dated as of June 4, 2003, between CB Richard Ellis Limited and Alan Charles Froggatt*
10.12	Employment Agreement, dated as of January 23, 2001, between CB Richard Elis Pty Ltd. and Robert Blain*
16	Letter from Ernst & Young LLP confirming its concurrence with the statements made by Insignia Financial Group, Inc. in a current report concerning the dismissal as Insignia's principal accountant (incorporated by reference to Exhibit 16.1 to the Insignia Financial Group, Inc. Current Report on Form 8-K filed with the SEC on April 12, 2002)
21	Subsidiaries of CB Richard Ellis Group, Inc.**
23.1	Consent of Deloitte & Touche LLP*
23.2	Consent of KPMG LLP*
23.3	Consent of Ernst & Young LLP*
23.4	Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 5)
24	Powers of Attorney**

* Filed herewith.

** Previously filed.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 14 above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by the director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on April 30, 2004.

CB RICHARD ELLIS GROUP, INC.

By: /s/ KENNETH J. KAY

Name: Kenneth J. Kay
Title: Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed on April 30, 2004 by the following persons in the capacities indicated.

Signature	Title
* **Ray Wirta**	Director and Chief Executive Officer (Principal Executive Officer)
/s/ KENNETH J. KAY **Kenneth J. Kay**	Chief Financial Officer (Principal Financial and Accounting Officer)
* **Brett White**	Director and President
* **Richard C. Blum**	Chairman of the Board
* **Jeffrey A. Cozad**	Director
* **Patrice Marie Daniels**	Director
* **Bradford M. Freeman**	Director
* **Michael Kantor**	Director
* **Frederic V. Malek**	Director
* **Jeffrey S. Pion**	Director
* **Gary L. Wilson**	Director

*By /s/ KENNETH J. KAY

Attorney-in-fact

EXHIBIT INDEX

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3.2	Form of Restated Certificate of Incorporation of CB Richard Ellis Group, Inc. to be filed immediately after the closing of the offering*
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5	Opinion of Simpson Thacher & Bartlett LLP*
10.1(a)	Amendment Agreement and Waiver, dated as of April 23, 2004, among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the Lenders named therein and Credit Suisse First Boston, as Administrative Agent*
10.1(b)	Amended and Restated Credit Agreement, dated as of April 23, 2004, by and among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc., the Lenders named therein and Credit Suisse First Boston, as Administrative Agent*
10.2	CB Richard Ellis Group, Inc. 2001 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 25, 2003)
10.3	2004 Stock Incentive Plan of CB Richard Ellis Group, Inc.*
10.4	CB Richard Ellis Services, Inc. Amended and Restated Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.11 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 25, 2003)
10.5	CB Richard Ellis Services, Inc. Amended and Restated 401(k) Plan, as amended (incorporated by reference to Exhibit 10.12 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 25, 2003)
10.6	Employment Agreement, dated as of July 20, 2001, between CB Richard Ellis Services, Inc. and Ray Wirta (incorporated by reference to Exhibit 10.13 of the CB Richard Ellis Group, Inc. Registration Statement on Form S-4 (No. 333-70980) filed with the SEC on October 4, 2001)
10.7	Termination of Employment Agreement, effective as of February 15, 2004, between CB Richard Ellis Services, Inc. and Ray Wirta (incorporated by reference to Exhibit 10.6 of the CB Richard Ellis Group, Inc. Annual Report on Form 10-K filed with the SEC on March 30, 2004)
10.8	Employment Agreement dated June 13, 2002 between CB Richard Ellis Services, Inc. and Kenneth J. Kay (incorporated by reference to Exhibit 10.1 of the CB Richard Ellis Group, Inc. Quarterly Report on Form 10-Q filed with the SEC on August 13, 2002)
10.9	Full Recourse Note, dated as of April 8, 2004, by and between Ray Wirta and CB Richard Ellis Group, Inc.*

Table of Contents

Exhibit	Description
10.10	Pledge Agreement, dated as of April 8, 2004, by and between Ray Wirta and CB Richard Ellis Group, Inc.*
10.11	Amended and Restated Executive Service Agreement, dated as of June 4, 2003, between CB Richard Ellis Limited and Alan Charles Froggatt*
10.12	Employment Agreement, dated as of January 23, 2001, between CB Richard Ellis Pty Ltd. and Robert Blain*
16	Letter from Ernst & Young LLP confirming its concurrent with the statements made by Insignia Financial Group, Inc. in a current report concerning the dismissal as Insignia's principal accountant (incorporated by reference to Exhibit 16.1 to the Insignia Financial Group, Inc. Current Report on Form 8-K filed with the SEC on April 12, 2002)
21	Subsidiaries of CB Richard Ellis Group, Inc.**
23.1	Consent of Deloitte & Touche LLP*
23.2	Consent of KPMG LLP*
23.3	Consent of Ernst & Young LLP*
23.4	Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 5)
24	Powers of Attorney**

* Filed herewith.

** Previously filed.

EXHIBIT 1

FORM OF UNDERWRITING AGREEMENT

Shares

CB RICHARD ELLIS GROUP, INC.

Common Stock

UNDERWRITING AGREEMENT

, 2004

CREDIT SUISSE FIRST BOSTON LLC
CITIGROUP GLOBAL MARKETS INC.,
As Representatives of the Several Underwriters (the "**Representatives**"),
c/o Credit Suisse First Boston LLC,
Eleven Madison Avenue,
New York, N.Y. 10010-3629

Dear Sirs:

1. *Introductory*. CB Richard Ellis Group, Inc., a Delaware corporation (the "**Company**"), proposes to issue and sell shares of its Class A Common Stock, $0.01 par value per share ("**Securities**"), and the stockholders listed in Schedule A hereto (each a "**Selling Stockholder**" and, collectively, the "**Selling Stockholders**") propose severally to sell an aggregate of outstanding shares of the Securities (such shares of Securities to be issued and sold by the Company and to be sold by the Selling Stockholders being hereinafter collectively referred to as the "**Firm Securities**"), with each Selling Stockholder selling the number of Firm Securities set forth opposite its or his name on Schedule A hereto. The Selling Stockholders also propose to sell to the Underwriters, at the option of the Underwriters, an aggregate of not more than additional outstanding shares of Securities, as set forth below (such additional shares being hereinafter referred to as the "**Optional Securities**"), with each Selling Stockholder selling up to the number of Optional Securities set forth opposite its or his name on Schedule A hereto. The Firm Securities and the Optional Securities are herein collectively called the "**Offered Securities**". The Company and the Selling Stockholders hereby agree with the several Underwriters named in Schedule B hereto (the "**Underwriters**") as follows:

2. *Representations and Warranties of the Company and the Selling Stockholders.* (a) The Company represents and warrants to, and agrees with, the several Underwriters that:

(i) A registration statement (No. 333-112867) relating to the Offered Securities, including a form of prospectus, has been filed with the Securities and Exchange Commission ("**Commission**") and either (A) has been declared effective under the Securities Act of 1933 ("**Act**") and is not proposed to be amended or (B) is proposed to be amended by amendment or post-effective amendment. If such registration statement (the "**initial registration statement**") has been declared effective, either (A) an additional registration statement (the "**additional registration statement**") relating to the Offered Securities may have been filed with the Commission pursuant to Rule 462(b) ("**Rule 462(b)**") under the Act and, if so filed, has become effective upon filing pursuant to such Rule and the Offered Securities all have been duly registered under the Act pursuant to the initial registration statement and, if applicable, the additional registration statement or (B) such an additional registration statement is proposed to be filed with the Commission pursuant to Rule 462(b) and, if so filed, will become effective upon filing pursuant to such Rule and upon such filing the Offered Securities will all have been duly registered under the Act pursuant to the initial registration statement and such additional registration statement. If the Company does not propose to amend the initial registration statement or if an additional registration statement has been filed and the Company does not propose to amend it, and if any post-effective amendment to either such registration statement has been filed with the Commission prior to the execution and delivery of this Agreement, the most recent amendment (if any) to each such registration statement has been declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c) ("**Rule 462(c)**") under the Act or, in the case of the additional registration statement, Rule 462(b). For purposes of this Agreement, "**Effective Time**" with respect to the initial registration statement or, if filed prior to the execution and delivery of this Agreement, the additional registration statement means (A) if the Company has advised the Representatives that it does not propose to amend such registration statement, the date and time as of which such registration statement, or the most recent post-effective amendment thereto (if any) filed prior to the execution and delivery of this Agreement, was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c), or (B) if the Company has advised the Representatives that it proposes to file an amendment or post-effective amendment to such registration statement, the date and time as of which such registration statement, as amended by such amendment or post-effective amendment, as the case may be, is declared effective by the Commission. If an additional registration statement has not been filed prior to the execution and delivery of this Agreement but the Company has advised the Representatives that it proposes to file one, "**Effective Time**" with respect to such additional registration statement means the date and time as of which such registration statement is filed and becomes effective pursuant to Rule 462(b). "**Effective Date**" with respect to the initial registration statement or the additional registration statement (if any) means the date of the Effective Time thereof. The initial registration statement, as amended at its Effective Time, including all information contained in the additional registration statement (if any) and deemed to be a part of the initial registration statement as of the Effective Time of the additional registration statement pursuant to the General Instructions of the Form on which it is filed and including all information (if any) deemed to be a part of the initial registration statement as of its Effective Time pursuant to Rule 430A(b) ("**Rule 430A(b)**") under the Act, is hereinafter referred to as the "**Initial Registration Statement**". The additional registration statement, as amended at its Effective Time, including the contents of the initial registration statement incorporated by reference therein and including all information (if any) deemed to be a part of the additional registration statement as of its Effective Time pursuant to Rule 430A(b), is hereinafter referred to as the "**Additional Registration Statement**". The Initial Registration Statement and the Additional Registration Statement are hereinafter referred to collectively as the "**Registration Statements**" and individually as a "**Registration Statement**". The form of prospectus relating to the Offered Securities, as first filed with the Commission pursuant to and in accordance with Rule 424(b) ("**Rule 424(b)**") under the Act or (if no such filing is required) as included in a Registration Statement, is hereinafter referred to as the "**Prospectus**". No document has been or will be prepared or distributed in reliance on Rule 434 under the Act.

(ii) If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement: (A) on the Effective Date of the Initial Registration Statement, the Initial Registration Statement conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission ("**Rules and Regulations**") and did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, (B) on the Effective Date of the Additional Registration Statement (if any), each Registration Statement conformed or will conform, in all material respects to the requirements of the Act and the Rules and Regulations and did not include, or will not include, any untrue statement of a material fact and did not omit, or will not omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (C) on the date of this Agreement, the Initial Registration Statement and, if the Effective Time of the Additional Registration Statement is prior to the execution and delivery of this Agreement, the Additional Registration Statement each conforms, and at the time of filing of the Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Date of the Additional Registration Statement in which the Prospectus is included, each Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the Rules and Regulations, and none of such documents includes, or will include, any untrue statement of a material fact or omits, or will omit, to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading. If the Effective Time of the Initial Registration Statement is subsequent to the execution and delivery of this Agreement: on the Effective Date of the Initial Registration Statement, the Initial Registration Statement and the Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations, none of such documents will include any untrue statement of a material fact or will omit to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading, and no Additional Registration Statement has been or will be filed. This paragraph does not apply to statements in or omissions from a Registration Statement or the Prospectus based upon written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 7(c) hereof. Except with respect to any provision regarding the conformity, in all material respects, of a Registration Statement or the Prospectus with the requirements of the Act and the Rules and Regulations, this paragraph does not apply to statements in or omissions from a Registration Statement or the Prospectus based upon written information furnished to the Company by any Selling Stockholder specifically for use therein, it being understood and agreed that the only such information is the Selling Stockholder Information (as defined below).

(iii) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Prospectus; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not have a material adverse effect on the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole (a "**Material Adverse Effect**").

(iv) Each subsidiary of the Company has been duly formed and is an existing corporation, limited liability company or limited partnership, as the case may be, in good standing (if applicable) under the laws of the jurisdiction of its incorporation or organization, with corporate (or equivalent) power and authority to own its properties and conduct its business as described in the Prospectus; and each subsidiary of the Company is duly qualified to do business as a foreign corporation, limited liability company or limited partnership, as the case may be, in good standing (if applicable) in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except to the extent that the failure to be so qualified or to be in good standing would not have a Material Adverse Effect; all of the issued and outstanding capital stock, ownership interests, or partnership interests, as the case may be, of each subsidiary of the Company has been duly authorized and validly issued and, in the case of capital stock, is fully paid and nonassessable; and except as disclosed in the Prospectus and for pledges in favor of Credit Suisse First Boston, as collateral agent under the amended and restated credit agreement dated as of October 14, 2003, among the Company, CB Richard Ellis Services, Inc., the Lenders (as defined therein) and Credit Suisse First Boston, as administrative agent (as further amended from time to time, the "**Credit Agreement**"), the capital stock, ownership interests, or partnership interests, as the case may be, of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects.

(v) The Offered Securities and all other outstanding shares of capital stock of the Company have been duly authorized; all outstanding shares of capital stock of the Company are, and, when the Offered Securities have been delivered and paid for in accordance with this Agreement on such Closing Date (as defined below), such Offered Securities will have been, validly issued, fully paid and nonassessable and conform to the description thereof contained in the Prospectus; and, except as disclosed in the Prospectus, the stockholders of the Company have no preemptive rights with respect to the Securities.

(vi) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with the offering contemplated by this Agreement.

(vii) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to a Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act that have not been satisfied or waived prior to the date hereof.

(viii) The Securities have been approved for listing subject to notice of issuance on the New York Stock Exchange.

(ix) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required to be obtained or made by the Company for the consummation of the transactions contemplated by this Agreement in connection with the issuance or sale of the Offered Securities, except such as have been obtained and made under the Act and such as may be required under any state or foreign securities laws.

(x) Assuming the accuracy of the representations of the other parties hereto and the performance by those parties of their agreements herein, the execution, delivery and performance of this Agreement, and the consummation of the transactions herein contemplated, will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, (i) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, that has jurisdiction over the Company or any of its subsidiaries or any of their properties, (ii) any agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the properties of the Company or its subsidiaries is subject or (iii) the charter, by-laws or similar governing documents of the Company or any of its subsidiaries, except, with respect to clauses (i) and (ii), where such breach, violation or default would not have a Material Adverse Effect; the Company has full power and authority to authorize, issue and sell the Offered Securities to be issued and sold by it as contemplated by this Agreement.

(xi) This Agreement has been duly authorized, executed and delivered by the Company.

(xii) Except as disclosed in the Prospectus, the Company and its subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them that are material to the Company and its subsidiaries taken as a whole, in each case free from liens, encumbrances and defects that would materially affect the value thereof or materially interfere with the use made or proposed to be made thereof by them; and except as disclosed in the Prospectus, the Company and its subsidiaries hold any leased real or personal property that is material to the Company and its subsidiaries taken as a whole under valid and enforceable leases with no exceptions that would materially interfere with the use made or proposed to be made thereof by them.

(xiii) The Company and its subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(xiv) No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent that would reasonably be expected to have a Material Adverse Effect.

(xv) The Company and its subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, "**intellectual property rights**") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(xvi) Except as disclosed in the Prospectus, neither the Company nor any of its subsidiaries is in violation of any statute, rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**environmental laws**"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have Material Adverse Effect; and the Company is not aware of any pending investigation which might lead to such a claim.

(xvii) Except as disclosed in the Prospectus, there are no pending actions, suits or proceedings against or affecting the Company, any of its subsidiaries or any of their respective properties that (i) if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a Material Adverse Effect, (ii) would materially and adversely affect the ability of the Company or its subsidiaries to perform their respective obligations under this Agreement or (iii) are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits or proceedings are, to the knowledge of the Company, threatened or contemplated.

(xviii) The historical financial statements included in each Registration Statement and the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States ("**GAAP**") applied on a consistent basis (subject to normal year-end adjustments and the absence of certain footnotes, to the extent permitted by GAAP, in the case of any unaudited interim financial statements); the historical financial statements included in each Registration Statement and the Prospectus fairly present the financial position of Insignia Financial Group, Inc. and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements have been prepared in conformity with GAAP applied on a consistent basis (subject to normal year-end adjustments and the absence of certain footnotes, to the extent permitted by GAAP, in the case of any unaudited interim financial statements); the schedules included in each Registration Statement present fairly the information required to be stated therein; and the assumptions used in preparing the pro forma financial statements included in each Registration Statement and the Prospectus provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma columns therein reflect the proper application of those adjustments to the corresponding historical financial statement amounts.

(xix) Each of the Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 under the Securities Exchange Act of 1934 (the "**Exchange Act**")) that are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Commission, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, as appropriate to allow timely decisions regarding required disclosure.

(xx) Except as disclosed in the Prospectus, since the date of the latest audited financial statements of the Company included in the Prospectus there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the financial condition, business, properties or results of operations of the Company and its subsidiaries taken as a whole, and, except as disclosed in or contemplated by the Prospectus, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(xxi) The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940.

(xxii) The Company has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xxiii) The minimum funding standard under Section 302 of the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder ("**ERISA**"), has been satisfied by each "pension plan" (as defined in Section 3(2) of ERISA) which has been established or maintained by the Company and/or one or more of its subsidiaries, and the trust forming part of each such plan which is intended to be qualified under Section 401 of the Internal Revenue Code of 1986, as amended, is so qualified; each of the Company and its subsidiaries has fulfilled its obligations, if any, under Section 515 of ERISA; each welfare plan established or maintained by the Company and/or one or more of its subsidiaries is in compliance in all material respects with the currently applicable provisions of ERISA; and neither the Company nor any of its subsidiaries has incurred or could reasonably be expected to incur any withdrawal liability under Section 4201 of ERISA, any liability under Section 4062, 4063, or 4064 of ERISA, or any other liability under Title IV of ERISA.

(xxiv) There is and has been no failure which is continuing on the part of the Company and any of the Company's directors or officers, in their capacities as such, to comply with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "**Sarbanes-Oxley Act**").

(xxv) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "**FCPA**"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company, its subsidiaries and, to the knowledge of the Company, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xxvi) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(xxvii) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(b) Each Selling Stockholder severally, and not jointly, represents and warrants to, and agrees with, the several Underwriters that:

(i) Such Selling Stockholder (A) has, and on each Closing Date hereinafter mentioned will have, valid title to the Offered Securities to be delivered by such Selling Stockholder on such Closing Date free and clear of all security interests, claims, liens, equities or other encumbrances, provided, however, that each of Stanfield Arbitrage CDO, Ltd., Stanfield CLO, Ltd. and Stanfield/RMF Transatlantic CDO, Ltd. may have pledges of such Offered Securities to each of their respective trustees pursuant to indentures in effect on the date hereof so long as such pledges cease to be in effect prior to each applicable Closing Date; (B), if such Selling Stockholder is not a natural person, has on the date hereof all necessary corporate or partnership, as the case may be, power and authority to enter into this Agreement and will have on each Closing Date all necessary corporate or partnership, as the case may be, power and authority to sell, assign, transfer and deliver the Offered Securities to be delivered by such Selling Stockholder on each Closing Date hereunder; and (C) upon payment for the Offered Securities to be sold by such Selling Stockholder pursuant to this Agreement, delivery of such Offered Securities, as directed by the Representatives, to Cede & Co. ("**Cede**") or such other nominee as may be designated by the Depository Trust Company ("**DTC**"), registration of such Offered Securities in the name of Cede or such other nominee and the crediting of such Offered Securities on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any adverse claim (within the meaning of Section 8-105 of the New York Uniform Commercial Code (the "**UCC**")) to such Offered Securities), (1) DTC shall be a "protected purchaser" of such Offered Securities within the meaning of Section 8-303 of the UCC, (2) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Offered Securities and (3) no action based on any "adverse claim", within the meaning of Section 8-102 of the UCC, to such Offered Securities may be asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, such Selling Stockholder may assume that when such payment, delivery and crediting occur, (x) such Offered Securities will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the UCC and (z) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC.

(ii) Such Selling Stockholder has not taken, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(iii) No consent, approval, authorization or order of, or filing with, any governmental agency or body or any court is required to be obtained or made by such Selling Stockholder for the consummation of the transactions contemplated by this Agreement in connection with the sale of the Offered Securities being sold by such Selling Stockholder, except such as have been obtained and made under the Act and such as may be required pursuant to Sections 13 and 16 of the Exchange Act or under state securities laws.

(iv) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(v) Assuming the accuracy of the representations of the other parties hereto and the performance by those parties of their agreements herein, the execution, delivery and performance of this Agreement, and the consummation of the transactions herein contemplated, will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, (1) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, that has jurisdiction over such Selling Stockholder or any of its properties, (2) any agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound or to which any of the properties of such Selling Stockholder is subject or (3) the organizational documents of such Selling Stockholder, except, with respect to clause (1) and (2), where such breach, violation or default would not, individually or in the aggregate, materially adversely affect such Selling Stockholder's ability to fulfill its obligations under, and consummate the transactions contemplated by, this Agreement.

(vi) If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement: (A) on the Effective Date of the Initial Registration Statement, the Initial Registration Statement did not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, (B) on the Effective Date of the Additional Registration Statement (if any), each Registration Statement did not include, or will not include, any untrue statement of a material fact and did not omit, or will not omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (C) on the date of this Agreement, neither the Initial Registration Statement nor, if the Effective Time of the Additional Registration Statement is prior to the execution and delivery of this Agreement, the Additional Registration Statement includes, and at the time of filing of the Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Date of the Additional Registration Statement in which the Prospectus is included, none of the Registration Statements or the Prospectus will include, any untrue statement of a material fact, and none of such documents omits, or will omit, to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading. If the Effective Time of the Initial Registration Statement is subsequent to the execution and delivery of this Agreement: on the Effective Date of the Initial Registration Statement, neither the Initial Registration Statement nor the Prospectus will include any untrue statement of a material fact or will omit to state any material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading. This paragraph applies only to the extent that any statements in or omissions from a Registration Statement or the Prospectus are made in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder specifically for use therein, it being understood and agreed that the only such information furnished by any Selling Stockholder (the "**Selling Stockholder Information**") consists of the name of such Selling Stockholder, the number of Offered Securities to be offered by such Selling Stockholder and the address and other information with respect to such Selling Stockholder (excluding any percentages) which appear in the table (and the corresponding footnotes thereto) under the caption "Principal and Selling Shareholders" in the Prospectus.

(vii) Except as disclosed in the Prospectus, there are no contracts, agreements or understandings between such Selling Stockholder and any person that would give rise to a valid claim against such Selling Stockholder or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with the sale of the Offered Securities by any Selling Stockholder.

(c) The Selling Stockholders other than Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P. and Blum Strategic Partners GmbH & Co. KG (collectively, the "**Blum Selling Stockholders**") (such Selling Stockholders being referred to collectively herein as the "**Custodial Selling Stockholders**") have entered into the Custody Agreement (the "**Custody Agreement**") with the Custodian (as defined below) relating to the deposit of the Offered Securities to be sold by the Custodial Selling Stockholders with the Custodian. Each Custodial Selling Stockholder severally, and not jointly, represents and warrants to, and agrees with, the several Underwriters that:

(i) Such Custodial Selling Stockholder has, and on each Closing Date will have, full legal right, power and authority, and all authorization and approval required by law, to enter into the Custody Agreement and the Power of Attorney (the "**Power of Attorney**") appointing Ray Wirta and Kenneth J. Kay as such Custodial Selling Stockholder's attorneys-in-fact to the extent set forth therein and relating to the transactions contemplated hereby; and to sell, assign, transfer and deliver the Offered Securities to be sold by such Custodial Selling Stockholder in the manner provided herein and therein.

(ii) No consent, approval, authorization or order of, or filing with, any governmental agency or body or any court is required to be obtained or made by such Custodial Selling Stockholder for the consummation of the transactions contemplated by the Custody Agreement in connection with the sale of the Offered Securities being sold by such Custodial Selling Stockholder, except such as have been obtained and made under the Act and such as may be required pursuant to Sections 13 and 16 of the Exchange Act or under state securities laws.

(iii) The Power of Attorney and related Custody Agreement with respect to such Custodial Selling Stockholder have been duly authorized, executed and delivered by such Custodial Selling Stockholder and constitute valid and legally binding obligations of such Custodial Selling Stockholder enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(iv) Assuming the accuracy of the representations of the other parties thereto and the performance by those parties of their agreements therein, the execution, delivery and performance of the Custody Agreement, and the consummation of the transactions therein contemplated, will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, (1) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, that has jurisdiction over such Custodial Selling Stockholder or any of its properties, (2) any agreement or instrument to which such Custodial Selling Stockholder is a party or by which such Custodial Selling Stockholder is bound or to which any of the properties of such Custodial Selling Stockholder is subject or (3) the organizational documents of such Custodial Selling Stockholder, except, with respect to clause (1) and (2), where such breach, violation or default would not, individually or in the aggregate, materially adversely affect such Custodial Selling Stockholder's ability to fulfill its obligations under, and consummate the transactions contemplated by, the Custody Agreement and this Agreement.

3. *Purchase, Sale and Delivery of Offered Securities*. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company and each Selling Stockholder agree, severally and not jointly, to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company and each Selling Stockholder, at a purchase price of $ per share, that number of Firm Securities (rounded up or down, as determined by Credit Suisse First Boston LLC ("**CSFB**") in its discretion, in order to avoid fractions) obtained by multiplying Firm Securities in the case of the Company and the number of Firm Securities set forth opposite the name of such Selling Stockholder in Schedule A hereto, in the case of a Selling Stockholder, in each case by a fraction the numerator of which is the number of Firm Securities set forth opposite the name of such Underwriter in Schedule B hereto and the denominator of which is the total number of Firm Securities.

Certificates in negotiable form for the Offered Securities to be sold by the Custodial Selling Stockholders hereunder have been placed in custody, for delivery under this Agreement, under the Custody Agreements made with , as custodian ("**Custodian**"). Each Custodial Selling Stockholder agrees that the shares represented by the certificates held in custody for the Custodial Selling Stockholders under such Custody Agreements are subject to the interests of the Underwriters hereunder, that the arrangements made by the Custodial Selling Stockholders for such custody are to that extent irrevocable, and that the obligations of the Custodial Selling Stockholders hereunder shall not be terminated by operation of law, whether by the death of any individual Custodial Selling Stockholder or the occurrence of any other event, or in the case of a trust, by the death of any trustee or trustees or the termination of such trust. If any individual Custodial Selling Stockholder or any such trustee or trustees should die, or if any other such event should occur, or if any of such trusts should terminate, before the delivery of the Offered Securities hereunder, certificates for such Offered Securities shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such death or other event or termination had not occurred, regardless of whether or not the Custodian shall have received notice of such death or other event or termination.

The Company, the Blum Selling Stockholders and the Custodian will deliver the Firm Securities to the Representatives for the accounts of the Underwriters, against payment of the purchase price in Federal (same day) funds by wire transfer to an account at a bank reasonably acceptable to CSFB drawn to the order of the Company in the case of shares of Firm Securities being sold by the Company, Blum Strategic Partners, L.P. in the case of shares of Firm Securities being sold by Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P. in the case of shares of Firm Securities being sold by Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG in the case of shares of Firm Securities being sold by Blum Strategic Partners II GmbH & Co. KG and the Custodian, for the accounts of the Custodial Selling Stockholders, in the case of shares of Firm Securities being sold by the Custodial Selling Stockholders, at the office of Cravath, Swaine & Moore LLP, at 10:00 A.M., New York time, on , 2004, or at such other time not later than seven full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the "**First Closing Date**". For purposes of Rule 15c6-1 under the Securities Exchange Act of 1934, the First Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Offered Securities sold pursuant to the offering contemplated by this Agreement. The certificates for the Firm Securities so to be delivered will be in definitive form, in such denominations and registered in such names as CSFB requests and will be made available for checking and packaging a reasonable time in advance of the First Closing Date.

In addition, upon written notice from CSFB given to the Company and the Selling Stockholders from time to time not more than 30 days subsequent to the date of the Prospectus, the Underwriters may purchase, in the aggregate, all or less than all of the Optional Securities at the purchase price per Security to be paid for the Firm Securities. The Selling Stockholders agree, severally and not jointly, to sell to the Underwriters the respective numbers of Optional Securities (subject to adjustment by CSFB to eliminate fractions) obtained by multiplying the number of Optional Securities specified in such notice by a fraction the numerator of which is the number of shares set forth opposite the names of such Selling Stockholders in Schedule A hereto under the caption "Number of Optional Securities to be Sold" and the denominator of which is the total number of Optional Securities set forth in Schedule A hereto. Such Optional Securities shall be purchased from each Selling Stockholder for the account of each Underwriter in the same proportion as the number of Firm Securities set forth opposite such Underwriter's name bears to the total number of Firm Securities (subject to adjustment by CSFB to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm Securities. No Optional Securities shall be sold or delivered unless the Firm Securities previously have been, or simultaneously are, sold and delivered. The right to purchase the Optional Securities or any portion thereof may be exercised from time to time and to the extent not previously exercised may be surrendered and terminated at any time upon notice by CSFB to the Company and the Selling Stockholders.

Each time for the delivery of and payment for the Optional Securities, being herein referred to as an "**Optional Closing Date**", which may be the First Closing Date (the First Closing Date and each Optional Closing Date, if any, being sometimes referred to as a "**Closing Date**"), shall be determined by CSFB but shall be not later than five full business days after written notice of election to purchase Optional Securities is given. The Custodian will deliver the Optional Securities held for the Custodial Selling Stockholders being purchased on each Optional Closing Date to the Representatives for the accounts of the several Underwriters, against payment of the purchase price therefor in Federal (same day) funds by wire transfer to an account at a bank reasonably acceptable to CSFB drawn to the order of the Custodian, for the accounts of the Custodial Selling Stockholders with respect to the Optional Securities being so purchased on such Optional Closing Date, at the above office of Cravath, Swaine & Moore LLP. The Blum Selling Stockholders will deliver or shall cause to be delivered a security entitlement with respect to the Optional Securities being purchased from them on each Optional Closing Date to the Representatives for the accounts of the several Underwriters, against payment of the purchase price therefor in Federal (same day) funds by wire transfer to an account at a bank reasonably acceptable to

CSFB drawn to the order of the Blum Selling Stockholders with respect to the Optional Securities being so purchased on such Optional Closing Date, at the above office of Cravath, Swaine & Moore LLP. The certificates for the Optional Securities being purchased on each Optional Closing Date will be in definitive form, in such denominations and registered in such names as CSFB requests upon reasonable notice prior to such Optional Closing Date and will be made available for checking and packaging at the above office of Cravath, Swaine & Moore LLP at a reasonable time in advance of such Optional Closing Date.

4. *Offering by Underwriters*. It is understood that the several Underwriters propose to offer the Offered Securities for sale to the public as set forth in the Prospectus.

5. *Certain Agreements of the Company and the Selling Stockholders*. In the case of paragraphs (a) through (g), (h) (to the extent applicable to the Company) and (i) below, the Company agrees with the several Underwriters, and in the case of paragraphs (h) (to the extent applicable to the Selling Stockholders) and (i) below, the Selling Stockholders severally and not jointly agree with the several Underwriters, that:

(a) If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to and in accordance with subparagraph (1) (or, if applicable and if consented to by CSFB, subparagraph (4)) of Rule 424(b) not later than the earlier of (i) the second business day following the execution and delivery of this Agreement and (ii) the fifteenth business day after the Effective Date of the Initial Registration Statement.

The Company will advise the Representatives promptly of any such filing pursuant to Rule 424(b). If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement and an additional registration statement is necessary to register a portion of the Offered Securities under the Act but the Effective Time thereof has not occurred as of such execution and delivery, the Company will file the additional registration statement or, if filed, will file a post-effective amendment thereto with the Commission pursuant to and in accordance with Rule 462(b) on or prior to 10:00 P.M., New York time, on the date of this Agreement or, if earlier, on or prior to the time the Prospectus is printed and distributed to any Underwriter, or will make such filing at such later date as shall have been consented to by CSFB.

(b) The Company will advise the Representatives promptly of any proposal to amend or supplement the initial or any additional registration statement as filed or the related prospectus or the Initial Registration Statement, the Additional Registration Statement (if any) or the Prospectus and will not effect such amendment or supplementation without CSFB's consent; and the Company will also advise the Representatives promptly of the effectiveness of each Registration Statement (if its Effective Time is subsequent to the execution and delivery of this Agreement) and of any amendment or supplementation of a Registration Statement or the Prospectus and of the institution by the Commission of any stop order proceedings in respect of a Registration Statement and will use its reasonable best efforts to prevent the issuance of any such stop order and to obtain as soon as possible its lifting, if issued.

(c) If, at any time when a prospectus relating to the Offered Securities is required to be delivered under the Act in connection with sales by any Underwriter or dealer, any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Act, the Company will promptly notify the Representatives of such event and will promptly prepare and file with the Commission, at its own expense, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither CSFB's consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6.

(d) As soon as practicable, but not later than the Availability Date (as defined below), the Company will make generally available to its securityholders an earnings statement covering a period of at least 12 months beginning after the Effective Date of the Initial Registration Statement (or, if later, the Effective Date of the Additional Registration Statement) which will satisfy the provisions of Section 11(a) of the Act. For the purpose of the preceding sentence, "**Availability Date**" means the 90th day after the end of the Company's fourth fiscal quarter.

(e) The Company will furnish to the Representatives copies of each Registration Statement (one of which will be signed and, along with four other copies, will include all exhibits), each related preliminary prospectus, and, so long as a prospectus relating to the Offered Securities is required to be delivered under the Act in connection with sales by any Underwriter or dealer, the Prospectus and all amendments and supplements to such documents, in each case in such quantities as the Representatives shall reasonably request. The Prospectus shall be so furnished on or prior to 11:00 A.M., New York time, on the second business day following the later of the execution and delivery of this Agreement or the Effective Time of the Initial Registration Statement. All other such documents shall be so furnished as soon as available. The Company will pay the expenses of printing and distributing to the Underwriters all such documents.

(f) The Company will arrange for the qualification of the Offered Securities for sale under the laws of such U.S. and Canadian jurisdictions as CSFB shall designate and will continue such qualifications in effect so long as required for the distribution; provided, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(g) For a period of 180 days after the date of the initial public offering of the Offered Securities (the "Lock-up Period"), the Company will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Commission a registration statement under the Act relating to, any additional shares of its Securities or securities convertible into or exchangeable or exercisable for any shares of its Securities, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of CSFB, except (i) registration statements on Form S-8, (ii) issuances of Securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date hereof, (iii) grants of employee stock options, shares of restricted stock and any other awards pursuant to the terms of a plan in effect on the First Closing Date and described in the Prospectus and (iv) issuances of Securities pursuant to an employee benefit plan in effect on the First Closing Date or as amended subsequent to the First Closing Date and, in each case, described in the Prospectus.

(h) The Company agrees with the several Underwriters that the Company will pay (A) all expenses incident to the performance of the obligations of the Company and each Selling Stockholder under this Agreement, (B) for any filing fees and other expenses (including reasonable fees and disbursements of counsel) in connection with qualification of the Offered Securities for sale under the laws of such jurisdictions as CSFB designates and the printing of memoranda relating thereto, (C) for the filing fee incident to the review by the National Association of Securities Dealers, Inc. of the Offered Securities, and (D) for expenses incurred in distributing preliminary prospectuses and the Prospectus (including any amendments and supplements thereto) to the Underwriters; provided, however, that any of the expenses of the Selling Stockholders that are '**Selling Expenses**" (as such term is defined in the Securityholders' Agreement, dated as of July 20, 2001 (the "**Securityholders' Agreement**"), by and among the Company, CB Richard Ellis Services, Inc., the Selling Stockholders and the other parties thereto) shall be paid by the Selling Stockholders. Each Selling Stockholder agrees, severally and not jointly, with the several Underwriters and the Company that such Selling Stockholder will pay for any Selling Expenses incurred in connection with the sale by such Selling Stockholder of the Offered Securities to the Underwriters. Each of the Company (on behalf of itself and the Selling Stockholders), on the one hand, and the Underwriters, on the other hand, will pay its own expenses in connection with attending or hosting meetings with prospective purchasers of the Offered Securities, including the costs attributable to the use of a private airplane to attend such meetings to the extent one is so used.

(i) The Company and each Selling Stockholder agree with the several Underwriters that they will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

The Company and each of the Selling Stockholders agree that, notwithstanding anything in this Section 5 to the contrary, this Agreement shall not in any way supersede any of the rights or obligations of the Company, CB Richard Ellis Services, or any of the Selling Stockholders under the Securityholders' Agreement, as amended from time to time. As between the Company and any of the Selling Stockholders, in the event of any conflict between this Agreement and the Securityholders' Agreement, as amended from time to time, the Securityholders' Agreement shall control.

6. *Conditions of the Obligations of the Underwriters*. The obligations of the several Underwriters to purchase and pay for the Firm Securities on the First Closing Date and the Optional Securities to be purchased on each Optional Closing Date will be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders herein, to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders of their obligations hereunder and to the following additional conditions precedent:

(a) The Representatives shall have received a letter, dated the date of delivery thereof (which, if the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement, shall be on or prior to the date of this Agreement or, if the Effective Time of the Initial Registration Statement is subsequent to the execution and delivery of this Agreement, shall be prior to the filing of the amendment or post-effective amendment to the registration statement to be filed shortly prior to such Effective Time), of KPMG LLP with respect to the financial statements and schedules of Insignia Financial Group, Inc. contained in the Registration Statement and Deloitte & Touche LLP with respect to the financial statements and schedules of the Company contained in the Registration Statement, in each case in form and substance satisfactory to the Representatives in all respects.

(b) If the Effective Time of the Initial Registration Statement is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or such later date as shall have been consented to by CSFB. If the Effective Time of the Additional Registration Statement (if any) is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or, if earlier, the time the Prospectus is printed and distributed to any Underwriter, or shall have occurred at such later date as shall have been consented to by CSFB. If the Effective Time of the Initial Registration Statement is prior to the execution and delivery of this Agreement, the Prospectus shall have been filed with the Commission in accordance with the Rules and Regulations and Section 5(a) of this Agreement. Prior to such Closing Date, no stop order suspending the effectiveness of a Registration Statement shall have been issued that has not been lifted and no proceedings for that purpose shall have been instituted that have not been terminated or, to the knowledge of any Selling Stockholder, the Company or CSFB, shall be contemplated by the Commission.

(c) Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the financial condition, business, properties or results of operations of the Company and its subsidiaries taken as one enterprise which, in the judgment of a majority in interest of the Underwriters including the Representatives, is material and adverse and makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Offered Securities; (ii) any downgrading in the rating of any debt securities of the Company by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating) or any announcement that the Company has been placed on negative outlook; (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in the judgment of a majority in interest of the Underwriters including the Representatives, be likely to prejudice materially the success of the proposed issue, sale or distribution of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market; (iv) any material suspension or material limitation of trading in securities generally on the New York Stock Exchange, or any setting of minimum prices for trading on such exchange; (v) or any suspension of trading of any securities of the Company on any exchange or in the over-the-counter market; (vi) any banking moratorium declared by U.S. Federal or New York authorities; (vii) any major disruption of settlements of securities or clearance services in the United States; or (viii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of a majority in interest of the Underwriters including the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Offered Securities.

(d) The Representatives shall have received an opinion, dated such Closing Date, of Simpson Thacher & Bartlett LLP, counsel for the Company, substantially in the form of Exhibit A-1 hereto and a letter, dated such Closing Date, substantially in the form of Exhibit A-2 hereto.

(e) The Representatives shall have received an opinion, dated such Closing Date, of Dean Miller, Esq., Assistant General Counsel of the Company, substantially in the form of Exhibit B hereto.

(f) The Representatives shall have received an opinion, dated such Closing Date, of counsel for each of the Selling Stockholders, substantially in the forms of Exhibits C-1 through C-8 hereto.

(g) The Representatives shall have received from Cravath, Swaine & Moore LLP, counsel for the Underwriters, such opinion or opinions, dated such Closing Date, with respect to the incorporation of the Company, the validity of the Offered Securities delivered on such Closing Date, the Registration Statements, the Prospectus and other related matters as the Representatives may require, and the Selling Stockholders and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(h) The Representatives shall have received a certificate, dated such Closing Date, of the Chief Executive Officer or the President or any Vice President and a principal financial or accounting officer of the Company in which such officers, to the best of their knowledge after reasonable investigation, shall state that: the representations and warranties of the Company in this Agreement are true and correct; the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; no stop order suspending the effectiveness of any Registration Statement has been issued that has not been lifted and no proceedings for that purpose have been instituted (that have not been terminated) or are contemplated by the Commission; the Additional Registration Statement (if necessary hereunder) satisfying the requirements of subparagraphs (1) and (3) of Rule 462(b) was filed pursuant to Rule 462(b), including payment of the applicable filing fee in accordance with Rule 111(a) or (b) under the Act, prior to the time the Prospectus was printed and distributed to any Underwriter; and, subsequent to the date of the most recent financial statements in the Prospectus, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the financial condition, business, properties or results of operations of the Company and its subsidiaries taken as a whole except as set forth in the Prospectus or as described in such certificate.

(i) The Representatives shall have received a letter, dated the Closing Date, of each of KPMG LLP and Deloitte & Touche LLP, in each case which meets the requirements of subsection (a) of this Section, except that the specified date referred to in such subsection will be a date not more than three days prior to the Closing Date for the purposes of this subsection.

(j) The Representatives shall have received a certificate, dated the date hereof, from Kenneth J. Kay, Chief Financial Officer of the Company, substantially in the form of Exhibit D hereto.

(k) On or prior to the date of this Agreement, the Representatives shall have received lock-up letters from each of the officers, directors and equityholders of the Company, in each case, listed in Schedule C hereto.

(l) The Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance, and satisfactory evidence of such actions shall have been provided to the Representatives.

(m) The Company shall have entered into an amendment to and waiver of the Credit Agreement, satisfactory in form and substance to CSFB, whereby the Lenders shall have granted an amendment to and waiver of the Credit Agreement to permit the application of the proceeds from the sale of the Offered Securities to be issued and sold by the Company as described in the Prospectus and such amendment and waiver shall be in full force and effect.

(n) The Custodian will deliver to the Representatives a letter stating that it will deliver to each Selling Stockholder a United States Treasury Department Form 1099 (or other applicable form or statement specified by the United States Treasury Department regulations in lieu thereof) on or before January 31 of the year following the date of this Agreement.

The Selling Stockholders and the Company will furnish the Representatives with such conformed copies of such opinions, certificates, letters and documents as the Representatives reasonably request. CSFB may, in its sole discretion, waive on behalf of the Underwriters compliance with any conditions to the obligations of the Underwriters hereunder, whether in respect of a Closing Date or otherwise.

7. *Indemnification and Contribution.* (a) The Company will indemnify and hold harmless each Underwriter, its partners, members, directors and officers and each person, if any who controls such Underwriter within the meaning of Section 15 of the Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (c) below; and provided, further, that with respect to any untrue statement or alleged untrue statement in or omission or alleged omission from any preliminary prospectus, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased the Offered Securities concerned, to the extent that a prospectus relating to such Offered Securities was required by law to be delivered by such Underwriter in connection with such purchase and any such loss, claim, damage or liability (or action in respect thereof) of such Underwriter results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Offered Securities to such person, a copy of the Prospectus if the Company had previously furnished copies thereof to such Underwriter in accordance with this Agreement.

(b) Each Selling Stockholder, severally and not jointly, will indemnify and hold harmless each Underwriter, its partners, directors and officers and each person who controls such Underwriter within the meaning of Section 15 of the Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in the light of the circumstances under which they were made) not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the Selling Stockholder Information relating to such Selling Stockholder; and provided that with respect to any untrue statement or alleged untrue statement in or omission or alleged omission from any preliminary prospectus, the indemnity agreement contained in this subsection (b) shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased the Offered Securities concerned, to the extent that a prospectus relating to such Offered Securities was required by law to be delivered by such Underwriter in connection with such purchase and any such loss, claim, damage or liability (or action in respect thereof) of such Underwriter results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Offered Securities to such person, a copy of the Prospectus if the Company had previously furnished copies thereof to such Underwriter in accordance with this Agreement; and provided, further, that the liability under this subsection (b) of each Selling Stockholder shall be limited to an amount equal to the aggregate gross proceeds after underwriting commissions and discounts, but before expenses, to such Selling Stockholder from the sale of Offered Securities sold by such Selling Stockholder hereunder.

(c) Each Underwriter will severally and not jointly indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of Section 15 of the Act, and each Selling Stockholder, its partners, members, directors, officers, and each person, if any, who controls such Selling Stockholder within the meaning of Section 15 of the Act, against any losses, claims, damages or liabilities (or actions in respect thereof), joint or several, to which the Company or such Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof), joint or several, arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement, the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by the Company and each Selling Stockholder in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred, it being understood and agreed that the only such information furnished by any Underwriter consists of (i) the following information in the Prospectus, under the caption "Underwriting," furnished on behalf of each Underwriter: (A) the concession and reallowance figures appearing in the fourth paragraph, (B) the sixth paragraph related to the QIU (as defined below), (C) the thirteenth paragraph related to stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids and (D) the fourteenth paragraph related to prospectuses in electronic format; and (ii) the following information in the Prospectus, under the caption "Underwriting," furnished on behalf of CSFB: the description of the number (but not the percentage) of Securities beneficially owned by affiliates of CSFB and the aggregate principal amount of the Company's 16% Senior Notes due 2011 beneficially owned by affiliates of CSFB.

(d) Promptly after receipt by an indemnified party under this Section or Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under subsection (a), (b) or (c) above or Section 9, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a), (b) or (c) above or Section 9 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a), (b) or (c) above or Section 9. In case any such action is brought against any indemnified party and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section or Section 9, as the case may be, for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such (i) settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party. No indemnifying party shall be liable for any settlement of any proceeding without its prior written consent, which consent shall not be unreasonably withheld.

(e) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a), (b) or (c) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters. The benefits received by the QIU (as hereinafter defined) in its capacity as QIU shall be deemed to be equal to the compensation received by the QIU for acting in such capacity. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Stockholders or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (e). Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, (ii) the QIU (as hereinafter defined), in its capacity as QIU, shall not be required to contribute any amount in excess of the compensation received by the QIU for acting in such capacity and (iii) the liability under this subsection of each Selling Stockholder shall be limited to an amount equal to the aggregate gross proceeds after underwriting commissions and discounts, but before expenses, to such Selling Stockholder from the sale of the Firm and Optional Securities sold by such Selling Stockholder hereunder, less any amounts for which such Selling Stockholder is liable under subsection (b) above. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint. The Selling Stockholders' obligations in this subsection (e) to contribute are several in proportion to their respective aggregate gross proceeds received after underwriting commissions and discounts, but before expenses, from the sale of the Firm and Optional Securities sold by the Selling Stockholders hereunder and not joint.

(f) The obligations of the Company and the Selling Stockholders under this Section or Section 9 shall be in addition to any liability which the Company and the Selling Stockholders may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter or the QIU within the meaning of the Act; and the obligations of the Underwriters under this Section shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company, to each Selling Stockholder, to each officer of the Company who has signed a Registration Statement and to each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Act.

8. *Default of Underwriters.* If any Underwriter or Underwriters default in their obligations to purchase Offered Securities hereunder on either the First Closing Date or any Optional Closing Date and the aggregate number of shares of Offered Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date, the Representatives jointly may make arrangements satisfactory to the Company and the Selling Stockholders for the purchase of such Offered Securities by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of shares of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to the Representatives, the Company and the Selling Stockholders for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholders, except as provided in Section 10 (provided that if such default occurs with respect to Optional Securities after the First Closing Date, this Agreement will not terminate as to the Firm Securities or any Optional Securities purchased prior to such termination). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

9. *Qualified Independent Underwriter*. The Company hereby confirms that at its request Citigroup Global Markets LLC has without compensation acted as "qualified independent underwriter" (in such capacity, the "**QIU**") within the meaning of Rule 2710 of the Conduct Rules of the National Association of Securities Dealers, Inc. in connection with the offering of the Offered Securities. The Company will indemnify and hold harmless the QIU against any losses, claims, damages or liabilities, joint or several, to which the QIU may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon the QIU's acting (or alleged failing to act) as such "qualified independent underwriter" and will reimburse the QIU for any legal or other expenses reasonably incurred by the QIU in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred.

10. *Survival of Certain Representations and Obligations.* The respective indemnities, agreements, representations, warranties and other statements of the several Selling Stockholders, of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, any Selling Stockholder, the Company or any of their respective representatives, officers or directors, partners, members, or any controlling person, and will survive delivery of and payment for the Offered Securities. If this Agreement is terminated pursuant to Section 8 or if for any reason the purchase of the Offered Securities by the Underwriters is not consummated, the Company and the Selling Stockholders (as applicable) shall remain responsible for the expenses to be paid or reimbursed by them pursuant to Section 5 and the respective obligations of the Company, the Selling Stockholders, and the Underwriters pursuant to Section 7 and the obligations of the Company pursuant to Section 9 shall remain in effect, and if any Offered Securities have been purchased hereunder the representations and warranties in Section 2 and all obligations under Section 5 shall also remain in effect. If the purchase of the Offered Securities by the Underwriters is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 8 or the occurrence of any event specified in clause (iii), (iv), (vi), (vii) or (viii) of Section 6(c), the Company will reimburse the Underwriters for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities.

11. *Notices*. All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed, delivered or faxed and confirmed to the Representatives, c/o Credit Suisse First Boston LLC, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: Transactions Advisory Group (fax: 212-325-4296), or, if sent to the Company, will be mailed, delivered or faxed and confirmed to it at CB Richard Ellis Group, Inc., 865 South Figueroa Street, Suite 3400, Los Angeles, California 90017, Attention: Kenneth J. Kay, Chief Financial Officer (fax: 213-438-4820), or, if sent to the Selling Stockholders or any of them, will be mailed, delivered or faxed and confirmed to each of them at its respective address set forth on Schedule A hereto; provided, however, that any notice to an Underwriter pursuant to Section 7 will be mailed, delivered or faxed and confirmed to such Underwriter.

12. *Successors*. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective personal representatives and successors and the officers and directors and controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder.

13. *Representation*. The Representatives will act for the several Underwriters in connection with the transactions contemplated by this Agreement, and any action under this Agreement taken by the

Representatives jointly or by CSFB will be binding upon all the Underwriters. Ray Wirta and Kenneth J. Kay will act for the Custodial Selling Stockholders in connection with such transactions, and any action under or in respect of this Agreement taken by Ray Wirta and Kenneth J. Kay pursuant to, and in conformity with the applicable provisions of, the Power of Attorney will be binding upon all the Custodial Selling Stockholders.

14. *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

15. *Applicable Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

If the foregoing is in accordance with the Representatives' understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement among the Selling Stockholders, the Company and the several Underwriters in accordance with its terms.

Very truly yours,

CB RICHARD ELLIS GROUP, INC.

By ____________________________

Name:
Title:

BLUM STRATEGIC PARTNERS, L.P.

By Blum Strategic GP, L.L.C., its general partner,

By ____________________________

Name:
Title:

BLUM STRATEGIC PARTNERS II, L.P.

By Blum Strategic GP II, L.L.C., its general partner,

By ____________________________

Name:
Title:

BLUM STRATEGIC PARTNERS II GMBH & CO. KG

By Blum Strategic GP II, L.L.C., its managing partner,

By ____________________________

Name:
Title:

FS EQUITY PARTNERS III, L.P.

By FS Capital Partners, L.P., its general partner

By FS Holdings, Inc., its general partner

By ______________________________

Name:
Title:

FS EQUITY PARTNERS INTERNATIONAL, L.P.

By FS&Co. International, L.P., its general partners

By FS International Holdings, Limited, its general partner

By ______________________________

Name:
Title:

DLJ INVESTMENT PARTNERS, L.P.

By DLJ Investment Partners II, Inc., it's managing general partner

By ______________________________

Name:
Title:

DLJ INVESTMENT PARTNERS II, L.P.

By DLJ Investment Partners II, Inc., its managing general partner

By ______________________________

Name:
Title:

DLJIP II HOLDINGS, L.P.

By DLJ Investment Partners II, Inc., its general partner

By ______________________________

Name:
Title:

PROVIDENT FINANCIAL GROUP, INC.

By ______________________________

Name:
Title:

STANFIELD ARBITRAGE CDO, LTD.

By Stanfield Capital Partners LLC, as
Collateral Manager

By ______________________________

Name:
Title:

STANFIELD CLO, LTD.

By Stanfield Capital Partners LLC, as
Collateral Manager

By ______________________________

Name:
Title:

STANFIELD/RMF TRANSATLANTIC CDO, LTD.

By Stanfield Capital Partners LLC, as
Collateral Manager

By ______________________________

Name:
Title:

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

By ______________________________

Name:
Title:

THE KOLL HOLDING COMPANY

By ______________________________

Name:
Title:

FREDERIC V. MALEK

____

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE FIRST BOSTON LLC

CITIGROUP GLOBAL MARKETS INC.

Acting on behalf of themselves and as the Representatives of the several Underwriters.

CREDIT SUISSE FIRST BOSTON LLC

By

Name:
Title:

CITIGROUP GLOBAL MARKETS INC.

By

Name:
Title:

EXHIBIT 3.1

FORM OF RESTATED CERTIFICATE OF INCORPORATION[1]

OF

CB RICHARD ELLIS GROUP, INC.

CB Richard Ellis Group, Inc. (the "**Corporation**"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the Corporation is CB Richard Ellis Group, Inc. The Corporation was originally incorporated under the name "BLUM CB Holding Corp." The Corporation's original certificate of incorporation was filed with the Secretary of State of the State of Delaware on February 20, 2001. The Corporation filed Certificates of Amendment of the Certificate of Incorporation with the Secretary of State of the State of Delaware on March 26, 2001 and June 1, 2001 and a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on June 29, 2001, in each of the foregoing cases under the name "CBRE Holding, Inc." The Corporation filed a Certificate of Amendment of the Certificate of Incorporation with the Secretary of State of the State of Delaware on February 13, 2004 changing the name of the Corporation to "CB Richard Ellis Group, Inc."

B. This Restated Certificate of Incorporation, which amends and restates the Certificate of Incorporation of the Corporation in its entirety, was duly adopted by the Board of Directors and by the stockholders in accordance with Sections 103, 242 and 245 of the General Corporation Law of the State of Delaware.

C. The Restated Certificate of Incorporation of the Corporation shall read in its entirety as follows:

FIRST: The name of the Corporation is CB Richard Ellis Group, Inc.

SECOND: The registered office and registered agent of the Corporation is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "**DGCL**").

FOURTH: (1) The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 450,000,000, consisting of (a) 25,000,000 shares of Preferred Stock, $0.01 par value per share ("**Preferred Stock**"), and (b) 350,000,000 shares of Common Stock divided into the following two classes: (i) 325,000,000 shares shall be Class A Common Stock, $0.01 par value per share ("**Class A Common Stock**"), and (ii) 100,000,000

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[1] To be filed prior to the closing of the IPO.

shares shall be Class B Common Stock, $0.01 par value per share ('**Class B Common Stock**"). The Class A Common Stock and Class B Common Stock are sometimes referred to herein, collectively, as "**Common Stock**."

(2) The number of authorized shares of Preferred Stock, Class A Common Stock or the Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor.

(3) The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers (if any) of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

(4) The following is a statement of the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of the Class A Common Stock and Class B Common Stock.

(a) *General*. Except as otherwise set forth below in this Article Fourth, the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Class A Common Stock and Class B Common Stock shall be identical in all respects.

(b) *Voting Rights*. Except as otherwise required by this Restated Certificate of Incorporation or by applicable law, at every meeting of the stockholders of the Corporation every holder of Class A Common Stock shall be entitled to one vote in person or by proxy for each share of Class A Common Stock standing in his, her or its name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders. Except as otherwise required by this Restated Certificate of Incorporation or by applicable law, at every meeting of the stockholders of the Corporation every holder of Class B Common Stock shall be entitled to ten votes in person or by proxy for each share of Class B Common Stock standing in his, her or its name on the transfer books of the Corporation in connection with the election of directors and all other matters submitted to a vote of stockholders. Except as otherwise required by this Restated Certificate of Incorporation or by applicable law, the holders of Class A Common Stock and Class B Common Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise provided in Section (2) of this Article Fourth or as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of

Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL.

(c) *Dividends*. Subject to the other provisions of this Restated Certificate of Incorporation, applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock of any corporation (other than Common Stock) or property of the Corporation as may be declared thereon by the Board of Directors in its discretion from time to time out of assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in all such dividends and other distributions. In the case of dividends or other distributions payable in Common Stock, including distributions pursuant to stock splits or divisions of Common Stock of the Corporation, only shares of Class A Common Stock shall be paid or distributed with respect to Class A Common Stock and only shares of Class B Common Stock shall be paid or distributed with respect to Class B Common Stock; *provided*, *however*, in the event a dividend or distribution shall be paid or distributed with respect to one class of Common Stock a simultaneous dividend or distribution shall be paid or distributed on the other class and in the same proportion.

(d) *Changes in Capitalization*. In the event there is an increase or decrease in the number of issued shares of Common Stock resulting from any stock split, stock dividend, reverse stock split, combination or reclassification of the Common Stock, or any other similar event resulting in an increase or decrease in the number of outstanding shares of Common Stock, the outstanding shares of Class A Common Stock and the outstanding shares of Class B Common Stock shall be adjusted in the same manner in all respects.

(e) *Dissolution*. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the Corporation upon such dissolution, liquidation or winding up, the assets of the Corporation shall be distributed pro rata to the holders of Common Stock and the holders of Class A Common Stock and the holders of Class B Common Stock will be entitled to receive the same amount per share in respect thereof.

(f) *Merger*. Unless otherwise approved by a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A Common Stock and the outstanding shares of Class B Common Stock, each voting separately as a class, in case of any reorganization or any consolidation of the Corporation with one or more other corporations or entities or a merger of the Corporation with another corporation or entity in which shares of Class A Common Stock or Class B Common Stock are converted into (or entitled to receive with respect thereto) shares of stock and/or other securities or property (including cash, the "**Merger Consideration**"), each holder of a share of Class A Common Stock shall be entitled to receive with respect to such share the same kind and amount of Merger Consideration receivable upon such reorganization, consolidation or merger (a "**Merger**") by a holder of a share of Class B Common Stock, and each holder of a share of Class B Common Stock shall be entitled to receive with respect to such share the same kind and amount of Merger Consideration receivable upon such Merger by a holder of a share of Class A Common Stock; *provided*, *however*, that subject to compliance with applicable law, in the event that the one or more of the other corporations or entities that is a party to a Merger notifies the Corporation that it will require the structure of the Merger to be treated as a recapitalization for financial accounting purposes and that it will require the Corporation to no longer be subject to the reporting requirements or Section 14 of the Securities Exchange Act of 1934, as amended, after the closing date of the Merger, then, solely to the extent deemed necessary by such other corporation or entity to satisfy such requirements, the Merger Consideration a holder of a share of Class A Common Stock shall be entitled to receive with respect to such share may be a different kind than the Merger Consideration a holder of a share of Class B Common Stock shall be entitled to receive with respect to such share. Without limiting the proviso set forth in the foregoing sentence, in the event that the holders of Class A Common Stock or of Class B Common Stock are granted rights to elect to receive one of two or more alternative forms of Merger Consideration, the foregoing sentence shall be deemed satisfied if holders of Class A Common Stock and holders of Class B Common Stock are granted substantially identical election rights.

(g) *No Adverse Effect.* With respect to any proposed amendment of this Restated Certificate of Incorporation which would alter or change the powers, preferences or special rights of the shares of Class A Common Stock or Class B Common Stock, so as to affect them adversely relative to the other class of Common Stock, the approval of a majority of the votes entitled to be cast by the holders of the outstanding shares of the class affected by the proposed amendment, voting separately as a class, shall be obtained in addition to the approval of a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A Common Stock and Class B Common Stock voting together as a single class as provided herein. The affirmative vote of shares representing a majority of the votes entitled to be cast by the holders of outstanding shares of each class of Common Stock, voting separately by class, shall be required to adopt any provision inconsistent with or repeal any provision of, or alter or amend this paragraph (g).

(h) *Conversion of Class B Common Stock*.

(i) *Voluntary Conversion*. Upon the written request of any holder of shares of Class B Common Stock, any shares of Class B Common Stock that such holder so specifies shall automatically convert on a share for share basis into the same number of shares of Class A Common Stock.

(ii) *Mandatory Conversion*. Shares of Class B Common Stock shall be converted into shares of Class A Common Stock at the times and in the amounts set forth in subparagraphs (1) and (2) of this subparagraph (ii) (each an "**Event of Conversion**").

(1) Upon any transfer, sale or other disposition (including without limitation, by operation of law), whether directly or indirectly, of record ownership (a "**Transfer**") of shares of Class B Common Stock, whether or not for value, by any holder, other than any Transfer by such holder to a Permitted Class B Holder

(as defined below), the shares of Class B Common Stock Transferred shall automatically be converted into shares of Class A Common Stock on a share for share basis without further action by the holders of Common Stock. For purposes hereof, the term "**Permitted Class B Holder**" shall mean (A) Blum Strategic Partners, L.P., (B) any record holder of Class B Common Stock at the effective time of the merger of BLUM CB Corp. with and into CB Richard Ellis Services, Inc. pursuant to the Amended and Restated Merger Agreement, dated as of May 31, 2001, among the Corporation, BLUM CB Corp. and CB Richard Ellis Services, Inc., as such agreement may be further amended or restated, and (C) any single person or entity to whom a Permitted Class B Holder specified in clause (A) or (B) of this definition Transfers shares of Class B Common Stock, *provided* that (x) at or prior to the time of such Transfer the transferee designates such person or entity to be a Permitted Class B Holder in a written notice delivered to the Corporation and (y) immediately following such Transfer the transferee no longer holds any shares of Class B Common Stock, *provided*, *further*, that effective upon the Transfer of Class B Common Stock to such newly designated Permitted Class B Holder the transferee shall automatically cease to be a Permitted Class B Holder. The Corporation will at all times maintain in its stock register a list of Permitted Class B Holders.

(2) Upon the completion of an underwritten public offering of Common Stock pursuant to which the Corporation becomes listed on a national securities exchange or on the NASDAQ Stock Market, all outstanding shares of Class B Common Stock shall automatically be converted into shares of Class A Common Stock on a share for share basis without further action by the holders of Common Stock.

(iii) *Class B Conversion Procedure*. Any conversion pursuant to this paragraph (h) shall be deemed to have been effected at the time (x) the holder of Class B Common Stock requests such conversion in accordance with subsection (i) of this paragraph (h) or (y) the Event of Conversion referred to in subsection (ii) of this paragraph (h) occurred, as the case may be (the "**Class B Conversion Time**"). At the Class B Conversion Time, the certificate or certificates that represented immediately prior thereto the shares of Class B Common Stock which were so converted (the "**Converted Class B Common Stock**") shall, automatically and without further action, represent on a share for share basis the same number of shares of Class A Common Stock. Holders of Converted Class B Common Stock shall deliver their certificates, duly endorsed in blank or accompanied by proper instruments of transfer, to the principal office of the Corporation or the office of any transfer agent for shares of Class A Common Stock together with a written notice setting out the name or names (with addresses) and denominations in which the certificate or certificates representing such shares of Class A Common Stock are to be issued and including instructions for delivery thereof. Upon such delivery, the Corporation or its transfer agent shall promptly issue and deliver at such stated address to such holder of shares of Class A Common Stock a certificate or certificates representing the number of shares of Class A Common Stock into which the Converted Class B Common Stock was so converted and shall cause such shares of Class A Common Stock to be registered in the name of such holder. The

Corporation will issue certificates for the balance of the shares of Class B Common Stock in any case in which fewer than all of the shares of Class B Common Stock represented by a certificate are converted. The Person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock and will have all the rights of record holders of shares of Class A Common Stock at and as of the Class B Conversion Time, and the rights of such Person as a holder of shares of Class B Common Stock that have been converted shall cease and terminate at and as of the Class B Conversion Time, in each case without regard to any failure by such holder to deliver the certificates or the notice required by this paragraph (h); *provided*, *however*, that such Person shall be entitled to receive, when paid, any dividends declared on the Class B Common Stock as of a record date preceding the Class B Conversion Time and unpaid as of the Class B Conversion Time so long as such Person was the record holder when such dividends were declared. For purposes of this Restated Certificate of Incorporation, "**Person**" shall mean an individual or a corporation, association, partnership, limited liability company, joint venture, organization, business, trust or any other entity or organization, including a government or any subdivision or agency thereof.

(iv) *Payment of Transfer Taxes*. The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class A Common Stock on conversion of Class B Common Stock pursuant hereto; *provided*, *however*, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Class A Common Stock in a name other than that of the registered holder of the Class B Common Stock to be converted and no such issue or delivery shall be made unless and until the Person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not applicable.

(v) *Reservation of Class A Common Stock*. The Corporation shall at all times reserve and keep available, out of its authorized and unissued shares of Class A Common Stock, for the purposes of effecting conversions, such number of duly authorized shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class B Common Stock. All the shares of Class A Common Stock so issuable shall, when so issued, be duly and validly issued, fully paid and non-assessable, and free from liens and charges with respect to such issuance.

(i) Conversion of Class A Common Stock by Class B Holders.

(i) *Voluntary Conversion of Class A Stock*. So long as shares of Class B Common Stock are outstanding, in the event a holder of Class B Common Stock purchases, holds or otherwise acquires any shares of Class A Common Stock, such holder of Class B Common Stock may at any time thereafter request that such shares of Class A Common Stock convert on a share for share basis into the same number of shares of Class B Common Stock.

(ii) *Class A Conversion Procedure*. So long as shares of Class B Common Stock are outstanding, any conversion pursuant to this paragraph *(i)* shall be deemed to have been effected at the time the holder of Class B Common Stock requests such conversion in accordance with subsection (i) of this paragraph *(i)* (the "**Class A Conversion Time**"). At the Class A Conversion Time, the certificate or certificates that represented immediately prior thereto the shares of Class A Common Stock which were so converted (the "**Converted Class A Common Stock**") shall, automatically and without further action, represent on a share for share basis the same number of shares of Class B Common Stock. Holders of Converted Class A Common Stock shall deliver their certificates, duly endorsed in blank or accompanied by proper instruments of transfer, to the principal office of the Corporation or the office of any transfer agent for shares of Class B Common Stock, together with a written notice setting out the name or names (with addresses) and denominations in which the certificate or certificates representing such shares of Class B Common Stock are to be issued and including instructions for delivery thereof. Upon such delivery, the Corporation or its transfer agent shall promptly issue and deliver at such stated address to such holder of shares of Class B Common Stock a certificate or certificates representing the number of shares of Class B Common Stock into which the Converted Class A Common Stock was so converted and shall cause such shares of Class B Common Stock to be registered in the name of such holder. The Person entitled to receive the shares of Class B Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class B Common Stock and will have all the rights of record holders of shares of Class B Common Stock at and as of the Class A Conversion Time, and the rights of such Person as a holder of shares of Class A Common Stock that have been converted shall cease and terminate at and as of the Class A Conversion Time, in each case without regard to any failure by such holder to deliver the certificates or the notice required by this paragraph *(i)*; *provided*, *however*, that such Person shall be entitled to receive when paid any dividends declared on the Class A Common Stock as of a record date preceding the Class A Conversion Time and unpaid as of the Class A Conversion Time, so long as such Person was the record holder when such dividends were declared.

(iii) *Payment of Transfer Taxes*. The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class B Common Stock on conversion of Class A Common Stock pursuant hereto; *provided*, *however*, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Class B Common Stock in a name other than that of the registered holder of the Class A Common Stock to be converted and no such issue or delivery shall be made unless and until the Person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not applicable.

(iv) *Reservation of Class B Common Stock*. So long as shares of Class B Common Stock are outstanding, the Corporation shall at all times reserve and keep available, out of its authorized and unissued shares of Class B Common Stock, for the purposes of effecting conversions, such number of duly authorized shares of Class B Common Stock as shall from time to time be sufficient to effect all possible conversions of Class A Common Stock to Class B Common Stock.

FIFTH: In furtherance and not in limitation of the powers conferred by the DGCL, the Board of Directors shall be authorized to make, amend, alter, change, add to or repeal the By-Laws of the Corporation in any manner not inconsistent with the laws of the State of Delaware, subject to the power of the stockholders to amend, alter, change, add to or repeal the By-Laws made by the Board of Directors in the manner set forth in the By-Laws. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% in voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required in order for the stockholders to alter, amend or repeal any provision of the By-laws which is to the same effect as Article Fifth, Article Seventh, Article Eighth or Article Tenth of this Restated Certificate of Incorporation or to adopt any provision inconsistent therewith; *provided*, *however*, that in the case of any such stockholder action at a special meeting of stockholders, notice of the amendment, alteration, change, addition to or repeal of a By-law or By-laws must be contained in the notice of such special meeting.

SIXTH: To the fullest extent permitted by the laws of the State of Delaware:

(1) (a) The Corporation shall indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, member, fiduciary, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals. Notwithstanding the preceding sentence, the Corporation shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the Board of Directors. The Corporation may indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, member, fiduciary, trustee, employee or agent of another Corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals.

(b) The Corporation (i) shall promptly pay expenses incurred by any person described in the first sentence of subsection (a) of this Article Sixth, Section (1) and (ii) may pay expenses incurred by any person whom the Corporation has determined to indemnify pursuant to the third sentence of subsection (a) of this Article Sixth, Section (1), in each case in defending any action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, including appeals, upon presentation of appropriate documentation.

(c) The Corporation may purchase and maintain insurance on behalf of any person described in subsection (a) of this Article Sixth, Section (1) against any liability asserted against such person, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article Sixth, Section (1) or otherwise.

(d) The provisions of this Article Sixth, Section (1) shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Article Sixth, Section (1) shall be deemed to be a contract between the Corporation and each director or officer who serves in such capacity at any time while this Article Sixth, Section (1) and the relevant provisions of the laws of the State of Delaware and other applicable law, if any, are in effect, and any repeal or modification hereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Article Sixth, Section (1) shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof. The rights of indemnification provided in this Article Sixth, Section (1) shall neither be exclusive of, nor be deemed in limitation of, any rights to which an officer or director may otherwise be entitled or permitted by contract, this Certificate of Incorporation, vote of stockholders or directors or otherwise, or as a matter of law, both as to actions in such person's official capacity and actions in any other capacity while holding such office, it being the policy of the Corporation that indemnification of any person whom the Corporation is obligated to indemnify pursuant to this Article Sixth, Section (1) shall be made to the fullest extent permitted by law.

(e) For purposes of this Article Sixth, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries.

(2) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

SEVENTH: (1) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than three directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the Board of Directors. A director shall hold office until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any newly created directorship on the Board of Directors that results from an increase in the number of directors and any vacancy occurring in the Board of Directors shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If any applicable provision of the DGCL expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such meeting only by the affirmative vote of at least 80% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting as a single class. Directors may be removed only by the affirmative vote of at least 80% in voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting as a single class.

(2) Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto.

EIGHTH: Any action required or permitted to be taken by the holders of the Common Stock of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or by the Board of Directors pursuant to a resolution approved by the Board of Directors.

NINTH: The Corporation hereby elects to be governed by Section 203 of the DGCL, as the same exists or may hereafter be amended.

TENTH: Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% in voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to (i) alter, amend or repeal Article Fifth, Article Seventh, Article Eighth or this Article Tenth or to adopt any provision inconsistent therewith or (ii) approve any merger or consolidation of the Corporation which would result in any alteration, amendment or repeal of Article Fifth, Article Seventh, Article Eighth or this Article Tenth or the adoption of any provision inconsistent therewith.

IN WITNESS WHEREOF, the undersigned has executed this Restated Certificate of Incorporation this day of , 2004.

CB RICHARD ELLIS GROUP, INC.

By: ____________________________

Name: Ray Wirta
Title: Chief Executive Officer

EXHIBIT 3.2

FORM OF RESTATED CERTIFICATE OF INCORPORATION[1]

OF

CB RICHARD ELLIS GROUP, INC.

CB Richard Ellis Group, Inc. (the "**Corporation**"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of the Corporation is CB Richard Ellis Group, Inc. The Corporation was originally incorporated under the name "BLUM CB Holding Corp." The Corporation's original certificate of incorporation was filed with the Secretary of State of the State of Delaware on February 20, 2001. The Corporation filed Certificates of Amendment of the Certificate of Incorporation with the Secretary of State of the State of Delaware on March 26, 2001 and June 1, 2001 and a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on June 29, 2001, in each of the foregoing cases under the name "CBRE Holding, Inc." The Corporation filed a Certificate of Amendment of the Certificate of Incorporation with the Secretary of State of the State of Delaware on February 13, 2004 changing the name of the Corporation to "CB Richard Ellis Group, Inc." and filed a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on , 2004.

B. This Restated Certificate of Incorporation, which amends and restates the Certificate of Incorporation of the Corporation in its entirety, was duly adopted by the Board of Directors and by the stockholders in accordance with Sections 103, 242 and 245 of the General Corporation Law of the State of Delaware.

C. The Restated Certificate of Incorporation of the Corporation shall read in its entirety as follows:

FIRST: The name of the Corporation is CB Richard Ellis Group, Inc.

SECOND: The registered office and registered agent of the Corporation is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "**DGCL**").

FOURTH: (1) The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 350,000,000, consisting of (a) 25,000,000 shares of Preferred Stock, $0.01 par value per share ("**Preferred Stock**"), and (b) 325,000,000 shares of Class A Common Stock, $0.01 par value per share ("**Common Stock**").

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[1] To be filed immediately after the closing of the IPO.

(2) The number of authorized shares of Preferred Stock or Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor.

(3) The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers (if any) of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

(4) (a) Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; *provided*, *however*, that, except as otherwise provided in Section (2) of this Article Fourth or as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL.

(b) Except as otherwise required by law, holders of a series of Preferred Stock, as such, shall be entitled only to such voting rights, if any, as shall expressly be granted thereto by this Restated Certificate of Incorporation (including any certificate of designations relating to such series).

(c) Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock having a preference over or, the right to participate with, the Common Stock with respect to the payment of dividends, dividends may be declared and paid on the Common Stock at such times and in such amounts as the Board of Directors in its discretion shall determine.

(d) Upon the dissolution, liquidation or winding up of the corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock having a preference over, or the right to participate with, the Common Stock with respect to the distribution of assets of the Corporation upon such dissolution, liquidation or winding up of the Corporation, the holders of the Common Stock, as such, shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

FIFTH: In furtherance and not in limitation of the powers conferred by the DGCL, the Board of Directors shall be authorized to make, amend, alter, change, add to or repeal the By-Laws of the Corporation in any manner not inconsistent with the laws of the State of Delaware, subject to the power of the stockholders to amend, alter, change, add to or repeal the By-Laws made by the Board of Directors in the manner set forth in the By-Laws. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% in voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required in order for the stockholders to alter, amend or repeal any provision of the By-laws which is to the same effect as Article Fifth, Article Seventh, Article Eighth or Article Tenth of this Restated Certificate of Incorporation or to adopt any provision inconsistent therewith; *provided*, *however*, that in the case of any such stockholder action at a special meeting of stockholders, notice of the amendment, alteration, change, addition to or repeal of a By-law or By-laws must be contained in the notice of such special meeting.

SIXTH: To the fullest extent permitted by the laws of the State of Delaware:

(1) (a) The Corporation shall indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, member, fiduciary, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals. Notwithstanding the preceding sentence, the Corporation shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the Board of Directors. The Corporation may indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the Corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, member, fiduciary, trustee, employee or agent of another Corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals.

(b) The Corporation (i) shall promptly pay expenses incurred by any person described in the first sentence of subsection (a) of this Article Sixth, Section (1) and (ii) may pay expenses incurred by any person whom the Corporation has determined to indemnify pursuant to the third sentence of subsection (a) of this Article Sixth, Section (1), in each case in defending any action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, including appeals, upon presentation of appropriate documentation.

(c) The Corporation may purchase and maintain insurance on behalf of any person described in subsection (a) of this Article Sixth, Section (1) against any liability asserted against such person, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article Sixth, Section (1) or otherwise.

(d) The provisions of this Article Sixth, Section (1) shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Article Sixth, Section (1) shall be deemed to be a contract between the Corporation and each director or officer who serves in such capacity at any time while this Article Sixth, Section (1) and the relevant provisions of the laws of the State of Delaware and other applicable law, if any, are in effect, and any repeal or modification hereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Article Sixth, Section (1) shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof. The rights of indemnification provided in this Article Sixth, Section (1) shall neither be exclusive of, nor be deemed in limitation of, any rights to which an officer or director may otherwise be entitled or permitted by contract, this Certificate of Incorporation, vote of stockholders or directors or otherwise, or as a matter of law, both as to actions in such person’s official capacity and actions in any other capacity while holding such office, it being the policy of the Corporation that indemnification of any person whom the Corporation is obligated to indemnify pursuant to this Article Sixth, Section (1) shall be made to the fullest extent permitted by law.

(e) For purposes of this Article Sixth, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries.

(2) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

SEVENTH: (1) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than three directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the Board of Directors. A director shall hold office until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any newly created directorship on the Board of Directors that results from an increase in the number of directors and any vacancy occurring in the Board of Directors shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If any applicable provision of the DGCL expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such meeting only by the affirmative vote of at least 80% of the voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting as a single class. Directors may be removed only by the affirmative vote of at least 80% in voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting as a single class.

(2) Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto.

EIGHTH: Any action required or permitted to be taken by the holders of the Common Stock of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or by the Board of Directors pursuant to a resolution approved by the Board of Directors.

NINTH: The Corporation hereby elects to be governed by Section 203 of the DGCL, as the same exists or may hereafter be amended.

TENTH: Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% in voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to (i) alter, amend or repeal Article Fifth, Article Seventh, Article Eighth or this Article Tenth or to adopt any provision inconsistent therewith or (ii) approve any merger or consolidation of the Corporation which would result in any alteration, amendment or repeal of Article Fifth, Article Seventh, Article Eighth or this Article Tenth or the adoption of any provision inconsistent therewith.

IN WITNESS WHEREOF, the undersigned has executed this Restated Certificate of Incorporation this ______ day of ______ , 2004.

CB RICHARD ELLIS GROUP, INC.

By: ____

Name: Ray Wirta
Title: Chief Executive Officer

EXHIBIT 3.4

FORM OF RESTATED

BY-LAWS

OF

CB RICHARD ELLIS GROUP, INC.

(the "Corporation")

dated ________ ____, 2004

ARTICLE I.

STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held on such date, and at such time and place within or without the State of Delaware as may be designated from time to time by the Board of Directors.

Section 2. Special Meeting. Special meetings of the stockholders shall be called at any time by the Secretary or any other officer, whenever directed by the Chairman of the Board, the Board of Directors or by the Chief Executive Officer. The purpose or purposes of the proposed meeting shall be included in the notice setting forth such call.

Section 3. Notice. Except as otherwise provided by law, notice of the time, place and, in the case of a special meeting, the purpose or purposes of the meeting of stockholders shall be delivered personally or mailed not earlier than sixty, nor less than ten, days previous thereto, to each stockholder of record entitled to vote at the meeting at such address as appears on the records of the Corporation.

Section 4. Quorum. The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute or by the Corporation's Restated Certificate of Incorporation as may be amended from time to time (the "**Certificate of Incorporation**"); but if at any regularly called meeting of stockholders there shall be less than a quorum present, the stockholders present may adjourn the meeting from time to time without further notice other than announcement at the meeting until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Conduct of Meetings. The Chairman of the Board, or in the Chairman's absence or at the Chairman's direction, the Chief Executive Officer, or in the Chief Executive Officer's absence or at the Chief Executive Officer's direction, any officer of the Corporation shall call all meetings of the stockholders to order and shall act as Chairman of such meeting. The Secretary of the Corporation or, in such officer's absence, an Assistant Secretary shall act as secretary of the meeting. If neither the Secretary nor an Assistant Secretary is present, the Chairman of the meeting shall appoint a secretary of the meeting. Unless otherwise determined by the Board of Directors prior to the meeting, the Chairman of the meeting shall determine the order of business and shall have the authority in his or her discretion to regulate the conduct of any such meeting, including, without limitation, by imposing restrictions on the persons (other than stockholders of the Corporation or their duly appointed proxies) who may attend any such meeting, whether any stockholder or stockholders' proxy may be excluded from any meeting of stockholders based upon any determination by the Chairman, in his or her sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and the circumstances in which any person may make a statement or ask questions at any meeting of stockholders.

Section 6. Proxies. At all meetings of stockholders, any stockholder entitled to vote at such meeting shall be entitled to vote in person or by proxy, but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for the stockholder as proxy pursuant to the General Corporation Law of the State of Delaware, the following shall constitute a valid means by which a stockholder may grant such authority: (a) a stockholder may execute a writing authorizing another person or persons to act for the stockholder as proxy, and execution of the writing may be accomplished by the stockholder or the stockholder's authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; or (b) a stockholder may authorize another person or persons to act for the stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the judge or judges of stockholder votes or, if there are no such judges, such other persons making that determination shall specify the information upon which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to the preceding paragraph of this Section 6 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, *provided* that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Proxies shall be filed with the Secretary of the meeting prior to or at the commencement of the meeting to which they relate.

Section 7. Voting. When a quorum is present at any meeting, the vote of the holders of a majority in voting power of the stock present in person or represented by proxy and entitled to vote on the matter shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the Certificate of Incorporation or these By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 8. Record Dates. In order that the Corporation may determine the stockholders (a) entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or (b) entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date (i) in the case of clause (a) above, shall not be more than sixty nor less than ten days before the date of such meeting and (ii) in the case of clause (b) above, shall not be more than sixty days prior to such action. If for any reason the Board of Directors shall not have fixed a record date for any such purpose, the record date for such purpose shall be determined as provided by law. Only those stockholders of record on the date so fixed or determined shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date so fixed or determined.

Section 9. Inspection of Stockholders List. The officer who has charge of the stock ledger of the Corporation shall prepare and make at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced at the time and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 10. Judges of Stockholder Votes. The Board of Directors, in advance of all meetings of the stockholders, shall appoint one or more judges of stockholder votes, who may be stockholders or their proxies, but not directors of the Corporation or candidates for office. In the event that the Board of Directors fails to so appoint judges of stockholder votes or, in the event that one or more judges of stockholder votes previously designated by the Board of Directors fails to appear or act at the meeting of stockholders, the Chairman of the meeting may appoint one or more judges of stockholder votes to fill such vacancy or vacancies. Judges of stockholder votes appointed to act at any meeting of the stockholders, before entering upon the discharge of their duties, shall be sworn faithfully to execute the duties of judge of stockholder votes with strict impartiality and according to the best of their ability and the oath so taken shall be subscribed by them. Judges of stockholder votes shall, subject to the power of the Chairman of the meeting to open and close the polls, take charge of the polls, and, after the voting, shall make a certificate of the result of the vote taken.

Section 11. Notice and Information Requirements. (A) *Annual Meetings of Stockholders.* (1) Nominations of persons for election to the Board of Directors of the Corporation (other than directors to be nominated by any series of Preferred Stock, voting separately as a class, or pursuant to the Securityholders' Agreement (as defined below)) and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Chairman of the Board of Directors or the Board of Directors or (c) by any stockholder of the Corporation who is entitled to vote at the meeting, who complied with the notice procedures set forth in paragraphs (A)(2) and (A)(3) of this Article I, Section 11 and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Article I, Section 11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and any such proposed business other than nominations of persons for election to the Board of Directors must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary date of the preceding year's annual meeting; *provided*, *however*, that in the event that the date of the annual meeting is more than 30 days before, or more than 70 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), including such person's written consent to being named in the proxy

statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the By-Laws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books and records, and of such beneficial owner, (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Article I, Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased, and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Article I, Section 11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Article I, Section 11 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice as required by paragraph (A)(2) of this Article I, Section 11 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholders' notice as described above.

(C) *General.* (1) Unless otherwise provided by the terms of any series of Preferred Stock, the Securityholders' Agreement dated as of July 20, 2001, as amended from time to time (the "**Securityholders' Agreement**"), among the Corporation, CB Richard Ellis Services, Inc. and the Corporation's stockholders from time to time party thereto or any other agreement approved by the Corporation's Board of Directors, only persons who are nominated in accordance with the procedures set forth in this Article I, Section 11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Article I, Section 11. Except as otherwise provided by law, the Certificate of Incorporation or these By-laws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Article I, Section 11 and, if any proposed nomination or business is not in compliance with this Article I, Section 11, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Article I, Section 11, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(2) For purposes of this By-Law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) For purposes of this By-Law, no adjournment nor notice of adjournment of any meeting shall be deemed to constitute a new notice of such meeting for purposes of this Section 11, and in order for any notification required to be delivered by a stockholder pursuant to this Section 11 to be timely, such notification must be delivered within the periods set forth above with respect to the originally scheduled meeting.

(4) Notwithstanding the foregoing provisions of this By-Law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-Law. Nothing in this By-Law shall be

deemed to affect any rights of (a) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock).

ARTICLE II.

BOARD OF DIRECTORS

Section 1. Number, Election, Quorum. The Board of Directors of the Corporation shall consist of such number of directors, not less than three, as shall from time to time be fixed exclusively by resolution of the Board of Directors. Directors shall (except as hereinafter provided for the filling of vacancies and newly created directorships) be elected by the holders of a plurality of the voting power present in person or represented by proxy and entitled to vote. A majority of the total number of directors then in office (but not less than one-third of the number of directors constituting the entire Board of Directors) shall constitute a quorum for the transaction of business and, except as otherwise provided by law or by the Certificate of Incorporation, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. Directors need not be stockholders.

Section 2. Newly-Created Directorships and Vacancies. Unless otherwise required by law and subject to Section 4 of this Article II, newly created directorships in the Board of Directors that result from an increase in the number of directors and any vacancy occurring in the Board of Directors may be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; and the directors so chosen shall hold office for a term as set forth in the Certificate of Incorporation. If any applicable provision of the General Corporation Law of the State of Delaware expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such meeting only by the affirmative vote of at least 80% in voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting as a single class.

Section 3. Meetings. Meetings of the Board of Directors shall be held at such place within or without the State of Delaware as may from time to time be fixed by resolution of the Board or as may be specified in the notice of any meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board and special meetings may be held at any time upon the call of the Chairman of the Board or the Chief Executive Officer, by oral, or written notice including, telegraph, telex or transmission of a telecopy, e-mail or other means of transmission, duly served on or sent or mailed to each director to such director's address or telecopy number as shown on the books of the Corporation not less than one day before the meeting. The notice of any meeting need not specify the purposes thereof. A meeting of the Board may be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held. Notice need not be given of regular meetings of the Board held at times fixed by resolution of the Board. Notice of any meeting need not be given to any director who shall attend such meeting in person (except when the director attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened), or who shall waive notice thereof, before or after such meeting, in writing.

Section 4. Election of Directors by Holders of Preferred Stock. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, and other features of such directorships shall be governed by the terms of the Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto. The number of directors that may be elected by the holders of any such series of Preferred Stock shall be in addition to the number fixed by or pursuant to the By-Laws. Except as otherwise expressly provided in the terms of such series, the number of directors that may be so elected by the holders of any such series of stock shall be elected for terms expiring at the next annual meeting of stockholders, and vacancies among directors so elected by the separate vote of the holders of any such series of Preferred Stock shall be filled by the affirmative vote of a majority of the remaining directors elected by such series, or, if there are no such remaining directors, by the holders of such series in the same manner in which such series initially elected a director.

Section 5. Election of Directors by Multiples Classes or Series of Stock. If at any meeting for the election of directors, the Corporation has outstanding more than one class of stock, and one or more such classes or series thereof are entitled to vote separately as a class, and there shall be a quorum of only one such class or series of stock, that class or series of stock shall be entitled to elect its quota of directors notwithstanding absence of a quorum of the other class or series of stock.

Section 6. Executive Committee. The Board of Directors may designate three or more directors to constitute an executive committee to serve at the pleasure of the Board of Directors, one of whom shall be designated Chairman of such committee. The members of such committee shall by comprised of such members of the Board of Directors as the Board of Directors shall from time to time establish. Any vacancy occurring in the committee shall be filled by the Board of Directors. Regular meetings of the committee shall be held at such times and on such notice and at such places as it may from time to time determine. The committee shall act, advise with and aid the officers of the Corporation in all matters concerning its interest and the management of its business, and shall generally perform such duties and exercise such powers as may from time to time be delegated to it by the Board of Directors. The committee shall have power to authorize the seal of the Corporation to be affixed to all papers which are required by the Delaware General Corporation Law to have the seal affixed thereto.

The executive committee shall keep regular minutes of its transactions and shall cause them to be recorded in a book kept in the office of the Corporation designated for that purpose, and shall report the same to the Board of Directors at their regular meeting. The committee shall make and adopt its own rules for the government thereof and shall elect its own officers.

Section 7. Other Committees. The Board of Directors may from time to time establish such other committees to serve at the pleasure of the Board (including, without limitation, an Audit Committee, a Compensation Committee and a Corporate Governance and

Nominating Committee) which shall be comprised of such members of the Board and have such duties as the Board shall from time to time establish. Any director may belong to any number of committees of the Board. The Board may also establish such other committees with such members (whether or not directors) and such duties as the Board may from time to time determine.

Section 8. Action by Unanimous Written Consent in Lieu of a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 9. Remote Participation. The members of the Board of Directors or any committee thereof may participate in a meeting of such Board or committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this subsection shall constitute presence in person at such a meeting.

Section 10. Compensation. The Board of Directors may establish policies for the compensation of directors and for the reimbursement of the expenses of directors, in each case, in connection with services provided by directors to the Corporation.

ARTICLE III.

OFFICERS

Section 1. Election. The Board of Directors, after each annual meeting of the stockholders, shall elect officers of the Corporation, including a Chairman of the Board, a Chief Executive Officer, a President and a Secretary. The Board of Directors may also from time to time elect such other officers (including one or more Vice Presidents, a Treasurer, one or more Assistant Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers) as it may deem proper or may delegate to any elected officer of the Corporation the power to appoint and remove any such other officers and to prescribe their respective terms of office, authorities and duties. Any Vice President may be designated Executive, Senior or Corporate, or may be given such other designation or combination of designations as the Board of Directors may determine. Any two or more offices may be held by the same person.

Section 2. Terms. All officers of the Corporation elected by the Board of Directors shall hold office for such term as may be determined by the Board of Directors or until their respective successors are chosen and qualified. Any officer may be removed from office at any time either with or without cause by the affirmative vote of a majority of the members of the Board then in office, or, in the case of appointed officers, by any elected officer upon whom such power of removal shall have been conferred by the Board of Directors.

Section 3. Powers and Duties. Each of the officers of the Corporation elected by the Board of Directors or appointed by an officer in accordance with these By-laws shall have the powers and duties prescribed by law, by the By-Laws or by the Board of Directors and, in the case of appointed officers, the powers and duties prescribed by the appointing officer, and, unless otherwise prescribed by the By-Laws or by the Board of Directors or such appointing officer, shall have such further powers and duties as ordinarily pertain to that office.

Section 4. Delegation. Unless otherwise provided in these By-Laws, in the absence or disability of any officer of the Corporation, the Board of Directors may, during such period, delegate such officer's powers and duties to any other officer or to any director and the person to whom such powers and duties are delegated shall, for the time being, hold such office.

ARTICLE IV.

CERTIFICATES OF STOCK

Section 1. Form. The shares of stock of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chairman of the Board of Directors, or the President or a Vice President, and by the Treasurer or the Secretary of the Corporation, or as otherwise permitted by law, representing the number of shares registered in certificate form. Any or all the signatures on the certificate may be a facsimile.

Section 2. Transfers. Transfers of stock shall be made on the books of the Corporation by the holder of the shares in person or by such holder's attorney upon surrender and cancellation of certificates for a like number of shares, or as otherwise provided by law with respect to uncertificated shares.

Section 3. Loss, Stolen or Destroyed Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of such loss, theft or destruction and upon delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors in its discretion may require.

ARTICLE V.

CORPORATE BOOKS

The books of the Corporation may be kept outside of the State of Delaware at such place or places as the Board of Directors may from time to time determine.

ARTICLE VI.

CHECKS, NOTES, PROXIES, ETC.

All checks and drafts on the Corporation's bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers or agent or agents as shall be authorized from time to time by the Board of Directors. Proxies to vote and consents with respect to securities of other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer or President, or by such officers as the Board of Directors may from time to time determine.

ARTICLE VII.

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of January in each year and shall end on the thirty-first day of December following.

ARTICLE VIII.

CORPORATE SEAL

The corporate seal shall have inscribed thereon the name of the Corporation. In lieu of the corporate seal, when so authorized by the Board of Directors or a duly empowered committee thereof, a facsimile thereof may be impressed or affixed or reproduced.

ARTICLE IX.

AMENDMENTS

These By-Laws may be amended, added to, rescinded or repealed at any meeting of the Board of Directors or of the stockholders*provided* notice of the proposed change was given in the notice of the meeting of the stockholders or, in the case of a meeting of the Board of Directors, in a notice given not less than two days prior to the meeting; *provided*, *however*, that, notwithstanding any other provisions of these By-Laws or any provision of law which might otherwise permit a lesser vote of the stockholders, the affirmative vote of the holders of at least 80% in voting power of all shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required in order for the stockholders to alter, amend or repeal Section 2 and Section 11 of Article I, Sections 1 and 2 of Article II or this proviso to this Article IX of these By-Laws or to adopt any provision inconsistent with any of such Sections or with this proviso.

EXHIBIT 4.1

FORM OF CLASS A COMMON STOCK CERTIFICATE

[Front Side of Stock Certificate]

NUMBER CB-A-

CLASS A
COMMON STOCK
THIS CERTIFICATE IS TRANSFERABLE IN THE
CITY OF NEW YORK, NEW YORK

SHARES

CLASS A
COMMON STOCK
INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

CB RICHARD ELLIS GROUP, INC.

SEE REVERSE FOR CERTAIN DEFINITIONS
CUSIP 12497T 10 1

This Certifies That

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF CLASS A COMMON STOCK, $0.01 PAR VALUE PER SHARE, OF

CB RICHARD ELLIS GROUP, INC., transferable only on the books of the Corporation by the holder hereof in person, or by duly authorized Attorney upon surrender of this Certificate properly endorsed.

This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.
Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ Ellis D Reiter, Jr.

SECRETARY

CORPORATE SEAL

COUNTERSIGNED AND REGISTERED:
THE BANK OF NEW YORK
(New York, New York)

TRANSFER AGENT
AND REGISTRAR

BY /s/ [Signature Of Transfer Agent And Registrar]

AUTHORIZED SIGNATURE

/s/ Brett White

PRESIDENT

[Reverse Side of Stock Certificate]

A statement of the rights, preferences, privileges, and restrictions granted to or imposed upon the respective classes of stock or series thereof and upon the holders thereof as established, from time to time, by the Certificate of Incorporation of the Corporation and by any certificate of designation, the number of shares constituting each class and the designations thereof, may be obtained by the holder hereof upon request and without charge from the Corporation.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, OR DESTROYED THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common
TEN ENT — as tenants by the entireties
JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — ____________ Custodian ________
(Cust) (Minor)
under Uniform Gifts to Minors
Act ______________________________
(State)

UNIF TRF MIN ACT — ____________ Custodian (until age ____)
(Cust)
____________ under Uniform Transfers
(Minor)
to Minors Act ______________________
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, ________________ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

____

____

____

Shares of the Class A Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

____

Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated ____________________

X ______________________________

X ______________________________

NOTICE THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By ______________________________

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

EXHIBIT 4.2(b)

AMENDMENT AND WAIVER TO SECURITYHOLDERS' AGREEMENT

AMENDMENT AND WAIVER TO SECURITYHOLDERS' AGREEMENT, dated as of April 14, 2004 (this "Amendment and Waiver"), among (i) CB Richard Ellis Services, Inc., a Delaware corporation ("CBRE"), and CB Richard Ellis Group, Inc., a Delaware corporation formerly known as CBRE Holding, Inc. (the "Company"), (ii) Blum Strategic Partners, L.P., a Delaware limited partnership formerly known as RCBA Strategic Partners, L.P. ("Strategic I"), Blum Strategic Partners II, L.P., a Delaware limited partnership ("Strategic II"), and Blum Strategic Partners II GmbH & Co. KG, a German limited partnership ("Strategic II KG," and together with Strategic I and Strategic II, the "Blum Funds"), (iii) FS Equity Partners III, L.P., a Delaware limited partnership ("FSEP"), and FS Equity Partners International, L.P., a Delaware limited partnership ("FSEP International," and together with FSEP, the "FS Entities"), (iv) DLJ Investment Partners, L.P., a Delaware limited partnership ("DLJIP"), DLJ Investment Partners II, L.P., a Delaware limited partnership ("DLJIP II"), DLJIP II Holdings, L.P., a Delaware limited partnership ("DLJIP II Holdings"), Stanfield Arbitrage CDO, Ltd., a special purpose limited liability company organized under the laws of the Cayman Islands ("Stanfield CDO"), Stanfield CLO, Ltd., a special purpose limited liability company organized under the laws of the Cayman Islands ("Stanfield CLO"), Stanfield/RMF Transatlantic CDO, Ltd., a special purpose limited liability company organized under the laws of the Cayman Islands ("Stanfield/RMF"), and Provident Financial Group, Inc., an Ohio corporation ("Provident," and together with DLJIP, DLJIP II, DLJIP II Holdings, Stanfield CDO, Stanfield CLO, Stanfield/RMF and Provident, the "Note Investors"), (v) California Public Employees' Retirement System ("CalPERS"), The Koll Holding Company, a California corporation ("Koll"), and Frederic V. Malek ("Malek," and together with CalPERS and Koll, the "Other Non-Management Investors"), and (vi) the individuals identified on the signature pages hereto as "Management Investors" (together, the "Management Investors," and together with the Blum Funds, FS Entities, the Note Investors and the Other Non-Management Investors, the "Investors").

RECITALS:

A. The Company, CBRE and the Investors are parties to a Securityholders' Agreement, dated as of July 20, 2001 (the "Securityholders' Agreement"; capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Securityholders' Agreement), which provides for, among other things, the registration of shares of Common Stock held by the Investors, upon the terms and subject to the conditions set forth therein;

B. On February 17, 2004, the Company filed a Registration Statement on Form S-1 (No. 333-112867) (as may be amended from time to time, together with any related Registration Statement on Form S-1 filed by the Company pursuant to Rule 462(b) of the Securities Act, the "Registration Statement") with the SEC pursuant to the Securities Act in connection with a potential underwritten public offering of shares of the Class A Common Stock (the "Potential IPO"), including the offering and sale of shares of the Class A Common Stock to the underwriters for the Potential IPO (the "Underwriters") on a firm commitment basis (the "Firm Commitment Shares") and the potential offering and sale of shares of the Class A Common Stock in connection with any exercise by the Underwriters of their option to purchase additional shares to cover over-allotments (the "Over-Allotment Shares"); and

C. The parties hereto wish to amend and waive certain provisions in the Securityholders' Agreement in connection with, and to provide for certain matters relating to, the Potential IPO.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

Section 1. Waiver of Advance Notice. Each of the Investors hereby waives the requirement of the Company set forth in Section 3.2(a) of the Securityholders' Agreement to notify all Holders of Registrable Securities in writing at least fifteen (15) days prior to the initial filing of the Registration Statement.

Section 2. Conversion Notice. Pursuant to paragraph 8(a) of Article Fourth of the Certificate of Incorporation, each of the Blum Funds, the FS Entities, Koll, Malek and the Management Investors hereby requests the conversion of all of the shares of Class B Common Stock held by it or him on a share for share basis into the same number of shares of Class A Common Stock effective immediately prior to the completion of the Potential IPO, which time of effectiveness shall be the "Class B Conversion Time" (as defined in the Certificate of Incorporation); provided, however, that this Section 2 shall cease to be effective, and the notice provided hereby shall be null and void and of no further force and effect, if the completion of the Potential IPO shall not occur prior to July 31, 2004 or the Registration Statement shall be withdrawn by the Company prior to such date.

Section 3. Allocation of Shares for Sale in Potential IPO. (a) Notwithstanding anything to the contrary that may be set forth in the Securityholders' Agreement (including, without limitation, Section 3.2 thereto), each of the Company and the Investors hereby agrees that the shares of Class A Common Stock to be issued and sold by the Company and to be sold by the Selling Investors (as defined below) in the Potential IPO shall be allocated as follows:

(i) The Company shall issue and sell Firm Commitment Shares in the Potential IPO with an aggregate Value (as defined below) of up to $150 million (the "Company Allocation") and shall not issue or sell any additional shares of its capital stock in the Potential IPO.

(ii) The Company, in consultation with the representatives of the Underwriters, shall determine the number of Firm Commitment Shares to be offered in the Potential IPO and the number of Over-Allotment Shares that the Underwriters will have an option to purchase to cover over-allotments, if any (the "Over-Allotment Offering Size"). If and to the extent the representatives of the Underwriters advise the Company that the offering in the Potential IPO of an aggregate Value of Firm Commitment Shares (the "Firm Commitment Offering Size") greater than the Company Allocation would not have an adverse effect on the price, timing or distribution of the shares of Class A Common Stock to be offered in the Potential IPO, the Selling Investors, in the aggregate, shall be entitled to sell, and hereby agree to sell, shares of Class A Common Stock in the Potential IPO with an aggregate Value equal to the excess of the Firm Commitment Offering Size over the Company Allocation (such excess, the "Investors Firm Commitment Allocation"), with the Investors Firm Commitment

Allocation to be allocated among the Selling Investors as set forth in clause (iii) of this Section 3(a). If and to the extent the representatives of the Underwriters elect to exercise the Underwriters' over-allotment option and purchase some or all of the Over-Allotment Shares on one or more occasions, the Selling Investors, in the aggregate, on each such exercise shall be entitled to sell, and hereby agree to sell, to the Underwriters the Over-Allotment Shares with respect to such exercise (each such sale pursuant to an exercise of the over-allotment option, an "Investors Over-Allotment Allocation"), with such Investors Over-Allotment Allocation to be allocated among the Selling Investors as set forth in clause (iii) of this Section 3(a).

(iii) Each of the Investors Firm Commitment Allocation (if any) and the Investors Over-Allotment Allocations (if any) will be allocated among the Selling Investors on a pro rata basis, which for each Selling Investor (subject to such Selling Investor's compliance with Section 3(b) hereto) shall be the ratio of (A) the total number of shares of Class A Common Stock owned by such Selling Investor (including for these purposes all shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock pursuant to Section 2 hereto and upon exercise of outstanding warrants) to (B) the total number of shares of Class A Common Stock owned by all of the Selling Investors participating in the Potential IPO (including for these purposes all shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock pursuant to Section 2 hereto and upon exercise of outstanding warrants). Assuming the accuracy of the representations and warranties of the Selling Investors in Section 6(a) hereto and the absence of Transfers of Restricted Securities by the Selling Investors between the date hereof and the date of execution of the Underwriting Agreement (as defined below), **Schedule I** attached hereto reflects the pro rata allocation of each of the Selling Investors reflected as a percentage of the shares of Class A Common Stock to be included in each of the Investors Firm Commitment Allocation or the Investors Over-Allotment Allocation (in each case, subject to the assumptions set forth in such schedule).

(iv) Each of the Management Investors hereby waives his right set forth in Section 3.2 of the Securityholders' Agreement to sell shares of Common Stock in the Potential IPO (including, without limitation, the sale of any Firm Commitment Shares and the sale of any Over-Allotment Shares).

(v) For purposes of this Section 3, (A) "Value" shall mean the price to the public per share of Class A Common Stock that is offered in the Potential IPO and (B) "Selling Investors" shall mean the Investors other than the Management Investors.

(b) Each of the Selling Investors hereby agrees to (i) participate in the Potential IPO in the manner set forth in Section 3(a) hereto, (ii) execute and deliver to the representatives of the Underwriters an underwriting agreement in customary form reasonably satisfactory to such Selling Investor (the "Underwriting Agreement") and (iii) execute and deliver such other documentation and instruments as such representatives shall reasonably request from such Selling Investor pursuant to the Underwriting Agreement, including, without limitation, a customary custody agreement relating to the deposit of the shares of Class A

Common Stock to be sold by such Selling Investor in the Potential IPO, a customary power of attorney appointing an attorney-in-fact for such Selling Investor, customary opinions of counsel, the original stock certificate or certificates representing such shares and one or more stock powers with respect to such shares.

(c) Each of the Company and the Selling Investors acknowledges and agrees that the provisions of this Section 3 shall constitute the written notice required to be delivered by each of the Selling Investors desiring to include in the Registration Statement any of the Registrable Securities held by it or him pursuant to Section 3.2 of the Securityholders' Agreement and that the disposition of shares of Common Stock in the Potential IPO, as described in the Registration Statement, shall be the method of disposition for the Investors.

(d) Each of the Selling Investors agrees and acknowledges that the Company shall have sole authority and discretion with respect to the determination of each of the following matters with respect to the Potential IPO: (i) the Firm Commitment Offering Size, (ii) the Over-Allotment Offering Size, (iii) the Value, (iv) the identities of the Underwriters, (v) the timing of the filing of the Registration Statement and any amendments and exhibits to the Registration Statement, the timing of the filing, printing and distribution of any preliminary prospectus, definitive prospectus or prospectus supplement and the timing of any road show or other selling efforts, (vi) the contents of the Registration Statement, including, without limitation, any prospectus contained therein and any exhibits filed therewith (provided, however, that each of the Selling Investors shall be entitled to review the Registration Statement in advance of each filing thereof and provide comments with respect to any portions thereof with respect to which such Selling Investor would be required to indemnify the Company or any of the Underwriters pursuant to the Securityholders' Agreement or the Underwriting Agreement if such portion contained a material misstatement or omission), (vii) the method and manner of the disposition of shares of Class A Common Stock in the Potential IPO and (viii) whether to terminate the Potential IPO and/or withdraw the Registration Statement.

(e) Except as set forth in this Section 3, the provisions of Article III of the Securityholders' Agreement shall remain unchanged and shall apply to the Potential IPO with respect to each of the Company and the Investors.

(f) For the avoidance of doubt, it is understood by each of the parties hereto that none of the provisions set forth in this Section 3 or in **Schedule I** or **Schedule II** to this Agreement reflect any subdivision (by stock split or otherwise) of the shares of Common Stock. In the event of any such subdivision prior to the closing of the Potential IPO, the provisions in this Section 3 and in **Schedule I** and **Schedule II** will be adjusted proportionately to reflect such subdivision.

Section 4. Acknowledgment Regarding Section 3.1 of the Securityholders' Agreement. Each of the Company and the Investors acknowledge that the participation by the Selling Investors in the Potential IPO, as contemplated by Section 3 hereto and the Registration Statement, shall not constitute a registration requested by any of such Selling Investors pursuant to Section 3.1 of the Securityholders' Agreement.

Section 5. Amendments Related to Potential IPO. (a) Subject to Section 5(b), each of the Company, CBRE and the Investors agrees as follows:

(i) The phrase "(iii) Note Investor Holders holding not less than 25% of the Registrable Securities then outstanding held by the Note Investor Holders" contained in the first sentence of Section 3.1(a) of the Securityholders' Agreement shall be amended and restated as follows: "(iii) [Intentionally Omitted]".

(ii) The phrase "(z) a registration requested by Note Investor Holders pursuant to Section 3.1(a)(iii), after the Company has effected one (1) registration requested by Note Investor Holders pursuant to such Section" contained in Section 3.1(c)(ii) of the Securityholders' Agreement shall be amended and restated as follows: "(z) [Intentionally Omitted]".

(iii) The phrase "(z) Note Investor Holders holding not less than 50% of the Registrable Securities then outstanding held by all Note Investor Holders, in the case of a registration requested pursuant to Section 3.1(iii)" contained in Section 3.3 of the Securityholders' Agreement shall be amended and restated as follows: "(z) [Intentionally Omitted]".

(iv) The phrase "all FS Holders in the case of clause (y) and all Note Investor Holders in the case of clause (z)" contained in Section 3.3 of the Securityholders' Agreement shall be amended and restated as follows: "and all FS Holders in the case of clause (y)".

(v) The percentage "2%" contained in the first sentence of Section 3.7 of the Securityholders' Agreement shall be amended and restated as follows: "0.5%".

(b) Notwithstanding anything in this Amendment and Waiver to the contrary, the effectiveness of the amendments set forth in Section 5(a) is conditioned upon the completion of the Potential IPO prior to July 31, 2004. In the event such condition is not satisfied or in the event the Registration Statement shall be withdrawn by the Company prior to such date, the amendments set forth in Section 5(a) shall be null, void and of no effect.

Section 6. Other Amendments. (a) Each of the Company, CBRE and the Investors agrees that the last sentence of Section 4.2 of the Securityholders' Agreement shall be amended and restated in its entirety, effective as of the date hereof, as follows: "Each Securityholder that is a Class B Securityholder (other than Malek) immediately prior to an IPO hereby agrees that, at all times after an IPO, such Securityholder will, and will cause each of its Affiliates to, vote all shares of Common Stock owned or held of record by it, at each annual or special meeting of stockholders of the Company at which directors of the Company are to be elected, in favor of the election or re-election as a member of the Board of each such individual nominated by any Securityholder pursuant to this Section 4.2."

(b) Each of the Company, CBRE and the Investors agrees that Section 6.3 of the Securityholders' Agreement shall be amended and restated in its entirety, effective as of the date hereof, as follows:

"6.3 Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by telecopy, by telegram, by telex or registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the addresses set forth below (or at such other address for a party as shall be specified in a notice given in accordance with this Section 6.3):

(a) If to the Company or to CBRE:

CB Richard Ellis Group, Inc.
865 South Figueroa Street, Suite 3400
Los Angeles, CA 90017
Attn: Chief Executive Officer
Fax: (415) 733-5555

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Simpson Thacher & Bartlett LLP
3330 Hillview Avenue
Palo Alto, CA 94304
Attn: Richard Capelouto
Fax: (650) 251-5002

(b) If to BLUM or any of its Affiliates:

c/o Blum Capital Partners, L.P.
909 Montgomery Street, Suite 400
San Francisco, CA 94133
Attn: General Counsel
Fax: (415) 288-7293

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Simpson Thacher & Bartlett LLP
3330 Hillview Avenue
Palo Alto, CA 94304
Attn: Richard Capelouto
Fax: (650) 251-5002

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Wilmer Cutler Pickering LLP
2445 M St., N.W.
Washington D.C. 20037
Attn: Eric Markus
Fax: (202) 663-6363

(c) If to any of the FS Parties or any of their Affiliates:

c/o Freeman Spogli & Co., Inc.
11100 Santa Monica Blvd., Suite 1900
Santa Monica, CA 90025
Attn: J. Frederick Simmons
Fax: (310) 444-1870

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Bingham McCutchen LLP
California Plaza
29th Floor, 300 South Grand Ave.
Los Angeles, CA 90071
Attn: Roger H. Lustberg
Fax: (213) 830-8601

(d) If to Koll:

4343 Von Karman Avenue
Newport Beach, CA 92660
Attn: Syd Buck
Fax: (949) 250-4344

(e) If to any of the Management Parties:

CB Richard Ellis Group, Inc.
865 South Figueroa Street, Suite 3400
Los Angeles, CA 90017
Fax: (415) 733-5555

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

O'Melveny & Myers LLP
610 Newport Center Drive, 17th Floor
Newport Beach, CA 92660-6429
Attn: Gary J. Singer
Fax: (949) 823-6994

(f) If to Malek:

1259 Crest Lane
McLean, VA 22101
Fax: (202) 371-0391

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Katten Muchin Zavis Rosenman
1025 Thomas Jefferson Street, NW
East Lobby, Suite 700
Washington, DC 20007
Attn: Terrance Bessey
Fax: (202) 298-7570

(g) If to DLJIP, DLJIP II or DLJIP II Holdings:

11 Madison Avenue
16th Floor
New York, NY 10010-3629
Attn: Charles Harper
Fax: (212) 448-3415

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Credit Suisse First Boston
11 Madison Avenue
New York, NY 10010-3629
Attn: Mina Yu
Fax: (646) 935-7491

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Cahill Gordon & Reindel LLP
80 Pine Street
New York, NY 10005-1702
Attn: John J. Schuster
Fax: (212) 378-2332

(h) If to CalPERS:

California Public Employees' Retirement System
Lincoln Plaza
400 P Street, Rm. 3492
Sacramento, CA 95814
Attn: Rick Hayes
Leon Shahinian
Joncarlo Mark
Marte Castanos
Fax: (916) 326-3344

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Orrick, Herrington & Sutcliffe LLP
666 Fifth Avenue
New York, NY 10103
Attn: Christopher Locke
Fax: (212) 506-5151

(i) If to Stanfield CDO, Stanfield CLO or Stanfield/RMF:

c/o Stanfield Capital Partners LLC
430 Park Avenue, 12th Floor
New York, NY 10022
Attn: Jamie Donsky
Fax: (212) 891-9650

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

Richards Spears Kibbe & Orbe LLP
One World Financial Center
New York, New York 10281-1003
Attn: Eric O'Meara, Esq.
Fax: (212) 530-1801

(j) If to Provident:

One East Fourth Street
M/S 213A
Cincinnati, Ohio 45202
Attn: Chris Gribble
Fax: (513) 579-2858

with a copy to (which copy shall not be deemed notice pursuant to this Section 6.3):

309 Vine Street
M/S 255D
Cincinnati, Ohio 45202
Attn: Liz Halvorsen
Fax: (513) 639-5524"

(c) Each of the Company, CBRE and the Investors agrees that Exhibit A of the Securityholders' Agreement shall be amended and restated in its entirety, effective as of the date hereof, as set forth in **Exhibit A** hereto.

Section 7. Representations and Warranties of the Investors. Each of the Investors represents and warrants, severally and not jointly, to the Company and the other Investors as follows:

(a) The total number of shares of outstanding Common Stock owned by such Investor and the total number of shares of Common Stock underlying outstanding options, warrants and stock fund units owned by, or allocated to, such Investor, in each case as of the date hereof, is accurately set forth opposite such Investor's name on **Schedule II** hereto.

(b) If such Investor is a natural person, such Investor has caused his spouse to execute and deliver to the Company on the date hereof a Consent of Spouse in the form attached hereto as **Exhibit B**.

Section 8. Miscellaneous Provisions.

(a) The parties hereto will sign such further documents, cause such meetings to be held, resolutions passed, exercise their votes and do and perform and cause to be done such further acts and things as may be reasonably necessary in order to give full effect to this Amendment and Waiver.

(b) Notwithstanding anything in this Amendment and Waiver to the contrary, except as expressly set forth herein, the Securityholders' Agreement shall remain in full force and effect without amendment or modification thereof.

(c) This Amendment and Waiver does not create any rights, claims or benefits inuring to any Person that is not a party hereto nor create or establish any third party beneficiary hereto.

(d) This Amendment and Waiver will be governed by, and construed in accordance with, the laws of the State of Delaware, applicable to contracts executed and to be performed entirely within that state.

(e) This Amendment and Waiver, together with the Securityholders' Agreement, sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. The Company acknowledges and agrees that it shall not enter into any side letter or similar agreement with any of the Selling Investors after the date hereof that has the effect of establishing rights or otherwise benefiting such Selling Investor in a manner more favorable in any material respect to such Selling Investor than the rights and benefits established in favor of the Selling Investors by Section 3 of this Amendment and Waiver unless, in any such case, each of the other Selling Investors is also offered the opportunity to receive such rights and benefits.

(f) The section headings contained in this Amendment and Waiver are for reference purposes only and will not affect the meaning or interpretation of this Amendment and Waiver.

(g) If any provision of this Agreement is declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement will not be affected and will remain in full force and effect.

(h) This Amendment and Waiver may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

[remainder of the page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has executed this Amendment and Waiver or caused this Amendment and Waiver to be executed on its behalf as of the date first written above.

CB RICHARD ELLIS GROUP, INC.

By: /S/ KENNETH J. KAY

Name: Kenneth J. Kay
Title: Chief Financial Officer

CB RICHARD ELLIS SERVICES, INC.

By: /S/ KENNETH J. KAY

Name: Kenneth J. Kay
Title: Chief Financial Officer

BLUM STRATEGIC PARTNERS, L.P.

By: Blum Strategic GP, L.L.C., its general partner

By: /S/ GREGORY HITCHAN

Name: Gregory Hitchan
Title: General Counsel

BLUM STRATEGIC PARTNERS II, L.P.

By: Blum Strategic GP II, L.L.C., its general partner

By: /S/ GREGORY HITCHAN

Name: Gregory Hitchan
Title: General Counsel

BLUM STRATEGIC PARTNERS II GMBH & CO. KG

By: Blum Strategic GP II, L.L.C., its managing limited partner

By: /S/ GREGORY HITCHAN

Name: Gregory Hitchan
Title: General Counsel

FS EQUITY PARTNERS III, L.P.

By: FS Capital Partners, L.P., its general partner

By: FS Holdings, Inc., its general partner

By: /S/ JAMES F. SIMMONS

Name: James F. Simmons
Title: Chief Financial Officer

FS EQUITY PARTNERS INTERNATIONAL, L.P.

By: FS&Co. International, L.P., its general partner

By: FS International Holdings Limited, its general partner

By: /S/ JAMES F. SIMMONS

Name: James F. Simmons
Title: Vice President and Treasurer

DLJ INVESTMENT PARTNERS, L.P.

By: DLJ Investment Partners II, Inc., its managing general partner

By: /S/ CHARLES W. HARPER

Name: Charles W. Harper
Title: Principal

DLJ INVESTMENT PARTNERS II, L.P.

By: DLJ Investment Partners II, Inc., its managing general partner

By: /S/ CHARLES W. HARPER

Name: Charles W. Harper
Title: Principal

DLJIP II HOLDINGS, L.P.

By: DLJ Investment Partners II, Inc., its general partner

By: /S/ CHARLES W. HARPER

Name: Charles W. Harper
Title: Principal

PROVIDENT FINANCIAL GROUP, INC.

By: /S/ JAMES L. GERTIE

Name: James L. Gertie
Title: EVP, Chief Credit and Risk Officer

STANFIELD ARBITRAGE CDO, LTD.

By: Stanfield Capital Partners LLC, as Collateral Manager

By: /S/ CHRISTOPHER E. JANSEN

Name: Christopher E. Jansen
Title: Managing Partner

STANFIELD CLO, LTD.

By: Stanfield Capital Partners LLC, as Collateral Manager

By: /S/ CHRISTOPHER E. JANSEN

Name: Christopher E. Jansen
Title: Managing Partner

STANFIELD/RMF TRANSATLANTIC CDO, LTD.

By: Stanfield Capital Partners LLC, as Collateral Manager

By: /S/ CHRISTOPHER E. JANSEN

Name: Christopher E. Jansen
Title: Managing Director

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

By: /S/ JONCARLO MARK

Name: Joncarlo Mark
Title: Portfolio Manager

THE KOLL HOLDING COMPANY

By: /S/ SYDNEY E. BUCK

Name: Sydney E. Buck
Title: Attorney-in-Fact for Donald M. Koll, President

/S/ FREDERIC V. MALEK

Frederic V. Malek

MANAGEMENT INVESTORS:

/S/ RAYMOND E. WIRTA

Raymond E. Wirta

/S/ W. BRETT WHITE

W. Brett White

Exhibit A

FORM OF ASSUMPTION AGREEMENT

_______ __, ____

To the Parties to the Securityholders' Agreement
dated as of July 20, 2001, amended as of April
14, 2004 and as may be further amended from
time to time

Dear Sirs or Madams:

Reference is made to the Securityholders' Agreement, dated as of July 20, 2001 and amended as of April 14, 2004 (as may be further amended from time to time, the "**Securityholders' Agreement**"), among CB Richard Ellis Services, Inc., a Delaware corporation; CB Richard Ellis Group, Inc., a Delaware corporation formerly known as CBRE Holding, Inc.; Blum Strategic Partners, L.P., a Delaware limited partnership formerly known as RCBA Strategic Partners, L.P.; Blum Strategic Partners II, L.P., a Delaware limited partnership; Blum Strategic Partners II GmbH & Co. KG, a German limited partnership; FS Equity Partners III, L.P., a Delaware limited partnership; FS Equity Partners International, L.P., a Delaware limited partnership; DLJ Investment Partners, L.P., a Delaware limited partnership; DLJ Investment Partners II, L.P., a Delaware limited partnership; DLJIP II Holdings, L.P., a Delaware limited partnership; Stanfield Arbitrage CDO, Ltd., a special purpose limited liability company organized under the laws of the Cayman Islands; Stanfield CLO, Ltd., a special purpose limited liability company organized under the laws of the Cayman Islands; Stanfield/RMF Transatlantic CDO, Ltd., a special purpose limited liability company organized under the laws of the Cayman Islands; Provident Financial Group, Inc., an Ohio corporation; California Public Employees' Retirement System; The Koll Holding Company, a California corporation; Frederic V. Malek; and the individuals identified on the signature pages thereto as "Management Investors"

In consideration of the representations, covenants and agreements contained in the Securityholders' Agreement, the undersigned hereby confirms and agrees that it shall be bound by all or certain of the provisions thereof in the manner set forth in Section 6.5 thereto. If the undersigned is a natural person and is married, the undersigned is delivering to the Company on the date hereof a Consent of Spouse executed by the undersigned's spouse. If the undersigned is a natural person and becomes married after the date hereof, the undersigned will promptly thereafter deliver to the Company a Consent of Spouse executed by the undersigned's spouse.

This Assumption Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, applicable to contracts executed and to be performed entirely within that state.

Very truly yours,

____

[Transferee]

Section 6.3 Notice Information:

Address: ______________________

____

____

Attn: ______________________

Fax: ______________________

FORM OF CONSENT OF SPOUSE

In consideration of the execution of the foregoing Amendment and Waiver of Securityholders' Agreement among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and the other parties thereto, I, __________, the spouse of__________, do hereby join with my spouse in executing the foregoing Amendment and Waiver of Securityholders' Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of ______ __, ____

____

Name:

Exhibit B

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Amendment and Waiver of Securityholders' Agreement among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and the other parties thereto, I, __________, the spouse of__________, do hereby join with my spouse in executing the foregoing Amendment and Waiver of Securityholders' Agreement and do hereby agree to be bound by all of the terms and provisions thereof.

Dated as of April 14, 2004

Name:

EXHIBIT 5

SIMPSON THACHER & BARTLETT LLP

3330 HILLVIEW AVENUE
PALO ALTO, CA 94304
(650) 251-5000

FACSIMILE: (650) 251-5002

DIRECT DIAL NUMBER

E-MAIL ADDRESS

April 30, 2004

CB Richard Ellis Group, Inc.
865 South Figueroa Street, Suite 3400
Los Angeles, California 90017

Ladies and Gentlemen:

We have acted as counsel to CB Richard Ellis Group, Inc., a Delaware corporation (the “Company”), in connection with the Registration Statement on Form S-1 (the “Registration Statement”) filed by the Company with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Act”), relating to (i) the issuance and sale by the Company of an aggregate of 7,142,857 shares of Class A Common Stock (the “Common Stock”), $0.01 par value per share (together with any additional shares of such stock that may be issued by the Company pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the offering described in the Registration Statement, the “Company Shares”), and (ii) the sale by certain selling stockholders (the “Selling Stockholders”) named in Schedule A to the Underwriting Agreement (the “Underwriting Agreement”), among the Company, the Selling Stockholders and the Underwriters named therein, of an aggregate of up to 16,857,143 shares of Common Stock, which shares have been issued and are outstanding (together with (a) any additional shares of such stock that may be sold by the Selling Stockholders pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the offering described in the Registration Statement and (b) the Company Shares, the “Shares”).

We have examined the Registration Statement and a form of the share certificate, which has been filed with the Commission as an exhibit to the Registration Statement. We also have examined the originals, or duplicates or certified or conformed copies, of such corporate records, agreements, documents and other instruments and have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth. As to questions of fact material to this opinion, we have relied upon certificates or comparable documents of public officials and of officers and representatives of the Company.

In rendering the opinion set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that upon payment and delivery in accordance with the Underwriting Agreement, the Shares will be validly issued, fully paid and nonassessable.

We do not express any opinion herein concerning any law other than the Delaware General Corporation Law (including the statutory provisions, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting the foregoing).

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption “Legal Matters” in the Prospectus included in the Registration Statement.

Very truly yours,

/S/ SIMPSON THACHER & BARTLETT LLP

SIMPSON THACHER & BARTLETT LLP

EXHIBIT 10.1(a)

AMENDMENT AGREEMENT AND WAIVER dated as of April 23, 2004 (this "*Amendment*"), to the Amended and Restated Credit Agreement dated as of October 14, 2003 (the "*Existing Credit Agreement*"), among CB RICHARD ELLIS SERVICES, INC., a Delaware corporation (the "*Borrower*"), CB RICHARD ELLIS GROUP, INC., a Delaware corporation formerly named CBRE HOLDING, INC. ("*Holdings*"), the lenders party thereto (the "*Existing Lenders*"), and CREDIT SUISSE FIRST BOSTON, as administrative agent (in such capacity, the "*Administrative Agent*") and as collateral agent (in such capacity, the "*Collateral Agent*") for the Existing Lenders.

A. The Borrower, Holdings, the Administrative Agent and certain lenders party thereto (the "*Original Lenders*") previously entered into that certain Credit Agreement dated as of July 20, 2001, as amended and restated as of May 22, 2003 (the "*Original Credit Agreement*"), under which certain of the Original Lenders made term loans (the "*Original Term Loans*") to the Borrower.

B. The Borrower, Holdings, the Administrative Agent, the Required Lenders (under and as defined in the Original Credit Agreement) and certain lenders party thereto entered into that certain Amendment Agreement dated as of October 14, 2003, effecting a further amendment and restatement of the Original Credit Agreement in the form of the Existing Credit Agreement, pursuant to which the Term Lenders (such term, and each other capitalized term used but not defined herein, having the meaning assigned to it in the Existing Credit Agreement) made term loans to the Borrower in an aggregate principal amount of $300,000,000 (of which $295,000,000 aggregate principal amount (the "*Existing Term Loans*") is outstanding on the date hereof), the proceeds of which were used by the Borrower, among other things, to prepay in full the Original Term Loans.

C. Holdings has filed with the Securities and Exchange Commission a Registration Statement on Form S-1, pursuant to which it intends to issue and sell shares of its Class A common stock (the "*Common Stock*") and to receive Net Cash Proceeds therefrom (the "*IPO*"; the Net Cash Proceeds received by Holdings from the IPO, the "*IPO Proceeds*")

D. The Borrower and Holdings have informed the Administrative Agent that they intend to use the IPO Proceeds to prepay, redeem, repurchase or otherwise retire Senior Unsecured Notes, Senior Subordinated Notes and/or Holdco Notes (collectively, the "*Existing Debt*").

E. The Borrower and Holdings have requested that the Existing Credit Agreement be amended and restated in the form of Exhibit A attached hereto (the *Restated Credit Agreement*") to allow, among other things, the Borrower to borrow new term loans on the Restatement Date in an aggregate principal amount not in excess of $295,000,000, subject to the terms and conditions set forth herein and in the Restated Credit Agreement, the proceeds of which will be used by the Borrower solely to prepay in full the Existing Term Loans. The Borrower and Holdings have also requested that the

Incremental Revolving Facility Amount be increased to $60,000,000 and that certain of the terms of any commitments to be provided thereunder be permitted to differ from the terms of the Revolving Credit Commitments.

F. Holdings and the Borrower have also informed the Administrative Agent that they desire to prepay, redeem, repurchase or otherwise retire certain Existing Debt prior to December 31, 2004, regardless of whether the IPO is consummated or the Restated Credit Agreement becomes effective, and they have requested that the Required Lenders waive compliance by Holdings and the Borrower with the provisions of Section 6.09(b) of the Existing Credit Agreement to allow the same.

G. The Required Lenders are willing so to amend and restate the Existing Credit Agreement and to grant such waiver, in each case subject to the terms and conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Amendment and Restatement of Existing Credit Agreement*. Holdings, the Borrower and the Required Lenders agree that the Existing Credit Agreement (including all exhibits and schedules thereto) shall be amended and restated on the Restatement Date, such that on the Restatement Date the terms set forth in Exhibit A hereto shall replace the terms of the Existing Credit Agreement. As used in the Restated Credit Agreement, the terms “Agreement”, “this Agreement”, “herein”, “hereinafter”, “hereto”, “hereof”, and words of similar import shall, unless the context otherwise requires, mean, from and after the replacement of the terms of the Existing Credit Agreement by the terms of the Restated Credit Agreement, the Restated Credit Agreement.

SECTION 2. *Waiver*. The Required Lenders hereby waive compliance by Holdings and the Borrower with the provisions of Section 6.09(b) of the Existing Credit Agreement to the extent, but only to the extent, necessary to permit Holdings and/or the Borrower to use up to $30,000,000 of proceeds of Revolving Loans, Swingline Loans and/or cash on hand to prepay, redeem, repurchase or otherwise retire (collectively, “*Repurchase*”) Existing Debt; *provided* that, at the time of each such Repurchase and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing (the “*Waiver*”).

SECTION 3. *Representations and Warranties.* To induce the other parties hereto to enter into this Amendment, Holdings and the Borrower represent and warrant to each of the Lenders, the Administrative Agent, the Issuing Bank and the Collateral Agent that, after giving effect to this Amendment, (a) the representations and warranties set forth in Article III of the Existing Credit Agreement are true and correct in all material respects on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date; and (b) no Default or Event of Default has occurred and is continuing.

SECTION 4. *Effectiveness.* (a) The Waiver shall become effective as of the date set forth above on the date (the "*Signing Date*") on which the Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of the Borrower, Holdings, the Subsidiary Guarantors and the Required Lenders.

(b) The Restated Credit Agreement shall become effective on the date on or after the Signing Date on which each of the conditions in Section 4.02 of the Restated Credit Agreement is satisfied (the "*Restatement Date*"); *provided*, *however*, that if the Restatement Date does not occur on or before September 30, 2004, then the Restated Credit Agreement shall be of no force or effect and, subject to the Waiver, the Existing Credit Agreement shall continue in full force and effect.

SECTION 5. *Effect of Amendment.* Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders, the Issuing Bank, the Collateral Agent or the Administrative Agent under the Existing Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement, the Restated Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply and be effective only with respect to the provisions of the Existing Credit Agreement specifically referred to herein. After the Signing Date and until the Restatement Date, any reference to the Credit Agreement shall mean the Existing Credit Agreement, as modified hereby. This Amendment shall constitute a "Loan Document" for all purposes of the Existing Credit Agreement and the other Loan Documents.

SECTION 6. *Counterparts.* This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 7. *Applicable Law.* THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 8. *Acknowledgement of Guarantors.* Each of the Guarantors hereby acknowledges its receipt of a copy of this Amendment (including Exhibit A attached hereto) and its review of the terms and conditions of this Amendment and the Restated Credit Agreement, and each of the Guarantors hereby consents to the terms and conditions of this Amendment and the Restated Credit Agreement and the transactions contemplated hereby and thereby, and hereby confirms its guarantee and, as applicable, its grant of Collateral under the Collateral Agreement and agrees that, notwithstanding the effectiveness of the Restated Credit Agreement, such guarantee and any such grant of Collateral shall continue to be in full force and effect and shall inure to the benefit of the Secured Parties.

SECTION 9. *Headings.* The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[Remainder of this page intentionally left blank]

EXHIBIT 10.1(b)

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of April 23, 2004,

among

CB RICHARD ELLIS SERVICES, INC.

CB RICHARD ELLIS GROUP, INC.

THE LENDERS NAMED HEREIN

and

CREDIT SUISSE FIRST BOSTON,

as Administrative Agent

CREDIT SUISSE FIRST BOSTON,

as Sole Lead Arranger and Sole Bookrunner

Table of Contents

		Page

ARTICLE I

Definitions

ARTICLE II

The Credits

ARTICLE III

Representations and Warranties

ARTICLE IV

Conditions of Lending

ARTICLE V

Affirmative Covenants

ARTICLE VI

Negative Covenants

ARTICLE VII

Events of Default

ARTICLE VIII

The Administrative Agent and the Collateral Agent

ARTICLE IX

Miscellaneous

Exhibits

Exhibit A	Form of Administrative Questionnaire
Exhibit B	Form of Assignment and Acceptance
Exhibit C	Form of Borrowing Request
Exhibit D	Collateral Agreement
Exhibit E-1	Form of Opinion of Assistant General Counsel of Borrower
Exhibit E-2	Form of Opinion of Simpson Thacher & Bartlett LLP

Schedules

Schedule 1.01(a)	Subsidiary Guarantors
Schedule 1.01(b)	Co-investment Subsidiaries
Schedule 1.01(c)	Inactive Subsidiaries
Schedule 1.01(d)	Insignia Merger Cost Savings
Schedule 1.01(e)	Designated Real Estate Asset Subsidiaries and Designated Real Estate Assets
Schedule 2.01	Lenders
Schedule 3.08(a)	Subsidiaries
Schedule 3.08(b)	Designated Real Estate Credit Support
Schedule 3.09	Litigation; Compliance with Laws
Schedule 3.18	Insurance
Schedule 6.01(a)	Indebtedness
Schedule 6.02(a)	Liens
Schedule 6.04(a)	Existing Investments, Loans and Advances to Foreign Subsidiaries
Schedule 6.04(k)	Existing Investments
Schedule 6.06(b)	Certain Existing Restrictions

AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 23, 2004, among CB RICHARD ELLIS SERVICES, INC., a Delaware corporation (the "*Borrower*"), CB RICHARD ELLIS GROUP, INC., a Delaware corporation formerly named CBRE Holding, Inc. ("*Holdings*"), the Lenders (as defined in Article I), and CREDIT SUISSE FIRST BOSTON, as administrative agent (in such capacity, the "*Administrative Agent*") and as collateral agent (in such capacity, the "*Collateral Agent*") for the Lenders.

The Borrower, Holdings, the Administrative Agent and certain lenders party thereto (the "*Original Lenders*") previously entered into that certain Credit Agreement dated as of July 20, 2001, as amended and restated as of May 22, 2003 (the "*Original Credit Agreement*"), under which (a) the Original Lenders extended credit or agreed to extend credit in the form of (i) term loans (the "*Original Term Loans*"), and (ii) Revolving Loans at any time and from time to time prior to the Revolving Credit Maturity Date, in an aggregate principal amount at any time outstanding not in excess of $90,000,000, (b) the Swingline Lender agreed to extend credit, at any time and from time to time prior to the Revolving Credit Maturity Date, in the form of Swingline Loans (as defined in the Original Credit Agreement), in an aggregate principal amount at any time outstanding not in excess of $10,000,000 and (c) the Issuing Bank agreed to issue Letters of Credit (as defined in the Original Credit Agreement), in an aggregate face amount at any time outstanding not in excess of $30,000,000, to support payment obligations incurred in the ordinary course of business by the Borrower and its Subsidiaries.

The Borrower, Holdings, the Administrative Agent, the Required Lenders (under and as defined in the Original Credit Agreement) and certain lenders party thereto entered into that certain Amendment Agreement dated as of October 14, 2003, effecting the further amendment and restatement of the Original Credit Agreement (as so amended and restated, the "*Existing Credit Agreement*"), pursuant to which the Term Lenders (as defined in the Existing Credit Agreement) made term loans to the Borrower in an aggregate principal amount of $300,000,000 (of which $295,000,000 aggregate principal amount (the "*Existing Term Loans*") is outstanding as of the Signing Date), the proceeds of which were used by the Borrower, among other things, to prepay in full the outstanding Original Term Loans.

Holdings has filed with the Securities and Exchange Commission a Registration Statement on Form S-1, pursuant to which it intends to issue and sell shares of its Class A common stock (the "*Common Stock*") and to receive Net Cash Proceeds therefrom (the "*IPO*"; the Net Cash Proceeds received by Holdings from the IPO, the "*IPO Proceeds*").

The Borrower and Holdings have informed the Administrative Agent that they intend to use the IPO Proceeds to prepay, redeem, repurchase or otherwise retire Existing Debt (as defined below) of the Borrower and/or Holdings.

The Borrower, Holdings and the Required Lenders (as defined in the Existing Credit Agreement) desire to amend and restate the Existing Credit Agreement in the form hereof to, among other things, set forth the terms and conditions under which the Term Lenders will make the Term Loans to the Borrower and to make certain other amendments thereto.

The amendment and restatement of the Existing Credit Agreement evidenced by this Agreement shall become effective as provided in the Amendment Agreement; *provided*, *however*, that if the Restatement Date does not occur on or before September 30, 2004, then this Agreement shall be of no force or effect and the Existing Credit Agreement shall continue in full force and effect.

Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. ***Defined Terms.*** As used in this Agreement, the following terms shall have the meanings specified below:

"*ABR*", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"*Additional L/C Facility*" shall mean each letter of credit facility provided to the Borrower by one or more financial institutions, whether or not each such financial institution is a Lender, pursuant to which (a) standby letters of credit are issued or outstanding for the account of the Borrower or any Subsidiary to support payment obligations incurred in the ordinary course of business, and (b) any extensions, renewals or replacements of such letters of credit to the extent the aggregate principal amount of such facility is not increased.

"*Adjusted LIBO Rate*" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum equal to the product of (a) the LIBO Rate in effect for such Interest Period and (b) Statutory Reserves.

"*Administrative Agent Fees*" shall have the meaning assigned to such term in Section 2.05(b).

"*Administrative Questionnaire*" shall mean an Administrative Questionnaire in the form of Exhibit A, or such other form as may be supplied from time to time by the Administrative Agent.

"*Affiliate*" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified; *provided, however*, that, for purposes of Section 6.07, the term "Affiliate" shall also include any person that directly or indirectly owns 10% or more of any class of Equity Interests of the person specified or that is an officer or director of the person specified.

"*Aggregate Incremental Revolving Credit Exposure*" shall mean the aggregate amount of the Lenders' Incremental Revolving Credit Exposures.

"*Aggregate Revolving Credit Exposure*" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"*Alternate Base Rate*" shall mean, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"*Amendment Agreement*" shall mean the Amendment Agreement dated as of the Signing Date, among other things, effecting the amendment and restatement of the Existing Credit Agreement.

"Amendment Transactions" shall mean, collectively, the transactions to occur on or prior to the Restatement Date, including (a) the execution and delivery of the Amendment Agreement, (b) the consummation of the IPO, (c) the borrowing of the Term Loans hereunder and (d) the payment of all fees and expenses to be paid on or prior to the Restatement Date and owing in connection with the foregoing.

"*Applicable Percentage*" shall mean, for any day, subject to Section 2.07, (a) with respect to any Eurodollar Loan or ABR Loan, as the case may be, the applicable percentage set forth below under the caption "Eurodollar Spread—Term Loans", "ABR Spread—Term Loans", "Eurodollar Spread—Revolving Loans" or "ABR Spread—Revolving Loans", as the case may be, based upon the Leverage Ratio (in the case of the Revolving Loans) or the Ratings (in the case of the Term Loans) as of the relevant date of determination:

Leverage Ratio	**Eurodollar Spread — Revolving Loans**	**ABR Spread— Revolving Loans**
Category 1 Greater than 2.5 to 1.0	3.75%	2.75%
Category 2 Greater than 2.0 to 1.0 but less than or equal to 2.5 to 1.0	3.50%	2.50%
Category 3 Greater than 1.5 to 1.0 but less than or equal to 2.0 to 1.0	3.25%	2.25%
Category 4 Equal to or less than 1.5 to 1.0	3.00%	2.00%

Ratings (S&P/Moody's)	Eurodollar Spread — Term Loans	ABR Spread — Term Loans
Category 1 Anything other than Category 2	2.50%	1.50%
Category 2 B+ or better and Ba3 or better	2.25%	1.25%

Each change in the Applicable Percentage resulting from a change in the Leverage Ratio shall be effective with respect to all Revolving Loans and Letters of Credit outstanding on and after the date of delivery to the Administrative Agent of the financial statements and certificates required by Section 5.04(a) or (b) and Section 5.04(c), respectively, indicating such change until the date immediately preceding the next date of delivery of such financial statements and certificates indicating another such change. For the purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a Rating (other than by reason of the circumstances referred to in the next sentence), then such rating agency shall be deemed to have established a Rating in Category 1; and (ii) if the Ratings established or deemed to have been established by Moody's and S&P shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Term Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of Ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Percentage for Term Loans shall be determined by reference to the Rating most recently in effect prior to such change or cessation. Notwithstanding the foregoing, (a) at any time during which the Borrower has failed to deliver the financial statements and certificates required by Section 5.04(a) or (b) and Section 5.04(c), respectively, the Leverage Ratio shall be deemed to be in Category 1 for purposes of determining the Applicable Percentage for Revolving Loans and Letters of Credit, and (b) at any time after the occurrence and during the continuance of an Event of Default, the Leverage Ratio and the Ratings shall be deemed to be in Category 1 for purposes of determining the Applicable Percentages.

"*Asset Sale*" shall mean the sale, transfer or other disposition (by way of merger, casualty, condemnation or otherwise) by the Borrower or any of the Subsidiaries to any person other than the Borrower or any Subsidiary Guarantor of any assets of the Borrower or any of the Subsidiaries (other than (i) inventory, damaged, obsolete or worn out assets and Permitted Investments, in each case disposed of in the ordinary course of business, (ii) dispositions between or among Foreign Subsidiaries, (iii) the sale by Melody of assets purchased and/or funded pursuant to the Melody Mortgage Warehousing Facility or the Melody Loan Arbitrage Facility, (iv) the sale by Melody of servicing rights in respect of mortgage portfolios in the ordinary course of its business and consistent with past practice), (v) Designated Real Estate Assets or all or any portion of the Equity Interests of any Designated Real Estate Asset Subsidiary) and (vi) the sale of real estate assets by the Investors 1031 Subsidiary and the Collective Investment Scheme Subsidiary; *provided* that any asset sale or series of related asset sales having a value (net of related assumed liabilities) not in excess of $750,000 shall be deemed not to be an "Asset Sale" for purposes of this Agreement.

"*Assignment and Acceptance*" shall mean an assignment and acceptance entered into by a Lender and an assignee, and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"*Available Cash*" shall mean, on any date, the amount of cash and Permitted Investments held by the Borrower and the Domestic Subsidiaries on such date, less the amount thereof that is (a) reflected as "Cash Surrender Value for Insurance Policy for Deferred Compensation Plan" and "Prepaid Pension Costs" on the most recent balance sheet of the Borrower delivered pursuant to this Agreement or (b) subject to restrictions, directly or indirectly, on its use.

"*Blum Funds*" shall mean (i) Blum Strategic Partners, L.P. (as successor to RCBA Strategic Partners, L.P.) and its successors, (ii) Blum Capital Partners, L.P. and its successors and (iii) any investment fund which is an Affiliate of Blum Capital Partners, L.P. or its successors.

"*Board*" shall mean the Board of Governors of the Federal Reserve System of the United States of America.

"*Borrowing*" shall mean (a) Loans of the same Class and Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan.

"*Borrowing Request*" shall mean a request by the Borrower in accordance with the terms of Section 2.03 and substantially in the form of Exhibit C, or such other form as shall be approved by the Administrative Agent.

"*Business Day*" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; *provided*, *however*, that when used in connection with a Eurodollar Loan, the term "*Business Day*" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"*Calpers Co-investment*" shall mean a Co-investment by Global Innovation Contributors, LLC (which shall be a Co-investment Subsidiary) in Global Innovation Partners, LLC (which shall be a Co-investment Vehicle), pursuant to the terms of such Co-investment contained in the organizational documents of Global Innovation Contributors, LLC and Global Innovation Partners, LLC as of the Closing Date.

"*Capital Expenditures*" shall mean, for any period, (a) the additions to property, plant and equipment and other capital expenditures of the Borrower and its consolidated Subsidiaries that are set forth as such in a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP and (b) Capital Lease Obligations incurred by the Borrower and its consolidated Subsidiaries during such period, but excluding in each case (i) any such expenditure made to restore, replace or rebuild property to the condition of such property immediately prior to any damage, loss, destruction or condemnation of such property, to the extent such expenditure is made with insurance proceeds, condemnation awards, damage recovery proceeds or other indemnity payments relating to any such damage, loss, destruction or condemnation within 270 days of receipt of such proceeds, (ii) any such expenditure made at the request of, and for which the Borrower or any consolidated Subsidiary receives reimbursement in cash from, a person other than the Borrower or any Subsidiary in the ordinary course of business, and (iii) expenditures which represent any part of the aggregate consideration made in connection with any investment or Permitted Acquisition permitted under Section 6.04. For purposes of determining the Fixed Charge Coverage Ratio for the period ended on March 31, 2004, Capital Expenditures for the fiscal quarter ended June 30, 2003 will be deemed to be equal to $616,000.

"*Capital Lease Obligations*" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"*Cash Equity Contribution*" shall mean (a) the contribution by one or more Permitted Investors or investors designated by the Blum Funds to Holdings of an aggregate amount of $120,000,000 in cash in the form of equity on the First Restatement Date and (b) the contribution by Holdings on the First Restatement Date of an aggregate amount of $100,000,000 in cash to the Borrower as common equity.

"*CBREI*" shall mean CBREI Executive Holding Company LLC.

"*Change in Control*" shall mean any of the following events: (a) any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 as in effect on the Restatement Date) other than the Permitted Investors becomes, directly or indirectly, the beneficial owner of Equity Interests in Holdings representing more than (i) 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings and (ii) the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings beneficially owned, directly or indirectly, by the Permitted Investors; (b) during any period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of Holdings (together with any new directors whose election or nomination for election by the stockholders was approved by a majority of the directors then in office who were either directors at the beginning of such period or whose election was previously so approved) cease for any reason to constitute a majority of the board of directors of Holdings; (c) Holdings shall cease to directly own 100% of the issued and outstanding Equity Interests of the Borrower or (d) the occurrence of a "Change of Control" under and as defined in the Holdco Note Documents, the Senior Subordinated Note Documents or the Senior Unsecured Note Documents.

"*Change in Law*" shall mean (a) the adoption of any law, rule or regulation after the Closing Date, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the Closing Date or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.14, by any lending office of such Lender or by such Lender's or Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Closing Date.

"*Class*", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Incremental Revolving Loans, Term Loans, Other Term Loans, Revolving Swingline Loans or Incremental Swingline Loans and, when used in reference to any Commitment, refers to whether such Commitment is a Revolving Credit Commitment, a Term Loan Commitment, an Incremental Term Loan Commitment, a Revolving Swingline Commitment or an Incremental Swingline Commitment.

"*Closing Date*" shall mean July 20, 2001.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"*Co-investment*" shall mean any investment by a Co-investment Subsidiary in up to 30% of the outstanding Equity Interests and/or outstanding Indebtedness of a Co-investment Vehicle, in each case, pursuant to arrangements substantially similar to arrangements entered into by the Borrower and the Subsidiaries prior to the First Restatement Date.

"*Co-investment Subsidiary*" shall mean (a) any Subsidiary of the Borrower that is formed solely for the purpose of, and engages in no business other than the business of, investing in or managing Co-investment Vehicles, whether directly or indirectly through one or more other Co-investment Subsidiaries, and (b) the Co-investment Subsidiaries existing on the Restatement Date and listed on Schedule 1.01(b).

"*Co-investment Vehicle*" shall mean an entity formed for the purpose of investing principally in commercial real estate and managed by a Co-investment Subsidiary pursuant to arrangements substantially similar to arrangements entered into by the Borrower and the Subsidiaries prior to the First Restatement Date.

"*Collateral*" shall mean all the "Collateral" as defined in any Security Document.

"*Collateral Agreement*" shall mean the Guarantee and Collateral Agreement, dated as of July 20, 2001, among the Borrower, Holdings, the Subsidiary Guarantors and the Collateral Agent for the benefit of the Secured Parties, a copy of which is attached as Exhibit D.

"*Collective Investment Scheme Subsidiary*" shall mean a Co-Investment Subsidiary formed by the Borrower solely for the purposes of buying and holding real estate assets in anticipation of selling such assets or transferring such assets into collective investment vehicles.

"*Commitment*" shall mean, with respect to any Lender, such Lender's Revolving Credit Commitment, Incremental Revolving Credit Commitment, Term Loan Commitment, Revolving Swingline Commitment and Incremental Swingline Commitment.

"*Commitment Fee*" shall have the meaning assigned to such term in Section 2.05(a).

"*Common Stock*" shall have the meaning assigned to such term in the preamble to this Agreement.

"*Consolidated EBITDA*" shall mean, for any period, Consolidated Net Income for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) Consolidated Interest Expense for such period (including deferred financing costs), (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period, (iv) any non-recurring fees, expenses or charges in connection with the consummation of the Merger Transactions, the Amendment Transactions, or the IPO (v) any non-recurring fees, expenses or charges related to any Equity Issuance, investment permitted under Section 6.04, Permitted Acquisition or incurrence of Indebtedness, in an amount not exceeding $5,000,000 for all such non-recurring fees, expenses and charges, (vi) any cost savings implemented within twelve months of the First Restatement Date associated with the Insignia Merger and contained in Schedule 1.01(d), and (vii) all other non-cash losses, expenses and charges of the Borrower and its consolidated Subsidiaries (excluding (x) the write-down of current assets and (y) any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) and minus (b) without duplication (i) all cash payments made during such period on account of reserves, restructuring charges and other noncash charges added to Consolidated Net Income pursuant to clause (a)(vi) above in a previous period and (ii) to the extent included in determining such Consolidated Net Income, any extraordinary gains for such period, all determined on a consolidated basis in accordance with GAAP.

"*Consolidated Interest Expense*" shall mean, for any period, (a) the sum of (i) the interest expense (including imputed interest expense in respect of Capital Lease Obligations but excluding all non-cash interest expense) of the Borrower and the Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP, plus (ii) any interest accrued during such period in respect of Indebtedness of the Borrower or any Subsidiary that is required to be capitalized rather than included in consolidated interest expense for such period in accordance with GAAP, minus (b) to the extent otherwise included in Consolidated Interest Expense, (i) deferred financing costs and (ii) interest expense associated with any Non-Recourse Indebtedness. For purposes of the foregoing, interest expense shall be determined after giving effect to any net payments made or received by the Borrower or any Subsidiary with respect to interest rate Hedging Agreements.

"*Consolidated Net Income*" shall mean, for any period, the net income or loss of the Borrower and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded (a) the income of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by the Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, statute, rule or governmental regulation applicable to such Subsidiary, (b) except as set forth in Section 1.04, the income or loss of any person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or any Subsidiary or the date that such person's assets are acquired by the Borrower or any Subsidiary, (c) the income of any person in which any other person (other than the Borrower or a Subsidiary of which at least 80% of the Equity Interests is owned by the Borrower or a wholly owned Subsidiary or any director holding qualifying shares in accordance with applicable law) has a joint interest, except to the extent of the amount of dividends or other distributions actually received by the Borrower or a wholly owned Subsidiary from such person during such period, and (d) any gains attributable to sales of assets out of the ordinary course of business; *provided further*, that Consolidated Net Income for any period shall be increased by cash received during such period by the Borrower or any of its consolidated Subsidiaries in respect of commissions receivable (net of related commissions payable to brokers) on leasing transactions that were completed by any acquired business prior to the acquisition of such business and which purchase accounting rules under GAAP would require to be recognized as an intangible asset purchased.

"*Control*" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and the terms "*Controlling*" and "*Controlled*" shall have meanings correlative thereto.

"*Credit Event*" shall have the meaning assigned to such term in Section 4.01.

"*Default*" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"*Deferred Compensation Plan*" shall mean the Deferred Compensation Plan for employees of the Borrower and the Subsidiaries and any successor plan thereto and the 401(k) Restoration Plan of Insignia and any successor plan thereto.

"*Designated Real Estate Asset Guarantee*" shall mean any Guarantee by Holdings, the Borrower or any of its Subsidiaries of any of the following obligations of, or relating to, the Designated Real Estate Asset Subsidiaries and the Designated Real Estate Assets: (a) the repayment of a fixed amount of indebtedness or (b) liabilities associated with recourse exceptions to non-recourse indebtedness.

"*Designated Real Estate Asset Subsidiaries*" shall mean those persons specified in Schedule 1.01(e).

"*Designated Real Estate Assets*" shall mean those real estate assets specified in Schedule 1.01(e).

"*Designated Real Estate Credit Support*" shall mean, with respect to any Designated Real Estate Assets, (a) any Designated Real Estate Asset Guarantee or (b) any letter of credit for which Holdings, the Borrower or any of its Subsidiaries is the account party or otherwise liable that supports the indebtedness or other obligations or liabilities of such Designated Real Estate Assets or the Designated Real Estate Asset Subsidiaries that are the direct or indirect owners of such Designated Real Estate Assets.

"*dollars*" or "*$*" shall mean lawful money of the United States of America.

"*Domestic Subsidiaries*" shall mean all Subsidiaries incorporated or organized under the laws of the United States of America, any State thereof or the District of Columbia.

"*DUS Subsidiary*" shall mean a special purpose entity formed by the Borrower solely for the purposes of participating in the Fannie Mae Delegated Underwriting and Servicing (DUS) Program or any similar program sponsored by Fannie Mae or Freddie Mac.

"*Environmental Laws*" shall mean all former, current and future Federal, state, local and foreign laws (including common law), treaties, regulations, rules, ordinances, codes, decrees, judgments, directives, orders (including consent orders), and agreements in each case, relating to protection of the environment, natural resources, human health and safety or the presence, Release of, or exposure to, Hazardous Materials, or the generation, manufacture, processing, distribution, use, treatment, storage, transport, recycling or handling of, or the arrangement for such activities with respect to, Hazardous Materials.

"*Environmental Liability*" shall mean all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs (including administrative oversight costs, natural resource damages and remediation costs), whether contingent or otherwise, arising out of or relating to (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"*Equity Interests*" shall mean shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in any person.

"*Equity Issuance*" shall mean any issuance or sale by Holdings, the Borrower or any of their respective subsidiaries of any Equity Interests or any obligations convertible into or exchangeable for, or giving any person a right, option or warrant to acquire such Equity Interests or such convertible or exchangeable obligations, as applicable, except in each case for (a) any issuance or sale to any Permitted Investor (other than any such person acting in the capacity of an underwriter or placement agent with regard to such Equity Issuance), Holdings, the Borrower or any Subsidiary, (b) any issuance of directors' qualifying shares and (c) sales or issuances of common stock of Holdings or stock fund units in the Deferred Compensation Plan to management, employees or consultants of Holdings, the Borrower or any Subsidiary under the Deferred Compensation Plan or any employee stock option or stock purchase plan or employee benefit plan in existence from time to time.

"*ERISA*" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"*ERISA Affiliate*" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"*ERISA Event*" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan (other than a standard termination pursuant to Section 4041(b) of ERISA) or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (e) the receipt by the Borrower or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (g) the receipt by the Borrower or any of its ERISA Affiliates of any intent to withdraw from a Multiemployer Plan, or the receipt by any Multiemployer Plan from the Borrower or any of its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (h) the occurrence of a "prohibited transaction" with respect to which the Borrower or any of the Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which the Borrower or any such Subsidiary could otherwise be liable; (i) any other event or condition with respect to a Plan or Multiemployer Plan that could result in liability of the Borrower or any Subsidiary; or (j) any Foreign Benefit Event.

"*Eurodollar*", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"*Event of Default*" shall have the meaning assigned to such term in Article VII.

"*ECF Period*" shall mean the period of 12 consecutive fiscal months of the Borrower commencing on July 1 of each year.

"*Excess Cash Flow*" shall mean, for any ECF Period, the excess of Consolidated EBITDA for such period *minus* the sum, without duplication, of (i) the amount of any Taxes paid in cash by the Borrower and the Subsidiaries with respect to such period, (ii) Consolidated Interest Expense for such period paid in cash, (iii) Capital Expenditures made in cash in accordance with Section 6.10 during such period, except to the extent financed with the proceeds of Indebtedness, equity issuances, casualty proceeds, condemnation proceeds or other proceeds that would not be included in Consolidated EBITDA, (iv) permanent repayments of Indebtedness (other than mandatory prepayments of Loans under Section 2.13) made by the Borrower and the subsidiaries during such period, but only to the extent that such prepayments by their terms cannot be reborrowed or redrawn and do not occur in connection with a refinancing (including a refinancing with IPO Proceeds) of all or any portion of such Indebtedness, (v) the amount of net investments made in cash in accordance with Section 6.04(g) or (i) during such period, (vi) the amount of Restricted Payments made in cash by the Borrower in accordance with Section 6.06(a) during such period, and (vii) any non-recurring fees, expenses or charges in connection with the consummation of the Merger Transactions, the Amendment Transactions or the IPO to the extent included in Consolidated EBITDA with respect to such period pursuant to clause (iv) of the definition of Consolidated EBITDA.

"*Excess Proceeds Amount*" shall mean, at any time, the excess, if any, of (a) the IPO Proceeds over (b) the amount used (including with respect to principal, premium and accrued interest) on and after the Restatement Date and at or prior to such time to prepay, redeem, repurchase or otherwise retire Existing Debt.

"*Excluded Taxes*" shall mean, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by (i) any Governmental Authority of the United States of America (or any political subdivision or taxing authority thereof or therein), or the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, or (ii) as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax (or any political subdivision or taxing authority thereof or therein) other than a connection arising solely as a result of entering into any Loan Document; (b) any branch profits taxes imposed by any Governmental Authority of the United States of America (or any political subdivision or taxing authority thereof or therein) or any similar tax imposed by any other jurisdiction described in clause (a) above, and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.21(a)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.20(f), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.20(a).

"*Existing Debt*" shall mean the Senior Unsecured Notes, the Senior Subordinated Notes and the Holdco Notes.

"*Existing Term Loans*" shall have the meaning assigned to such term in the preamble to this Agreement.

"*Federal Funds Effective Rate*" shall mean, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for the day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"*Fees*" shall mean the Commitment Fees, the Administrative Agent Fees, the L/C Participation Fees and the Issuing Bank Fees.

"*Financial Officer*" of any person shall mean the chief financial officer, principal accounting officer, Treasurer or Controller of such person.

"First Restatement Date" shall mean July 23, 2003.

"*Fixed Charge Coverage Ratio*" shall mean, for any period, the ratio of (a) Consolidated EBITDA for such period minus Capital Expenditures and Co-investments (excluding investments by the Investors 1031 Subsidiary and the Collective Investment Scheme Subsidiary) for such period to (b) the sum of Consolidated Interest Expense plus Restricted Payments made under Section 6.06(a)(ii) by the Borrower for such period.

"*Foreign Benefit Event*" shall mean, with respect to any Foreign Pension Plan, (a) the existence of unfunded liabilities in excess of the amount permitted under any applicable law, or in excess of the amount that would be permitted absent a waiver from a Governmental Authority, (b) the failure to make the required contributions or payments, under any applicable law, on or before the due date for such contributions or payments, (c) the receipt of a notice by a Governmental Authority relating to the intention to terminate any such Foreign Pension Plan or to appoint a trustee or similar official to administer any such Foreign Pension Plan, or alleging the insolvency of any such Foreign Pension Plan and (d) the incurrence of any liability in excess of $5,000,000 (or the equivalent thereof in another currency) by Holdings, the Borrower or any of its Subsidiaries under applicable law on account of the complete or partial termination of such Foreign Pension Plan or the complete or partial withdrawal of any participating employer therein, or (e) the occurrence of any transaction that is prohibited under any applicable law and could reasonably be expected to result in the incurrence of any liability by Holdings, the Borrower or any of its Subsidiaries, or the imposition on Holdings, the Borrower or any of its Subsidiaries of any fine, excise tax or penalty resulting from any noncompliance with any applicable law, in each case in excess of $5,000,000 (or the equivalent thereof in another currency).

"*Foreign Lender*" shall mean any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"*Foreign Pension Plan*" shall mean any plan, fund (including any superannuation fund) or other similar program established or maintained outside the United States by Holdings, the Borrower or any one or more of its Subsidiaries primarily for the benefit of employees of Holdings, the Borrower or such Subsidiaries residing outside the United States, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"*Foreign Subsidiary*" shall mean any Subsidiary that is not a Domestic Subsidiary.

"*GAAP*" shall mean United States generally accepted accounting principles applied on a consistent basis.

"*Governmental Authority*" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"*Granting Lender*" shall have the meaning assigned to such term in Section 9.04(i).

"*Guarantee*" of or by any person shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or other obligation, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment of such Indebtedness or other obligation or (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation; *provided*, *however*, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

"*Guarantors*" shall mean Holdings and the Subsidiary Guarantors.

"*Hazardous Materials*" shall mean (a) any petroleum products or byproducts and all other hydrocarbons, coal ash, radon gas, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and all other ozone-depleting substances and (b) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law.

"*Hedging Agreement*" shall mean any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"*Holdco Note Documents*" shall mean the Holdco Notes, the indenture under which the Holdco Notes are issued and all other material instruments, agreements and other documents evidencing or governing the Holdco Notes or providing for any right in respect thereof.

“*Holdco Notes*” shall mean Holdings’ 16% Senior Unsecured Notes due 2011, in an initial aggregate principal amount of $65,000,000.

“*Inactive Subsidiary*” shall mean (a) each Domestic Subsidiary that (i) has not conducted any business during the 12-month period preceding the date of determination, (ii) has no outstanding Indebtedness and, (iii) has total tangible assets of less than $50,000, (b) each Foreign Subsidiary that has total tangible assets of less than $250,000 and (c) each Subsidiary listed on Schedule 1.01(c), so long as after the Restatement Date such Subsidiary (i) engages in no business, (ii) incurs no Indebtedness and (iii) acquires no tangible assets.

“*Incremental L/C Disbursement*” shall mean a payment or disbursement made by the Issuing Bank pursuant to an Incremental Letter of Credit.

“*Incremental L/C Exposure*” shall mean, at any time, the sum of (a) the aggregate undrawn and unexpired amount of all outstanding Incremental Letters of Credit at such time and (b) the aggregate principal amount of all Incremental L/C Disbursements that have not yet been reimbursed at such time. The Incremental L/C Exposure of any Incremental Revolving Credit Lender at any time shall equal its Pro Rata Percentage of the aggregate Incremental L/C Exposure at such time.

“*Incremental Letter of Credit*” shall mean any letter of credit issued pursuant to Section 2.23 and designated (or deemed designated) as such.

“*Incremental Revolving Credit Borrowing*” shall mean a Borrowing comprised of Incremental Revolving Loans.

“*Incremental Revolving Credit Commitment*” shall mean, with respect to each Lender, the commitment of such Lender to make Incremental Revolving Loans hereunder as set forth in the applicable Incremental Revolving Credit Commitment Assumption Agreement, or in the Assignment and Acceptance pursuant to which such Lender assumed its Incremental Revolving Credit Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

“*Incremental Revolving Credit Commitment Assumption Agreement*” shall mean an Incremental Revolving Credit Commitment Assumption Agreement in form and substance reasonably satisfactory to the Administrative Agent, among the Borrower, the Administrative Agent and one or more Incremental Revolving Credit Lenders.

“*Incremental Revolving Credit Exposure*” shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Incremental Revolving Loans of such Lender, *plus* the aggregate amount at such time of such Lender’s Incremental L/C Exposure, *plus* the aggregate amount at such time of such Lender’s Incremental Swingline Exposure.

“*Incremental Revolving Credit Lender*” shall mean a Lender with an Incremental Revolving Credit Commitment or outstanding Incremental Revolving Credit Exposure.

“*Incremental Revolving Credit Maturity Date*” shall mean the final maturity date of any Incremental Revolving Loan, as set forth in the applicable Incremental Revolving Credit Commitment Assumption Agreement.

"*Incremental Revolving Facility Amount*" shall mean, at any time the excess, if any, of (a) $60,000,000 over (b) the sum of (i) the aggregate increase in the Revolving Credit Commitments established prior to such time pursuant to Section 2.24(a) and (ii) the aggregate Incremental Revolving Credit Commitments established (other than by conversion of Revolving Credit Commitments to Incremental Revolving Credit Commitments under Section 2.24(b)) at or prior to such time pursuant to Section 2.24(b).

"*Incremental Revolving Loans*" shall have the meaning assigned to such term in Section 2.24(b).

"*Incremental Swingline Commitment*" shall mean the commitment of the Swingline Lender to make Incremental Swingline Loans pursuant to the second sentence of Section 2.22, as the same may be reduced from time to time pursuant to Section 2.09.

"*Incremental Swingline Exposure*" shall mean at any time the aggregate principal amount at such time of all outstanding Incremental Swingline Loans. The Incremental Swingline Exposure of any Incremental Revolving Credit Lender at any time shall equal its Pro Rata Percentage of the aggregate Incremental Swingline Exposure at such time.

"*Incremental Swingline Loan*" shall mean any loan made by the Swingline Lender to the Borrower pursuant to the second sentence of Section 2.22.

"*Incremental Term Lender*" shall mean a Lender with an Incremental Term Loan Commitment or an outstanding Incremental Term Loan.

"*Incremental Term Loan Amount*" shall mean, at any time, the excess, if any, of (a) $25,000,000 over (b) the aggregate amount of all Incremental Term Loan Commitments established prior to such time pursuant to Section 2.25.

"*Incremental Term Loan Assumption Agreement*" shall mean an Incremental Term Loan Assumption Agreement in form and substance reasonably satisfactory to the Administrative Agent, among the Borrower, the Administrative Agent and one or more Incremental Term Lenders.

"*Incremental Term Loan Commitment*" shall mean the commitment of any Lender, established pursuant to Section 2.25, to make Incremental Term Loans to the Borrower.

"*Incremental Term Loan Maturity Date*" shall mean the final maturity date of any Incremental Term Loan, as set forth in the applicable Incremental Term Loan Assumption Agreement.

"*Incremental Term Loan Repayment Dates*" shall mean the dates scheduled for the repayment of principal of any Incremental Term Loan, as set forth in the applicable Incremental Term Loan Assumption Agreement.

"*Incremental Term Loans*" shall mean Term Loans made by one or more Lenders to the Borrower pursuant to Section 2.01(c). Incremental Term Loans may be made in the form of additional Term Loans or, to the extent permitted by Section 2.25 and provided for in the relevant Incremental Term Loan Assumption Agreement, Other Term Loans.

"*Indebtedness*" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person upon which interest charges are customarily paid, (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person, (e) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding (i) with respect to clause (e), trade accounts payable and accrued obligations incurred in the ordinary course of business and (ii) only with respect to clauses (a) through (e), accrued obligations in respect of the Deferred Compensation Plan), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (g) all Guarantees by such person of Indebtedness of others (other than Guarantees by a Co-Investment Subsidiary of any Indebtedness of any Co-Investment Vehicle; *provided* that neither such Guarantee nor the related Indebtedness is recourse to Holdings, the Borrower or any other Subsidiary (other than a Co-Investment Subsidiary)), (h) all Capital Lease Obligations of such person, (i) all obligations of such person as an account party in respect of letters of credit and (j) all obligations of such person in respect of bankers' acceptances. The Indebtedness of any person shall include all Indebtedness of any partnership, or other entity in which such person is a general partner, or other equity holder with unlimited liability other than (x) Indebtedness which by its terms is expressly non-recourse to such person and (y) if such person is a Co-Investment Subsidiary, the Indebtedness of the related Co-Investment Vehicle. Notwithstanding the foregoing, (A) in connection with the purchase of any business, Indebtedness shall not include post-closing payment adjustments to which the seller may become entitled so long as (i) such payment is to be determined by a final closing balance sheet or depends on the performance of such business after the closing of the purchase, (ii) at the time of closing, the amount of any such payment is not determinable and (iii) to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter, and (B) no Designated Real Estate Asset Guarantee of an obligation in clause (b) of the definition of the term "Designated Real Estate Asset Guarantee" shall be considered Indebtedness of Holdings, the Borrower or a Subsidiary unless and to the extent the beneficiary with respect to such guarantee shall seek to enforce such guarantee.

"*Indemnified Taxes*" shall mean Taxes other than Excluded Taxes.

"*Insignia*" shall mean Insignia Financial Group, Inc., a Delaware corporation.

"*Insignia Merger*" shall mean the merger of Apple Acquisition Corp., a Delaware corporation and wholly owned subsidiary of the Borrower, with and into Insignia on July 23, 2003, with Insignia surviving as a wholly owned Subsidiary of the Borrower.

"*Insignia Merger Agreement*" shall mean the Amended and Restated Agreement and Plan of Merger, dated as of May 28, 2003, among the Borrower, Holdings, Insignia Merger Sub and Insignia, and all other material documents entered into or delivered in connection with the Insignia Merger Agreement.

"*Insignia Transaction Documents*" shall mean (a) the Insignia Merger Agreement, (b) the Island Purchase Agreement, (c) any other agreements executed pursuant to the Insignia Merger Agreement or the Island Purchase Agreement and (d) the Senior Unsecured Note Documents.

"*Interest Coverage Ratio*" shall mean, for any period, the ratio of (a) Consolidated EBITDA for such period to (b) the sum of Consolidated Interest Expense plus Restricted Payments made under Section 6.06(a)(ii) by the Borrower for such period.

"*Interest Payment Date*" shall mean (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' duration been applicable to such Borrowing.

"*Interest Period*" shall mean, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter (or 9 or 12 months thereafter if, at the time of the relevant Borrowing, all Lenders participating therein agree to make an interest period of such duration available), as the Borrower may elect; *provided*, *however*, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"*Investors 1031 Subsidiary*" shall mean a Co-Investment Subsidiary formed by the Borrower solely for the purposes of buying and holding real estate assets in anticipation of selling such assets or transferring such assets into investment vehicles in tax advantaged transactions.

"*IPO* shall have the meaning assigned to such term in the preamble to this Agreement.

"*IPO Proceeds*" shall have the meaning assigned to such term in the preamble to this Agreement.

"*Island*" shall mean Island Fund I LLC, a Delaware limited liability company.

"*Island Purchase Agreement*" shall mean the Purchase Agreement dated as of May 28, 2003, among Insignia, the Borrower, Holdings, Apple Acquisition Corp. and Island.

"*Island Transaction*" shall mean the sale by Insignia and certain of its subsidiaries to Island of certain real estate investment assets of Insignia, pursuant to the Island Purchase Agreement.

"*Issuing Bank*" shall mean, as the context may require, (a) Credit Suisse First Boston, in its capacity as the issuer of Letters of Credit hereunder, and (b) any other Lender that may become an Issuing Bank pursuant to Section 2.23(i) or (k), with respect to Letters of Credit issued by such Lender. The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"*Issuing Bank Fees*" shall have the meaning assigned to such term in Section 2.05(e).

"*JV Subsidiary*" shall mean a partially owned Subsidiary in which the Borrower or any Subsidiary has contributed assets or otherwise made an investment in (including of cash) with a fair market value (determined on the date of such contribution or investment, as the case may be) of $500,000 or less in the aggregate; *provided*, that the aggregate fair market value (determined on the date of such contribution or investment, as the case may be) of all assets contributed, indebtedness assumed or investments made by the Borrower or Subsidiaries in all JV Subsidiaries shall not exceed in the aggregate $3,000,000.

"*L/C Commitment*" shall mean the commitment of the Issuing Bank to issue Letters of Credit pursuant to Section 2.23

"*L/C Disbursement*" shall mean an Incremental L/C Disbursement or a Revolving L/C Disbursement.

"*L/C Exposure*" shall mean, at any time, the aggregate Incremental L/C Exposure and the aggregate Revolving L/C Exposure at such time.

"*L/C Participation Fees*" shall mean the fees provided for in Sections 2.05(c) and (d).

"*Lenders*" shall mean (a) the persons listed on Schedule 2.01(c) (other than any such person that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any person that has become a party hereto pursuant to an Assignment and Acceptance. Unless the context clearly indicates otherwise, the term "Lenders" shall include the Swingline Lender.

"*Letter of Credit*" shall mean an Incremental Letter of Credit or a Revolving Letter of Credit.

"*Leverage Ratio*" shall mean, on any date, the ratio of Total Debt less Available Cash on such date to Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

"*LIBO Rate*" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, the rate per annum determined by the Administrative Agent at approximately 11:00 a.m., London time, on the date that is two Business Days prior to the commencement of such Interest Period by reference to the British Bankers' Association Interest Settlement Rates for deposits in dollars (as set forth by the Bloomberg Information Service or any successor thereto or any other service selected by the Administrative Agent which has been nominated by the British Bankers' Association as an authorized information vendor for the purpose of displaying such rates) for a period equal to such Interest Period; *provided* that, to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, the "LIBO Rate" shall be the interest rate per annum determined by the Administrative Agent to be the average of the rates per annum at which deposits in dollars are offered for such relevant Interest Period to major banks in the London interbank market in London, England by the Administrative Agent at approximately 11:00 a.m. (London time) on the date that is two Business Days prior to the beginning of such Interest Period.

"*Lien*" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities (other than a purchase right or right of first refusal with respect to Equity Interests in a JV Subsidiary).

"*Loan Documents*" shall mean this Agreement, the Amendment Agreement, the Letters of Credit, the Collateral Agreement, the Security Documents, each Incremental Term Loan Assumption Agreement and each Incremental Revolving Credit Commitment Assumption Agreement.

"*Loan Parties*" shall mean the Borrower and the Guarantors.

"*Loans*" shall mean the Revolving Loans, the Incremental Revolving Loans, the Term Loans and the Swingline Loans.

"*Margin Stock*" shall have the meaning assigned to such term in Regulation U.

"*Material Adverse Effect*" shall mean a materially adverse effect on (a) the business, assets, operations or condition (financial or otherwise) of the Borrower and the Subsidiaries, taken as a whole, (b) the ability of the Borrower or any other Loan Party to perform any of its obligations under any Loan Document to which it is or will be a party or (c) the rights of or benefits available to the Lenders under any Loan Document.

"*Material Indebtedness*" shall mean Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of Holdings, the Borrower and the Subsidiaries in an aggregate principal amount exceeding $7,500,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of Holdings, the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that Holdings, the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"*Melody*" shall mean L.J. Melody & Company, a Texas corporation.

"*Melody Loan Arbitrage Facility*" shall mean a credit facility provided to Melody by any depository bank in which Melody deposits payments relating to mortgage loans for which Melody is servicer or sub-servicer prior to distribution of such payments to or for the benefit of the borrower of such loans or the holders of such loans, so long as (i) Melody applies all proceeds of loans made under such credit facility to purchase Permitted Investments, and (ii) all such Permitted Investments purchased by Melody with the proceeds of loans thereunder (and proceeds thereof and distributions thereon) are pledged to the depository bank providing such credit facility, and such bank has a first priority perfected security interest therein, to secure loans made under such credit facility.

"*Melody Loan Securitization Funds*" shall mean one or more special purpose investment funds formed by Melody solely for the purpose of originating, securitizing and selling investment tranches of commercial real estate loans.

"*Melody Mortgage Warehousing Facility*" shall mean the credit facility provided by Residential Funding Corporation ("*RFC*") or any substantially similar facility extended to any Mortgage Banking Subsidiary in connection with any Mortgage Banking Activities, pursuant to which RFC or another lender makes loans to Melody, the proceeds of which loans are applied by Melody (or any Mortgage Banking Subsidiary) to fund commercial mortgage loans originated and owned by Melody (or any Mortgage Banking Subsidiary) subject to a commitment (subject to customary exceptions) to purchase such mortgage loans by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or any other quasi-federal governmental entity so long as loans made by RFC or such other lender to Melody (or any Mortgage Banking Subsidiary) thereunder are secured by a pledge of commercial mortgage loans made by Melody (or any Mortgage Banking Subsidiary) with the proceeds of such loans, and RFC or such other lender has a perfected first priority security interest therein, to secure loans made under such credit facility.

"*Melody Permitted Indebtedness*" shall mean Indebtedness of Melody under the Melody Loan Arbitrage Facility, the Melody Mortgage Warehousing Facility and the Melody Working Capital Facility and Indebtedness of any Mortgage Banking Subsidiary under the Melody Mortgage Warehousing Facility that is, in all cases, non-recourse to the Borrower or any of the other Subsidiaries.

"*Melody Working Capital Facility*" shall mean a credit facility provided by a financial institution to Melody, so long as (i) the proceeds of loans thereunder are applied only to provide working capital to Melody, (ii) loans under such credit facility are unsecured, and (iii) the aggregate principal amount of loans outstanding under such credit facility at no time exceeds $1,000,000.

"*Merger Transactions*" shall mean, collectively, the transactions that occurred on or prior to the First Restatement Date pursuant to the Insignia Transaction Documents, including (a) the consummation of the Insignia Merger, (b) the borrowing of the Additional Tranche B Term Loans (as defined in the Original Credit Agreement) on the First Restatement Date, (c) the execution and delivery of the Senior Unsecured Note Documents and the issuance of the Senior Unsecured Notes, (d) the Cash Equity Contribution, (e) the execution and delivery of the Island Purchase Agreement and the consummation of the Island Transaction and (f) the payment of all fees and expenses paid in connection with the foregoing.

"*Moody's*" shall mean Moody's Investors Service, Inc., or any successor thereto.

"*Mortgage Banking Activities*" shall mean the origination by a Mortgage Banking Subsidiary of mortgage loans in respect of commercial and multi-family residential real property, and the sale or assignment of such mortgage loans and the related mortgages to another person (other than the Borrower or any other Subsidiary) within sixty days after the origination thereof; *provided, however*, that in each case prior to origination of any mortgage loan, the Borrower or a Mortgage Banking Subsidiary, as the case may be, shall have entered into a legally binding and enforceable purchase and sale agreement with respect to such mortgage loan with a person that purchases such loans in the ordinary course of business.

"*Mortgage Banking Subsidiary*" shall mean Melody and its subsidiaries that are engaged in Mortgage Banking Activities.

"*Multiemployer Plan*" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"*Net Cash Proceeds*" shall mean (a) with respect to any Asset Sale, the cash proceeds (including cash proceeds subsequently received (as and when received) in respect of noncash consideration initially received), net of (i) selling expenses (including reasonable broker's fees or commissions, legal fees, transfer and similar taxes and the Borrower's good faith estimate of taxes paid or reasonably estimated to be payable in connection with such sale), (ii) amounts provided as a reserve, in accordance with GAAP, against any liabilities under any indemnification obligations or purchase price adjustment associated with such Asset Sale (*provided* that, to the extent and at the time any such amounts are released from such reserve, such amounts shall constitute Net Cash Proceeds) and (iii) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness for borrowed money which is secured by the asset sold in such Asset Sale and which is required to be repaid with such proceeds (other than any such Indebtedness assumed by the purchaser of such asset); *provided*, *however*, that, if (x) the Borrower shall deliver a certificate of a Financial Officer to the Administrative Agent at the time of receipt thereof setting forth the Borrower's intent to reinvest such proceeds in assets of a kind then used or usable in the business of the Borrower and its Subsidiaries or in the Equity Interests of a person engaged in the same or related business as that of the Borrower or any Subsidiary within 270 days of receipt of such proceeds and (y) no Default or Event of Default shall have occurred and shall be continuing at the time of such certificate or at the proposed time of the application of such proceeds, such proceeds shall not constitute Net Cash Proceeds except to the extent not so used or contractually committed to be used at the end of such 270-day period, at which time such proceeds shall be deemed to be Net Cash Proceeds; and (b) with respect to any incurrence or disposition of Indebtedness or any Equity Issuance, the cash proceeds thereof, net of all taxes and customary fees, commissions, costs and other expenses incurred in connection therewith.

"*Non-Recourse Indebtedness*" shall mean Indebtedness of, or Guarantees by, a Co-investment Subsidiary;*provided* that (x) such Indebtedness is incurred solely in relation to the permitted investment activities of such Co-investment Subsidiary, (y) such Indebtedness is not Guaranteed by, or otherwise recourse to, Holdings, the Borrower or any Subsidiary other than a Co-investment Subsidiary and (z) the aggregate amount of such Indebtedness of all Co-investment Subsidiaries that shall qualify as "Non-Recourse Indebtedness" shall not exceed (i) with respect to the Investors 1031 Subsidiary, $75,000,000, (ii) with respect to the Collective Investment Scheme Subsidiary, $80,000,000, and (iii) with respect to all other Co-Investment Subsidiaries $10,000,000 in the aggregate outstanding at any time.

"*Obligations*" shall have the meaning assigned to such term in the Collateral Agreement.

"*Original Term Loans*" shall have the meaning assigned to such term in the preamble to this Agreement.

"*Other Taxes*" shall mean any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"*Other Term Loans*" shall have the meaning assigned to such term in Section 2.25(a).

"*PBGC*" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"*Perfection Certificate*" shall mean the Perfection Certificate substantially in the form of Annex 2 to the Collateral Agreement.

"*Permitted Acquisition*" shall have the meaning assigned to such term in Section 6.04(g).

"Permitted Investments" shall mean:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, the Administrative Agent or any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria of clause (c) above;

(e) investments in "money market funds" within the meaning of Rule 2a-7 of the Investment Company Act of 1940, as amended, substantially all of whose assets are invested in investments of the type described in clauses (a) through (d) above; and

(f) other short-term investments utilized by Foreign Subsidiaries in accordance with normal investment practices for cash management in investments of a type analogous to the foregoing.

"*Permitted Investors*" shall mean (a) the Sponsors and any other person who is an Affiliate of any of the foregoing, (b) DLJ Investment Partners II, Inc. and any of its Affiliates and (c) any member of senior management of the Borrower on the First Restatement Date.

"*person*" shall mean any natural person, corporation, business trust, joint venture, association, company, limited liability company, partnership, Governmental Authority or other entity.

"*Plan*" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"*Prime Rate*" shall mean the rate of interest per annum publicly announced from time to time by Credit Suisse First Boston as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"*Pro Forma Basis*" shall mean, with respect to compliance with any test or covenant hereunder, in connection with or after the occurrence of any Permitted Acquisition or Restricted

Payment permitted under Section 6.06(a)(ii) or 6.06(b), compliance with such covenant or test after giving effect to any such proposed Permitted Acquisition (including pro forma adjustments arising out of events which are directly attributable to the proposed Permitted Acquisition, are factually supportable and are expected to have a continuing impact, in each case determined on a basis consistent with Article 11 of Regulation S-X of the Securities Act of 1933, as amended, and as interpreted by the staff of the Securities and Exchange Commission using, for purposes of determining such compliance, the historical financial statements of all entities or assets so acquired or to be acquired and the consolidated financial statements of the Borrower and the Subsidiaries which shall be reformulated as if such Permitted Acquisition, and any other Permitted Acquisitions or Asset Sales that have been consummated during or after the end of the relevant period, and any Indebtedness or other liabilities incurred in connection with any such Permitted Acquisitions or otherwise after the end of the relevant period had been consummated or incurred, respectively, at the beginning of such period and assuming that any such Indebtedness bears interest during any portion of the applicable measurement period prior to the relevant acquisition at the weighted average of the interest rates applicable to outstanding Loans during such period) or such proposed Restricted Payment.

"*Pro Forma Compliance*" shall mean, at any date of determination, that the Borrower shall be in pro forma compliance with the covenants set forth in Sections 6.11, 6.12, 6.13 and 6.14 as of the last day of the most recent fiscal quarter-end (computed on the basis of (a) balance sheet amounts as of the most recently completed fiscal quarter, and (b) income statement amounts for the most recently completed period of four consecutive fiscal quarters, in each case, for which financial statements shall have been delivered to the Administrative Agent and calculated on a Pro Forma Basis).

"*Pro Rata Percentage*" of any Revolving Credit Lender or Incremental Revolving Credit Lender at any time shall mean the percentage of the Total Revolving Credit Commitment or Total Incremental Revolving Credit Commitment, respectively, represented by such Lender's Revolving Credit Commitment or Incremental Revolving Credit Commitment, respectively. In the event the Revolving Credit Commitments or Incremental Revolving Credit Commitments shall have expired or been terminated, the Pro Rata Percentages shall be determined on the basis of the Revolving Credit Commitments or Incremental Revolving Credit Commitments, as the case may be, most recently in effect.

"*Ratings*" shall mean the credit ratings assigned to the Term Loans by Moody's and S&P.

"*Register*" shall have the meaning assigned to such term in Section 9.04(d).

"*Regulation T*" shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"*Regulation U*" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"*Regulation X*" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"*Related Fund*" shall mean, with respect to any Lender, any other person that (x) invests in bank loans and (y) is advised or managed by the same investment advisor as such Lender, by an Affiliate of such investment advisor or by such Lender.

“*Related Parties*” shall mean, with respect to any specified person, such person’s Affiliates and the respective directors, officers, employees, agents and advisors of such person and such person’s Affiliates.

“*Release*” shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or within or upon any building, structure, facility or fixture.

“*Repayment Date*” shall have the meaning assigned to such term in Section 2.11(a)(i).

“*Repurchase Cutoff Date*” shall mean December 31, 2004.

“*Required Lenders*” shall mean, at any time, Lenders having Loans (excluding Swingline Loans), L/C Exposure, Swingline Exposure and unused Revolving Credit Commitments, Incremental Revolving Credit Commitments and Term Loan Commitments representing at least a majority of the sum of all Loans outstanding (excluding Swingline Loans), L/C Exposure, Swingline Exposure and unused Revolving Credit Commitments, Incremental Revolving Credit Commitments and Term Loan Commitments at such time.

“*Responsible Officer*” of any person shall mean any executive officer or Financial Officer of such person and any other officer or similar official thereof responsible for the administration of the obligations of such person in respect of this Agreement.

“*Restatement Date*” shall mean the date occurring on or prior to September 30, 2004, on which each of the conditions specified in Section 4.02 is satisfied.

“*Restricted Indebtedness*” shall mean Indebtedness of Holdings, the Borrower or any Subsidiary, the payment, prepayment, repurchase or defeasance of which is restricted under Section 6.09(b).

“*Restricted Payment*” shall mean any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in Holdings, the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any Equity Interests in Holdings, the Borrower or any Subsidiary or any option, warrant or other right to acquire any such Equity Interests in Holdings, the Borrower or any Subsidiary.

“*Revolving Credit Borrowing*” shall mean a Borrowing comprised of Revolving Loans.

“*Revolving Credit Commitment*” shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans hereunder as set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender assumed its Revolving Credit Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.09 or Section 2.24(b) and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

“*Revolving Credit Exposure*” shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender, plus the aggregate amount at such time of such Lender’s Revolving L/C Exposure, *plus* the aggregate amount at such time of such Lender’s Revolving Swingline Exposure.

“*Revolving Credit Lender*” shall mean a Lender with a Revolving Credit Commitment or outstanding Revolving Credit Exposure.

“Revolving Credit Maturity Date” shall mean July 20, 2007.

“*Revolving L/C Disbursement*” shall mean a payment or disbursement made by the Issuing Bank pursuant to a Revolving Letter of Credit.

“*Revolving L/C Exposure*” shall mean, at any time, the sum of (a) the aggregate undrawn and unexpired amount of all outstanding Revolving Letters of Credit at such time and (b) the aggregate principal amount of all Revolving L/C Disbursements that have not yet been reimbursed at such time. The Revolving L/C Exposure of any Revolving Credit Lender at any time shall equal its Pro Rata Percentage of the aggregate Revolving L/C Exposure at such time.

“*Revolving Letter of Credit*” shall mean any letter of credit issued pursuant to Section 2.23 and designated (or deemed designated) as such.

“*Revolving Loans*” shall mean the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01(b).

“*Revolving Swingline Commitment*” shall mean the commitment of the Swingline Lender to make Revolving Swingline Loans pursuant to the first sentence of Section 2.22, as the same may be reduced from time to time pursuant to Section 2.09.

“*Revolving Swingline Exposure*” shall mean at any time the aggregate principal amount at such time of all outstanding Revolving Swingline Loans. The Revolving Swingline Exposure of any Revolving Credit Lender at any time shall equal its Pro Rata Percentage of the aggregate Revolving Swingline Exposure at such time.

“*Revolving Swingline Loan*” shall mean any loan made by the Swingline Lender to the Borrower pursuant to the first sentence of Section 2.22.

“*S&P*” shall mean Standard & Poor’s Ratings Service or any successor thereto.

“*Second Restatement Date*” shall mean October 14, 2003.

“*Secured Parties*” shall have the meaning assigned to such term in the Collateral Agreement.

“*Security Documents*” shall mean the Collateral Agreement and each of the security agreements and other instruments and documents executed and delivered pursuant to any of the foregoing or pursuant to Section 5.09.

“*Senior Secured Leverage Ratio*” shall mean, on any date, the ratio of Total Debt less the sum of (a) the aggregate outstanding principal amount of the Senior Subordinated Notes and the Senior Unsecured Notes plus (b) Available Cash on such date to Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

“*Senior Subordinated Note Documents*” shall mean the Senior Subordinated Notes, the Senior Subordinated Note Indenture and all other material instruments, agreements and other documents evidencing or governing the Senior Subordinated Notes or providing for any right in respect thereof.

"*Senior Subordinated Note Indenture*" shall mean the indenture dated as of June 7, 2001, between the Borrower, Holdings and First State Street Bank, as trustee, as in effect on the Closing Date and as thereafter amended from time to time in accordance with the requirements thereof and of this Agreement.

"*Senior Subordinated Notes*" shall mean the Borrower's 11 1/4% Senior Subordinated Notes Due June 15, 2011, issued pursuant to the Senior Subordinated Note Indenture and any notes issued by the Borrower in exchange for, and as contemplated by, the Senior Subordinated Notes with substantially identical terms as the Senior Subordinated Notes.

"*Senior Unsecured Note Documents*" shall mean the Senior Unsecured Notes, the Senior Unsecured Note Indenture and all other material instruments, agreements and other documents evidencing or governing the Senior Unsecured Notes or providing for any right in respect thereof.

"*Senior Unsecured Note Indenture*" shall mean the indenture dated as of May 22, 2003, between the Borrower, Holdings and U.S. Bank National Association, as trustee, as in effect on the Restatement Date and as thereafter amended from time to time in accordance with the requirements thereof and of this Agreement.

"*Senior Unsecured Notes*" shall mean the Borrower's 9.75% Senior Unsecured Notes Due May 15, 2010, issued pursuant to the Senior Unsecured Note Indenture and any notes issued by the Borrower in exchange for, and as contemplated by, the Senior Unsecured Notes with substantially identical terms as the Senior Unsecured Notes.

"*Signing Date*" shall mean April 23, 2004.

"*Sponsors*" shall mean Blum Strategic Partners, L.P. and Freeman Spogli & Co. Incorporated.

"*SPC*" shall have the meaning assigned to such term in Section 9.04(i).

"*Special Co-investment Subsidiary*" shall mean any wholly-owned Co-investment Subsidiary that is or could become an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 as a result of becoming a Subsidiary Guarantor or a guarantor under the Senior Subordinated Note Indenture or the Senior Unsecured Note Indenture.

"*Statutory Reserves*" shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board and any other banking authority, domestic or foreign, to which the Administrative Agent or any Lender (including any branch, Affiliate, or other fronting office making or holding a Loan) is subject for Eurocurrency Liabilities (as defined in Regulation D of the Board). Eurodollar Loans shall be deemed to constitute Eurocurrency Liabilities as defined in Regulation D of the Board) and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D. Statutory Reserves shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"*subsidiary*" shall mean, with respect to any person (herein referred to as the "*parent*"), any corporation, partnership, association or other business entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests (other than the general partnership interests owned controlled or held by the Borrower or any Subsidiary in any Co-investment Vehicle or in any person which is not Controlled by the Borrower or any Subsidiary) are, at the time any determination is being made, owned, Controlled or held.

"*Subsidiary*" shall mean any subsidiary of the Borrower; *provided*, *however*, that none of (a) the DUS Subsidiary, (b) the Melody Loan Securitization Funds or (c) any Designated Real Estate Asset Subsidiary shall be deemed to be a Subsidiary for purposes of this Agreement or the other Loan Documents.

"*Subsidiary Guarantor*" shall mean each Domestic Subsidiary listed on Schedule 1.01(a), and each other Subsidiary that is or becomes a party to a Collateral Agreement.

"*Swingline Commitment*" shall mean the Incremental Swingline Commitment and the Revolving Swingline Commitment.

"*Swingline Exposure*" shall mean at any time the aggregate Incremental Swingline Exposure and the aggregate Revolving Swingline Exposure at such time.

"*Swingline Lender*" shall mean Credit Suisse First Boston, acting through its Cayman Islands branch, in its capacity as lender of Swingline Loans hereunder.

"*Swingline Loan*" shall mean an Incremental Swingline Loan or a Revolving Swingline Loan.

"*Synthetic Purchase Agreement*" shall mean any swap, derivative or other agreement or combination of agreements pursuant to which Holdings, the Borrower or any Subsidiary is or may become obligated to make (a) any payment in connection with a purchase by any third party from a person other than Holdings, the Borrower or any Subsidiary of any Equity Interest or Restricted Indebtedness or (b) any payment (other than on account of a permitted purchase by it of any Equity Interest or Restricted Indebtedness) the amount of which is determined by reference to the price or value at any time of any Equity Interest or Restricted Indebtedness; *provided* that no phantom stock or similar plan providing for payments only to current or former directors, officers, employees or consultants of Holdings, the Borrower or the Subsidiaries (or to their heirs or estates) shall be deemed to be a Synthetic Purchase Agreement.

"*Taxes*" shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges, liabilities or withholdings imposed by any Governmental Authority.

"*Term Borrowing*" shall mean a Borrowing comprised of Term Loans or Incremental Term Loans.

"*Term Loan Commitment*" shall mean, with respect to each Lender, (a) the commitment of such Lender to make Term Loans hereunder as set forth in a writing acknowledged by the Borrower on or prior to the Restatement Date, or in the Assignment and Acceptance pursuant to which such Lender assumed its Term Loan Commitment, as applicable, as the same may be (i) reduced from time to time pursuant to Section 2.09 and (ii) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04 and (b) any Incremental Term Loan Commitment.

"*Term Loan Repayment Dates*" shall mean the Repayment Dates and the Incremental Term Loan Repayment Dates.

"*Term Loans*" shall mean the term loans made by the Lenders to the Borrower pursuant to clause (a) of Section 2.01. Unless the context shall otherwise require, the term "Term Loans" shall include any Incremental Term Loans.

"Term Loan Maturity Date" shall mean March 31, 2010.

"*Total Debt*" shall mean, at any time, the total Indebtedness of the Borrower and the Subsidiaries at such time, determined on a consolidated basis (excluding (a) Melody Permitted Indebtedness, (b) Non-Recourse Indebtedness, (c) the UK Acquisition Notes, to the extent the bank guarantee in respect thereof is cash collateralized as permitted hereunder, and (d) Indebtedness of the type described in clause (i) of the definition of such term, except to the extent of any unreimbursed drawings thereunder).

"*Total Incremental Revolving Credit Commitment*" shall mean, at any time, the aggregate amount of the Incremental Revolving Credit Commitments, as in effect at such time.

"*Total Revolving Credit Commitment*" shall mean, at any time, the aggregate amount of the Revolving Credit Commitments, as in effect at such time. The Total Revolving Credit Commitment in effect on the Signing Date is $90,000,000.

"*Type*", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "*Rate*" shall include the Adjusted LIBO Rate and the Alternate Base Rate.

"*UK Acquisition Notes*" shall mean (a) the floating rate guaranteed loan notes due April 30, 2010, issued by Insignia to the vendors of Richard Ellis Group Limited pursuant to an instrument dated March 26, 2001 and (b) the 3% guaranteed unsecured loan notes due April 30, 2006, issued by Insignia to the vendors of St. Quintin Holdings Limited pursuant to an instrument dated March 26, 2001, each of which is fully guaranteed as to principal and interest by the Royal Bank of Scotland plc (such guarantee secured by restricted cash deposits by Insignia or its Subsidiaries with the Royal Bank of Scotland plc pursuant to Memoranda of Cash Deposits).

"*wholly owned Subsidiary*" of any person shall mean a subsidiary of such person of which securities (except for directors' qualifying shares) or other ownership interests representing 100% of the Equity Interests are, at the time any determination is being made, owned, controlled or held by such person or one or more wholly owned Subsidiaries of such person or by such person and one or more wholly owned Subsidiaries of such person.

"*Withdrawal Liability*" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. ***Terms Generally***. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”; and the words “asset” and “property” shall be construed as having the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference in this Agreement to any Loan Document shall mean such document as amended, restated, supplemented or otherwise modified from time to time and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided*, *however*, that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI or any related definition to eliminate the effect of any change in GAAP occurring after the date of this Agreement on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI or any related definition for such purpose), then the Borrower’s compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

SECTION 1.03. ***Classification of Loans and Borrowings***. For purposes of this Agreement, Loans may be classified and referred to by Class (*e.g.*, a “Revolving Loan”) or by Type (*e.g.*, a “Eurodollar Loan”) or by Class and Type (*e.g.*, a “Eurodollar Revolving Loan”). Borrowings also may be classified and referred to by Class (*e.g.*, a “Revolving Borrowing”) or by Type (*e.g.*, a “Eurodollar Borrowing”) or by Class and Type (*e.g.*, a “Eurodollar Revolving Borrowing”).

SECTION 1.04. ***Pro Forma Calculations***. With respect to any period during which any Permitted Acquisition occurs as permitted pursuant to the terms hereof, for purposes of determining compliance or Pro Forma Compliance with the covenants set forth in Sections 6.11, 6.12, 6.13 and 6.14, the Interest Coverage Ratio, Fixed Charge Coverage Ratio, the Leverage Ratio and the Senior Secured Leverage Ratio shall be calculated with respect to such periods and such Permitted Acquisition on a Pro Forma Basis.

SECTION 1.05. ***Designation of Obligations***. The Obligations, including the Obligations in respect of the Term Loans and any Incremental Revolving Credit Commitments, are hereby designated as “Designated Senior Indebtedness” for all purposes of the Senior Subordinated Note Indenture.

ARTICLE II

The Credits

SECTION 2.01. ***Commitments***. (a) *Term Loans*. Subject to the terms and conditions and relying upon the representations and warranties set forth herein, each Lender with a Term Loan Commitment agrees, severally and not jointly, to make a Term Loan to the Borrower on the Restatement Date in a principal amount not to exceed its Term Loan Commitment. Amounts paid or prepaid in respect of Term Loans may not be reborrowed.

(b) *Revolving Loans*. On the terms and subject to the conditions set forth herein and in reliance upon the representations and warranties set forth herein and in the other Loan Documents, each Lender agrees severally and not jointly to make Revolving Loans to the Borrower, at any time and from time to time on or after the Closing Date and prior the earlier of the Revolving Credit Maturity Date and the termination of the Revolving Credit Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Revolving Credit Commitment. Within the limits set forth in the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay or prepay and reborrow Revolving Loans. The Borrower and the Lenders acknowledge the making of Revolving Loans prior to the Restatement Date under the Existing Credit Agreement and agree, to the extent outstanding on the Restatement Date, that such Revolving Loans shall continue to be outstanding pursuant to the terms and conditions of this Agreement and the other Loan Documents.

(c) *Incremental Term Loans*. Each Lender having an Incremental Term Loan Commitment, severally and not jointly, hereby agrees, on the terms and subject to the conditions set forth herein and in the applicable Incremental Term Loan Assumption Agreement and in reliance on the representations and warranties set forth herein and in the other Loan Documents, to make Incremental Term Loans to the Borrower, in an aggregate principal amount not to exceed its Incremental Term Loan Commitment. Amounts paid or prepaid in respect of Incremental Term Loans may not be reborrowed.

(d) *Incremental Revolving Loans*. On the terms and subject to the conditions set forth herein and in the applicable Incremental Revolving Credit Commitment Assumption Agreement, and in reliance upon the representations and warranties set forth herein and in the other Loan Documents, each Lender agrees severally and not jointly to make Incremental Revolving Loans to the Borrower, at any time and from time to time on or after the effectiveness of the applicable Incremental Revolving Credit Commitment Assumption Agreement and prior the earlier of the Incremental Revolving Credit Maturity Date and the termination of the Incremental Revolving Credit Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Incremental Revolving Credit Exposure exceeding such Lender's Incremental Revolving Credit Commitment. Within the limits set forth in the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay or prepay and reborrow Incremental Revolving Loans.

SECTION 2.02. ***Loans***. (a) Each Loan (other than Swingline Loans) shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective applicable Commitments; *provided*, *however*, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Except for Loans deemed made pursuant to Section 2.02(f), the Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of $1,000,000 and not less than $5,000,000 (except with respect to any Incremental Term Borrowing or Incremental Revolving Credit Borrowing, to the extent otherwise provided in the related Incremental Term Loan Assumption Agreement or Incremental Revolving Credit Commitment Assumption Agreement) or (ii) equal to the remaining available balance of the applicable Commitments.

(b) Subject to Sections 2.08 and 2.15, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; *provided*, *however*, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than 10 Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Except with respect to Loans deemed made pursuant to Section 2.02(f), each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 2:00 p.m., New York City time, and the Administrative Agent shall promptly credit the amounts so received to an account in the name of the Borrower, designated by the Borrower in the applicable Borrowing Request, or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender for the first three days, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds and for each day thereafter, the Applicable Base Rate (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Revolving Credit Borrowing or Incremental Revolving Credit Borrowing if (i) the Interest Period requested with respect thereto would end after the Revolving Credit Maturity Date or Incremental Revolving Credit Maturity Date, respectively, or (ii) any Swingline Loan would be outstanding after giving effect to the use of proceeds of such Borrowing.

(f) If the Issuing Bank shall not have received from the Borrower the payment required to be made by Section 2.23(e) within the time specified in such Section, the Issuing Bank will promptly notify the Administrative Agent of the L/C Disbursement and the Administrative Agent will promptly notify each Revolving Credit Lender or Incremental Revolving Credit Lender, as the case may be, of such L/C Disbursement and its Pro Rata Percentage thereof. Each Revolving Credit Lender (in respect of a Revolving L/C Disbursement) and Incremental Revolving Credit Lender (in respect of an Incremental L/C Disbursement) shall pay by wire transfer of immediately available funds to the Administrative Agent not later than 2:00 p.m., New York City time, on such date (or, if such Lender shall have received such notice later than 12:00 (noon), New York City time, on any day, not later than 10:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Lender's Pro Rata Percentage of such L/C Disbursement (it being understood that such amount shall be deemed to constitute an ABR Revolving Loan or ABR Incremental Revolving Loan, as the case may be, of such Lender and such payment shall be deemed to have reduced the applicable L/C Exposure), and the Administrative Agent will promptly pay to the Issuing Bank amounts so received by it from such Lenders. The Administrative Agent will promptly pay to the Issuing Bank any amounts received by it from the Borrower pursuant to Section 2.23(e) prior to the time that any Revolving Credit Lender or Incremental Revolving Credit Lender, as the case may be, makes any payment pursuant to this paragraph (f); any such amounts received by the Administrative Agent thereafter will be promptly remitted by the Administrative Agent to the Lenders that shall have made such payments and to the Issuing Bank, as their interests may appear. If any Revolving Credit Lender or Incremental Revolving Credit Lender shall not have made its Pro Rata Percentage of such L/C Disbursement available to the Administrative Agent as provided above, such Lender and the Borrower severally agree to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, to the Administrative Agent for the account of the Issuing Bank at (i) in the case of the Borrower, a rate per annum equal to the interest rate applicable to Revolving Loans or Incremental Revolving Loans, as applicable, pursuant to Section 2.06(a), and (ii) in the case of such Lender, for the first such day, the Federal Funds Effective Rate, and for each day thereafter, the Alternate Base Rate.

SECTION 2.03. ***Borrowing Procedure***. In order to request a Borrowing (other than a Swingline Loan or a deemed Borrowing pursuant to Section 2.02(f), as to which this Section 2.03 shall not apply), the Borrower shall hand deliver or fax to the Administrative Agent a duly completed Borrowing Request (a) in the case of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 12:00 noon, New York City time, on the Business Day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, shall be signed by or on behalf of the Borrower and shall specify the following information: (i) whether the Borrowing then being requested is to be a Term Borrowing, an Incremental Term Borrowing, a Revolving Credit Borrowing or an Incremental Revolving Credit Borrowing, and whether such Borrowing is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; *provided*, *however*, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no election as to the Class of any Borrowing is received, then, to the extent of the available Incremental Revolving Credit Commitments, such Borrowing shall be an Incremental Revolving Credit Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the applicable Lenders of any notice given pursuant to this Section 2.03 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.04. ***Evidence of Debt; Repayment of Loans***. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender (i) the principal amount of each Term Loan of such Lender as provided in Section 2.11, (ii) the then unpaid principal amount of each Revolving Loan of such Lender on the Revolving Credit Maturity Date and (iii) the then unpaid principal amount of each Incremental Revolving Loan of such Lender on the Incremental Revolving Credit Maturity Date. The Borrower hereby promises to pay to the Swingline Lender the then unpaid principal amount of (x) each Revolving Swingline Loan on the Revolving Credit Maturity Date and (y) each Incremental Swingline Loan on the Incremental Revolving Credit Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower or any Guarantor and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) above shall be *prima facie* evidence of the existence and amounts of the obligations therein recorded; *provided*, *however*, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Any Lender may request that Loans made by it hereunder be evidenced by a promissory note. In such event, the Borrower shall execute and deliver to such Lender a promissory note payable to such Lender and its registered assigns and in a form and substance reasonably acceptable to the Administrative Agent and the Borrower. Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive such a promissory note, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 9.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.05. ***Fees***. (a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on the last Business Day of March, June, September and December in each year and on each date on which the Revolving Credit Commitment of such Lender shall expire or be terminated as provided herein, a commitment fee (a "*Commitment Fee*") equal to (i) in the case of the Revolving Credit Commitments, 3/4 of 1% per annum on the daily unused amount of the Revolving Credit Commitments of such Lender during the preceding quarter (or other period ending with the Revolving Credit Maturity Date or the date on which the Revolving Credit Commitments of such Lender shall expire or be terminated), and (ii) in the case of the Incremental Revolving Credit Commitments, the percentage per annum set forth in the applicable

Incremental Revolving Credit Commitment Assumption Agreement on the daily unused amount of the Incremental Revolving Credit Commitments of such Lender during the preceding quarter (or other period commencing on the effective date of such Incremental Revolving Credit Commitment or ending with the Incremental Revolving Credit Maturity Date or the date on which the Incremental Revolving Credit Commitment of such Lender shall expire or be terminated). All Commitment Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. The Commitment Fee due to each Lender shall cease to accrue on the date on which the Revolving Credit Commitment or Incremental Revolving Credit Commitment, as the case may be, of such Lender shall expire or be terminated as provided herein. For purposes of calculating Commitment Fees only, no portion of the Revolving Credit Commitments shall be deemed utilized under Section 2.17 as a result of outstanding Swingline Loans.

(b) The Borrower agrees to pay to the Administrative Agent, for its own account, the administrative fees at the times and in the amounts agreed to by the Borrower and the Administrative Agent from time to time (the "*Administrative Agent Fees*").

(c) The Borrower agrees to pay to each Revolving Credit Lender, through the Administrative Agent, on the last Business Day of March, June, September and December of each year and on the date on which the Revolving Credit Commitment of such Lender shall be terminated as provided herein, a fee calculated on such Lender's Pro Rata Percentage of the daily aggregate Revolving L/C Exposure (excluding the portion thereof attributable to unreimbursed Revolving L/C Disbursements) during the preceding quarter (or shorter period ending with the Revolving Credit Maturity Date or the date on which all Revolving Letters of Credit have been canceled or have expired and the Revolving Credit Commitments of all Lenders shall have been terminated) at a rate per annum equal to the Applicable Percentage from time to time used to determine the interest rate on Revolving Credit Borrowings comprised of Eurodollar Loans pursuant to Section 2.06.

(d) The Borrower agrees to pay to each Incremental Revolving Credit Lender, through the Administrative Agent, on the last Business Day of March, June, September and December of each year and on the date on which the Incremental Revolving Credit Commitment of such Lender shall be terminated as provided herein, a fee calculated on such Lender's Pro Rata Percentage of the daily aggregate Incremental L/C Exposure (excluding the portion thereof attributable to unreimbursed Incremental L/C Disbursements) during the preceding quarter (or shorter period commencing on the effective date of any Incremental Revolving Credit Commitment or ending with the Incremental Revolving Credit Maturity Date or the date on which all Incremental Letters of Credit have been canceled or have expired and the Incremental Revolving Credit Commitments of all Lenders shall have been terminated) at a rate per annum equal to the Applicable Percentage from time to time used to determine the interest rate on Incremental Revolving Credit Borrowings comprised of Eurodollar Loans pursuant to Section 2.06.

(e) The Borrower agrees to pay to the Issuing Bank with respect to each Letter of Credit the standard fronting, issuance and drawing fees as agreed by the Issuing Bank and the Borrower (the "*Issuing Bank Fees*").

(f) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders, except that the Issuing Bank Fees shall be paid directly to the Issuing Bank. All L/C Participation Fees and Issuing Bank Fees shall be computed on the basis of the actual number of days elapsed in a year of 360 days. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.06. ***Interest on Loans***. (a) Subject to the provisions of Section 2.07, the Loans comprising each ABR Borrowing, including each Swingline Loan, shall bear interest (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate plus the Applicable Percentage in effect from time to time.

(b) Subject to the provisions of Section 2.07, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect from time to time.

(c) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement. The applicable Alternate Base Rate or Adjusted LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.07. ***Default Interest***. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, or under any other Loan Document, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.06 plus 2.00% per annum and (b) in all other cases, at a rate per annum (computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the rate that would be applicable to an ABR Revolving Loan plus 2.00%.

SECTION 2.08. ***Alternate Rate of Interest***. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or that the rates at which such dollar deposits are being offered will not adequately and fairly reflect the cost to the Required Lenders of making or maintaining its Eurodollar Loan during such Interest Period, or that reasonable means do not exist for ascertaining the Adjusted LIBO Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or fax notice of such determination to the Borrower and the Lenders. In the event of any such determination, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, any request by the Borrower for a Eurodollar Borrowing pursuant to Section 2.03 or 2.10 shall be deemed to be a request for an ABR Borrowing. Each determination by the Administrative Agent under this Section 2.08 shall be conclusive absent manifest error.

SECTION 2.09. ***Termination and Reduction of Commitments***. (a) The Revolving Credit Commitments and the Revolving Swingline Commitment shall automatically terminate on the Revolving

Credit Maturity Date. The Incremental Revolving Credit Commitments and the Incremental Swingline Commitment shall automatically terminate on the Incremental Revolving Credit Maturity Date. The L/C Commitment shall automatically terminate on the Revolving Credit Maturity Date unless Incremental Revolving Credit Commitments shall be in effect on such date, in which case the L/C Commitment shall automatically terminate on the Incremental Revolving Credit Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or fax notice (or telephone notice promptly confirmed by a written notice) to the Administrative Agent, the Borrower may, without premium or penalty, at any time in whole permanently terminate, or from time to time in part permanently reduce, the Term Loan Commitments, the Revolving Credit Commitments or the Incremental Revolving Credit Commitments; *provided*, *however*, that (i) each partial reduction of the Term Loan Commitments, the Revolving Credit Commitments or the Incremental Revolving Credit Commitments shall be in an integral multiple of $1,000,000 and in a minimum amount of $5,000,000, (ii) the Total Revolving Credit Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure at the time and (iii) the Total Incremental Revolving Credit Commitment shall not be reduced to an amount that is less than the Aggregate Incremental Revolving Credit Exposures at the time.

(c) Each reduction in the Term Loan Commitments, the Revolving Credit Commitments or the Incremental Revolving Credit Commitments hereunder shall be made ratably among the Lenders in accordance with their respective applicable Commitments. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Commitment Fees on the amount of the Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.10. ***Conversion and Continuation of Borrowings***. The Borrower shall have the right at any time upon prior irrevocable notice to the Administrative Agent (a) not later than 1:00 p.m., New York City time, two Business Days prior to conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 1:00 p.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Borrowing or to continue any Eurodollar Borrowing as a Eurodollar Borrowing for an additional Interest Period, and (c) not later than 1:00 p.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and 2.02(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender and the Administrative Agent by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.16;

(v) any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing;

(vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing;

(vii) no Interest Period may be selected for any Eurodollar Term Borrowing that would end later than a Term Loan Repayment Date occurring on or after the first day of such Interest Period if, after giving effect to such selection, the aggregate outstanding amount of (A) the Eurodollar Term Borrowings comprised of Term Loans or Other Term Loans, as applicable, with Interest Periods ending on or prior to such Term Loan Repayment Date and (B) the ABR Term Borrowings comprised of Term Loans or Other Term Loans, as applicable, would not be at least equal to the principal amount of Term Borrowings to be paid on such Term Loan Repayment Date; and

(viii) upon notice to the Borrower from the Administrative Agent given at the request of the Required Lenders, after the occurrence and during the continuance of a Default or Event of Default, no outstanding Loan may be converted into, or continued as, a Eurodollar Loan and any outstanding Eurodollar Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be converted to an ABR Borrowing.

Each notice pursuant to this Section 2.10 shall be irrevocable and shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be converted to or continued as a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted to or continued as a Eurodollar Borrowing, the Interest Period with respect thereto. If no Interest Period is specified in any such notice with respect to any conversion to or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section 2.10 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.10 to continue any Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.10 to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be converted to an ABR Borrowing.

SECTION 2.11. ***Repayment of Term Borrowings***. (a) (i) The Borrower shall pay to the Administrative Agent, for the account of the Lenders, on the dates set forth below, or if any such date is not a Business Day, on the next preceding Business Day (each such date being a "*Repayment Date*"), a principal amount of the Term Loans (as adjusted from time to time pursuant to Sections 2.11(b), 2.12, 2.13(g) and 2.25(d)) equal to the amount set forth below for such date, together in each case with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment:

Date	Amount
December 31, 2004	$ 2,950,000
March 31, 2005	$ 2,950,000
June 30, 2005	$ 2,950,000
September 30, 2005	$ 2,950,000
December 31, 2005	$ 2,950,000
March 31, 2006	$ 2,950,000
June 30, 2006	$ 2,950,000
September 30, 2006	$ 2,950,000
December 31, 2006	$ 2,950,000
March 31, 2007	$ 2,950,000
June 30, 2007	$ 2,950,000
September 30, 2007	$ 2,950,000
December 31, 2007	$ 2,950,000
March 31, 2008	$ 2,950,000
June 30, 2008	$ 2,950,000
September 30, 2008	$ 2,950,000
December 31, 2008	$ 2,950,000
March 31, 2009	$ 2,950,000
June 30, 2009	$ 2,950,000
September 30, 2009	$ 2,950,000
December 31, 2009	$ 2,950,000
Term Loan Maturity Date	$ 233,050,000

(ii) The Borrower shall pay to the Administrative Agent, for the account of the Lenders, on each Incremental Term Loan Repayment Date, a principal amount of the Other Term Loans (as adjusted from time to time pursuant to Sections 2.11(b), 2.12 and 2.13(g)) equal to the amount set forth for such date in the applicable Incremental Term Loan Assumption Agreement, together in each case with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment.

(b) In the event and on each occasion that any Term Loan Commitments shall be reduced or shall expire or terminate other than as a result of the making of a Term Loan, the installments payable on each Term Loan Repayment Date shall be reduced pro rata by an aggregate amount equal to the amount of such reduction, expiration or termination.

(c) To the extent not previously paid, all Term Loans and Other Term Loans shall be due and payable on the Term Loan Maturity Date and Incremental Term Loan Maturity Date, respectively, together with accrued and unpaid interest on the principal amount to be paid to but excluding the date of payment.

(d) All repayments pursuant to this Section 2.11 shall be subject to Section 2.16, but shall otherwise be without premium or penalty.

SECTION 2.12. ***Prepayment***. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' prior written or fax notice (or telephone notice promptly confirmed by written or fax notice) in the case of Eurodollar Loans, or written or fax notice (or telephone notice promptly confirmed by written or fax notice) on the Business Day of prepayment in the case of ABR Loans, to the Administrative Agent before 1:00 p.m., New York City time; *provided*, *however*, that each partial prepayment shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000.

(b) Optional prepayments of Term Loans shall be allocated pro rata among the then outstanding Term Loans and Other Term Loans and applied, first, to the scheduled installments of principal due in respect of the Term Loans and Other Term Loans within the 12 months following such prepayment, then pro rata against the remaining scheduled installments of principal due in respect of the Term Loans and Other Term Loans under Sections 2.11(a)(i) and (ii), respectively.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.16 but otherwise without premium or penalty. All prepayments under this Section 2.12 shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment.

SECTION 2.13. ***Mandatory Prepayments***. (a) In the event of any termination of all the Revolving Credit Commitments or all the Incremental Revolving Credit Commitments, the Borrower shall, on the date of such termination, repay or prepay all its outstanding Revolving Credit Borrowings and Revolving Swingline Borrowings (in the case of a termination of the Revolving Credit Commitments) or all its outstanding Incremental Revolving Credit Borrowings and Incremental Swingline Borrowings (in the case of a termination of the Incremental Revolving Credit Commitments), and, except to the extent permitted by Section 2.23(b), replace all outstanding Letters of Credit of the applicable Class and/or deposit an amount equal to the L/C Exposure of the applicable Class in cash in a cash collateral account established with the Collateral Agent for the benefit of the Secured Parties. If as a result of any partial reduction of the Revolving Credit Commitments or Incremental Revolving Credit Commitments, the Aggregate Revolving Credit Exposure or Aggregate Incremental Revolving Credit Exposure would exceed the Total Revolving Credit Commitment or Total Incremental Revolving Credit Commitment, respectively, after giving effect thereto, then the Borrower shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings or Revolving Swingline Loans (or a combination thereof) (in the case of the Revolving Credit Commitments) or Incremental Revolving Loans or Incremental Swingline Loans (in the case of the Incremental Revolving Credit Commitments); and/or except to the extent permitted by Section 2.23(b), cash collateralize Letters of Credit of the applicable Class in an amount sufficient to eliminate such excess.

(b) Not later than the third Business Day following the completion of any Asset Sale, the Borrower shall apply 100% of the Net Cash Proceeds received with respect thereto to prepay (i) outstanding Term Loans in accordance with Section 2.13(g) and (ii) after the payment in full of the outstanding Term Loans, outstanding Revolving Loans (without any reduction in Revolving Credit Commitments).

(c) In the event and on each occasion that an Equity Issuance occurs, the Borrower shall, substantially simultaneously with (and in any event not later than the third Business Day next following) the occurrence of such Equity Issuance, apply 100% of the Net Cash Proceeds therefrom to prepay outstanding Term Loans in accordance with Section 2.13(g) *provided, however* that this Section 2.13(c) shall not apply to the IPO Proceeds.

(d) No later than the earlier of (i) 45 days after the end of each ECF Period (commencing with the ECF Period ending on June 30, 2004), and (ii) the date on which the financial statements with respect to the last fiscal quarter of such period are delivered pursuant to Section 5.04(b), the Borrower shall prepay outstanding Term Loans in accordance with Section 2.13(g) in an aggregate principal amount equal to (A) 75% of Excess Cash Flow for the ECF Period then ended if the Leverage Ratio at the end of such period shall have been greater than or equal to 2.5 to 1.0, or (B) 50% of Excess Cash Flow for the ECF Period then ended if the Leverage Ratio at the end of such ECF Period shall have been less than 2.5 to 1.0.

(e) In the event that any Loan Party or any subsidiary of a Loan Party shall receive Net Cash Proceeds from the incurrence or disposition of Indebtedness (other than Indebtedness permitted pursuant to Section 6.01), the Borrower shall, substantially simultaneously with (and in any event not later than the third Business Day next following) the receipt of such Net Cash Proceeds by such Loan Party or such subsidiary, apply an amount equal to 100% of such Net Cash Proceeds to prepay outstanding Term Loans in accordance with Section 2.13(g).

(f) On the Repurchase Cutoff Date, the Borrower shall prepay outstanding Term Loans in accordance with Section 2.13(g) by an amount equal to the Excess Proceeds Amount.

(g) Mandatory prepayments of outstanding Term Loans under this Agreement shall be allocated pro rata among the then outstanding Term Loans and Other Term Loans, and applied pro rata against the remaining scheduled installments of principal due in respect of Term Loans and Other Term Loans under Sections 2.11(a)(i) and (ii), respectively.

(h) The Borrower shall deliver to the Administrative Agent, at the time of each prepayment required under this Section 2.13, (i) a certificate signed by a Financial Officer of the Borrower setting forth in reasonable detail the calculation of the amount of such prepayment and (ii) to the extent practicable, at least three days' prior written notice of such prepayment. Each notice of prepayment shall specify the prepayment date, the Type of each Loan being prepaid and the principal amount of each Loan (or portion thereof) to be prepaid. All prepayments of Borrowings under this Section 2.13 shall be subject to Section 2.16, but shall otherwise be without premium or penalty.

(i) [Intentionally Omitted]

(j) For a period of 45 consecutive days (the "*Cleanup Period*") commencing on any day in the month of December of each year, chosen at the option of the Borrower, the Borrower shall ensure that no Revolving Loans or Revolving Swingline Loans are outstanding under this Agreement. In order to comply with the previous sentence, the Borrower shall, if necessary, prepay in full the aggregate principal amount of all Revolving Loans and Revolving Swingline Loans outstanding at the commencement of the Cleanup Period and shall not during the Cleanup Period request any Revolving Loans or Revolving Swingline Loans; *provided* that such limitation shall not affect the ability of the Borrower to request Incremental Revolving Loans, Incremental Swingline Loans or a Letter of Credit during the Cleanup Period. The obligations of the Borrower under this paragraph are in addition to, and shall not in any manner limit, any other obligation of the Borrower hereunder to prepay or repay Revolving Loans and Revolving Swingline Loans.

SECTION 2.14. ***Reserve Requirements; Change in Circumstances***. (a) Notwithstanding any other provision of this Agreement, if any Change in Law shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or the Issuing Bank (except any such reserve requirement which is reflected in the Adjusted LIBO Rate) or shall impose on such Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein (other than any change to the basis or rate of taxation applicable to any Lender), and the result of any of the foregoing shall be to increase the cost to such Lender or the Issuing Bank of making or maintaining any Eurodollar Loan or increase the cost to any Lender of issuing or maintaining any Letter of Credit or purchasing or maintaining a participation therein or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender or the Issuing Bank to be material, then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, upon demand such additional amount or amounts (without duplication of amounts paid by the Borrower pursuant to Section 2.20) as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank shall have determined that any Change in Law regarding capital adequacy has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made or participations in Letters of Credit purchased by such Lender pursuant hereto or the Letters of Credit issued by the Issuing Bank pursuant hereto to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy) by an amount deemed by such Lender or the Issuing Bank to be material, then from time to time the Borrower shall pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as applicable, as specified in paragraph (a) or (b) above, and setting forth in reasonable detail the basis on which such amount or amounts were calculated shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank the amount shown as due on any such certificate delivered by it within 20 days after its receipt of the same.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; *provided* that the Borrower shall not be under any obligation to compensate any Lender or the Issuing Bank under paragraph (a) or (b) above with respect to increased costs or reductions with respect to any period prior to the date that is 120 days prior to such request if such Lender or the Issuing Bank knew or could reasonably have been expected to know of the circumstances giving rise to such increased costs or reductions and of the fact that such circumstances would result in a claim for increased compensation by reason of such increased costs or reductions; *provided further* that the foregoing limitation shall not apply to any increased costs or reductions arising out of the retroactive application of any Change in Law within such 120-day period. The protection of this Section shall be available to each Lender and the Issuing Bank regardless of any possible contention of the invalidity or inapplicability of the Change in Law that shall have occurred or been imposed.

SECTION 2.15. ***Change in Legality***. (a) Notwithstanding any other provision of this Agreement, if any Change in Law shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such or to convert a Eurodollar Loan into an ABR Loan, as the case may be), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.15, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period then applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.16. ***Indemnity***. The Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of (a) any event, other than a default by such Lender in the performance of its obligations hereunder, which results in (i) such Lender receiving or being deemed to receive any amount on account of the principal of any Eurodollar Loan prior to the end of the Interest Period in effect therefor, (ii) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case other than on the last day of the Interest Period in effect therefor, or (iii) any Eurodollar Loan to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.10) not being made after notice of such Loan shall have been given by the Borrower hereunder (any of the events referred to in this clause (a) being called a "*Breakage Event*") or (b) any default in the making of any payment or prepayment of any Eurodollar Loan required to be made hereunder. In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Eurodollar Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section 2.16, and setting forth in reasonable detail the basis on which such amount or amounts were calculated, shall be delivered to the Borrower and shall be conclusive absent manifest error.

SECTION 2.17. ***Pro Rata Treatment***. Except as provided below in this Section 2.17 with respect to Swingline Loans and as required under Section 2.15, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Commitment Fees, each reduction of the Term Loan Commitments, the Revolving Credit Commitments or the Incremental Revolving Credit Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). For purposes of determining the available Revolving Credit Commitments or Incremental Revolving Credit Commitments of the Lenders at any time, each outstanding Revolving Swingline Loan and Incremental Swingline Loan shall be deemed to have utilized the Revolving Credit Commitments or the Incremental Revolving Credit Commitments, respectively, of the Lenders (including those Lenders which shall not have made Swingline Loans) pro rata in accordance with such respective Revolving Credit Commitments or Incremental Revolving Credit Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.18. ***Sharing of Setoffs***. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower or any other Loan Party, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Loan or Loans or L/C

Disbursement as a result of which the unpaid principal portion of its Loans and participations in L/C Disbursements shall be proportionately less than the unpaid principal portion of the Loans and participations in L/C Disbursements of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans and L/C Exposure of such other Lender, so that the aggregate unpaid principal amount of the Loans and L/C Exposure and participations in Loans and L/C Exposure held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans and L/C Exposure then outstanding as the principal amount of its Loans and L/C Exposure prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans and L/C Exposure outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; *provided*, *however*, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.18 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower and Holdings expressly consent to the foregoing arrangements and agree that any Lender holding a participation in a Loan or L/C Disbursement deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower and Holdings to such Lender by reason thereof as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

SECTION 2.19. ***Payments***. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any L/C Disbursement or any Fees or other amounts) hereunder and under any other Loan Document not later than 2:00 p.m., New York City time, on the date when due in immediately available dollars, without setoff, defense or counterclaim. Each such payment (other than (i) Issuing Bank Fees, which shall be paid directly to the Issuing Bank, and (ii) principal of and interest on Swingline Loans, which shall be paid directly to the Swingline Lender except as otherwise provided in Section 2.22(e)) shall be made to the Administrative Agent at its offices at Eleven Madison Avenue, New York, NY 10010. The Administrative Agent will promptly distribute to each Lender its pro rata share (or other applicable share as provided herein) of such payment.

(b) Except as otherwise expressly provided herein, whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.20. ***Taxes***. (a) Any and all payments by or on account of any obligation of the Borrower or any Loan Party hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; *provided* that if the Borrower or any Loan Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to Indemnified Taxes and Other Taxes payable under this Section) the Administrative Agent or such Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or such Loan Party shall make such deductions and (iii) the Borrower or such Loan Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 15 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower or any Loan Party hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) If the Borrower determines in good faith that a reasonable basis exists for contesting a Tax, the relevant Lender (or participant), or the Administrative Agent, as applicable, shall cooperate with the Borrower in challenging such Tax at the Borrower's expense if requested by the Borrower. If a Lender (or participant) or the Administrative Agent receives a refund (including pursuant to a claim for refund made pursuant to the preceding sentence) in respect of any Indemnified Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.20, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.20 with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender (or participant) or the Administrative Agent (together with any interest paid by the relevant Governmental Authority with respect to such refund); *provided, however*, that the Borrower, upon the request of such Lender (or participant) or the Administrative Agent, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges) to such Lender (or participant) or the Administrative Agent in the event such Lender (or participant) or the Administrative Agent is required to repay such refund to such Governmental Authority.

(e) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower or any other Loan Party to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or pursuant to any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate and shall deliver to the Borrower and the Administrative Agent two further copies of any such form or certification (or any applicable successor form) on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower. Each Lender that shall become a participant or a Lender pursuant to Section 9.04

shall, upon the effectiveness of the related transfer, be required to provide all the forms and statements required pursuant to this Section 2.20(f) provided that in the case of a participant such participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

SECTION 2.21. ***Assignment of Commitments Under Certain Circumstances; Duty to Mitigate***. (a) In the event (i) any Lender or the Issuing Bank delivers a certificate requesting compensation pursuant to Section 2.14, (ii) any Lender or the Issuing Bank delivers a notice described in Section 2.15, (iii) the Borrower is required to pay any additional amount to any Lender or the Issuing Bank or any Governmental Authority on account of any Lender or the Issuing Bank pursuant to Section 2.20 or (iv) any Lender refuses to consent to a proposed amendment, waiver, consent or other modification of this Agreement or any other Loan Document which has been approved by the Required Lenders and which additionally requires the consent of such Lender for approval pursuant to Section 9.08(b), the Borrower may, at its sole expense and effort, upon notice to such Lender or the Issuing Bank and the Administrative Agent, require such Lender or the Issuing Bank to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all of its interests, rights and obligations under this Agreement to an assignee that shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Revolving Credit Commitment or an Incremental Revolving Credit Commitment is being assigned, of the Issuing Bank and the Swingline Lender), which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender or the Issuing Bank in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans or L/C Disbursements of such Lender or the Issuing Bank, respectively, plus all Fees and other amounts accrued for the account of such Lender or the Issuing Bank hereunder (including any amounts under Section 2.14 and Section 2.16); *provided further* that, if prior to any such transfer and assignment the circumstances or event that resulted in such Lender’s or the Issuing Bank’s claim for compensation under Section 2.14 or notice under Section 2.15 or the amounts paid pursuant to Section 2.20, as the case may be, cease to cause such Lender or the Issuing Bank to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.15, or cease to result in amounts being payable under Section 2.20, as the case may be (including as a result of any action taken by such Lender or the Issuing Bank pursuant to paragraph (b) below), or if such Lender or the Issuing Bank shall waive its right to claim further compensation under Section 2.14 in respect of such circumstances or event or shall withdraw its notice under Section 2.15 or shall waive its right to further payments under Section 2.20 in respect of such circumstances or event or shall consent to the proposed amendment, waiver, consent or other modification, as the case may be, then such Lender or the Issuing Bank shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender or the Issuing Bank shall request compensation under Section 2.14, (ii) any Lender or the Issuing Bank delivers a notice described in Section 2.15 or (iii) the Borrower is required to pay any additional amount to any Lender or the Issuing Bank or any Governmental Authority on account of any Lender or the Issuing Bank, pursuant to Section 2.20, then such Lender or the Issuing Bank shall use reasonable efforts (which shall not require such Lender or the Issuing Bank to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.14 or enable it to withdraw its notice pursuant to Section 2.15 or would reduce amounts payable pursuant to Section 2.20, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or the Issuing Bank in connection with any such filing or assignment, delegation and transfer.

SECTION 2.22. ***Swingline Loans***. (a) *Swingline Commitment.* Subject to the terms and conditions and relying upon the representations and warranties herein set forth, the Swingline Lender agrees to make Revolving Swingline Loans to the Borrower at any time and from time to time on and after the Closing Date and until the earlier of the Revolving Credit Maturity Date and the termination of the Revolving Credit Commitments in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of all Revolving Swingline Loans exceeding $10,000,000 in the aggregate or (ii) the Aggregate Revolving Credit Exposure, after giving effect to any Revolving Swingline Loan, exceeding the Total Revolving Credit Commitment. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, the Swingline Lender agrees to make Incremental Swingline Loans to the Borrower at any time and from time to time on and after the Closing Date and until the earlier of the Incremental Revolving Credit Maturity Date and the termination of the Incremental Revolving Credit Commitments in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of all Incremental Swingline Loans exceeding $10,000,000 in the aggregate or (ii) the Aggregate Incremental Revolving Credit Exposure, after giving effect to any Incremental Revolving Swingline Loan, exceeding the Total Incremental Revolving Credit Commitment. Each Swingline Loan shall be in a principal amount that is an integral multiple of $250,000. The Swingline Commitment of any Class may be terminated or reduced from time to time as provided herein. Within the foregoing limits, the Borrower may borrow, pay or prepay and reborrow Swingline Loans hereunder, subject to the terms, conditions and limitations set forth herein.

(b) *Swingline Loans*. The Borrower shall notify the Administrative Agent by fax, or by telephone (confirmed by fax), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Such notice shall be delivered on a Business Day, shall be irrevocable and shall refer to this Agreement and shall specify the requested date (which shall be a Business Day), the amount of such Swingline Loan and, if Incremental Revolving Credit Commitments shall have become effective, whether such Swingline Loan is to be a Revolving Swingline Loan or an Incremental Swingline Loan; *provided*, *however*, that if no such election shall be made, the Borrower shall be deemed to have elected an Incremental Swingline Loan if permitted by paragraph (a) above. The Administrative Agent will promptly advise the Swingline Lender of any notice received from the Borrower pursuant to this paragraph (b). The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to an account in the name of the Borrower as designated by the Borrower in such notice by 3:00 p.m., New York City time, on the date such Swingline Loan is so requested.

(c) *Prepayment*. The Borrower shall have the right at any time and from time to time to prepay any Swingline Loan, in whole or in part, upon giving written or fax notice (or telephone notice promptly confirmed by written, or fax notice) to the Swingline Lender and to the Administrative Agent before 2:00 p.m., New York City time, on the date of prepayment at the

Swingline Lender's address for notices specified on Schedule 2.01. All principal payments of Swingline Loans shall be accompanied by accrued interest on the principal amount being repaid to the date of payment.

(d) *Interest*. Each Revolving Swingline Loan shall be an ABR Loan and, subject to the provisions of Section 2.07, shall bear interest as provided in Section 2.06(a) as if it were an ABR Revolving Loan. Each Incremental Swingline Loan shall be an ABR Loan and, subject to the provisions of Section 2.07, shall bear interest as provided in Section 2.06(a) as if it were an ABR Incremental Revolving Loan.

(e) *Participations*. The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Revolving Credit Lenders or the Incremental Revolving Credit Lenders, as the case may be, to acquire participations on such Business Day in all or a portion of the outstanding Revolving Swingline Loans or Incremental Swingline Loans, respectively. Such notice shall specify the aggregate amount of Swingline Loans in which such Lenders will participate. The Administrative Agent will, promptly upon receipt of such notice, give notice to each Revolving Credit Lender or Incremental Revolving Credit Lender, as the case may be, specifying in such notice such Lender's Pro Rata Percentage of such Swingline Loan or Loans. In furtherance of the foregoing, each Revolving Credit Lender and each Incremental Revolving Credit Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Pro Rata Percentage of such Revolving Swingline Loans or Incremental Swingline Loans, respectively. Each Revolving Credit Lender and each Incremental Revolving Credit Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Credit Lender and each Incremental Revolving Credit Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.02(c) with respect to Loans made by such Lender (and Section 2.02(c) shall apply, *mutatis mutandis*, to the payment obligations of the Lenders) and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower (or other party liable for obligations of the Borrower) of any default in the payment thereof.

SECTION 2.23. ***Letters of Credit***. (a) *General*. The Borrower may request the issuance of a Letter of Credit for its own account or for the account of any of its wholly owned Subsidiaries (in which case the Borrower and such wholly owned Subsidiary shall be co-applicants with respect to such Letter of Credit), in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time while the

Revolving Credit Commitments or the Incremental Revolving Credit Commitments remain in effect. This Section shall not be construed to impose an obligation upon the Issuing Bank to issue any Letter of Credit that is inconsistent with the terms and conditions of this Agreement.

(b) *Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions*. In order to request the issuance of a Letter of Credit (or to amend, renew or extend an existing Letter of Credit), the Borrower shall hand deliver or fax to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) below), the amount of such Letter of Credit, the name and address of the beneficiary thereof, whether such Letter of Credit is to be a Revolving Letter of Credit or an Incremental Letter of Credit and such other information as shall be necessary to prepare such Letter of Credit. Except as provided in paragraph (l) below, all Letters of Credit outstanding on the Restatement Date or at any other time prior to the effectiveness of any Incremental Revolving Credit Commitments shall be deemed to be Revolving Letters of Credit. If the Borrower requests the issuance of a Letter of Credit after the effectiveness of any Incremental Revolving Credit Commitment and does not designate whether such Letter of Credit is to be a Revolving Letter of Credit or an Incremental Letter of Credit, then, if permitted by the next sentence, such Letter of Credit shall be deemed to be an Incremental Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if, and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that, after giving effect to such issuance, amendment, renewal or extension (i) the L/C Exposure shall not exceed $30,000,000, (ii) the Aggregate Revolving Credit Exposure shall not exceed the Total Revolving Credit Commitment and (iii) the Aggregate Incremental Revolving Credit Exposure shall not exceed the Total Incremental Revolving Credit Commitment.

(c) *Expiration Date*. Each Letter of Credit shall expire at the close of business on the earlier of the date that is one year after the date of the issuance of such Letter of Credit and the date that is five Business Days prior to the Revolving Credit Maturity Date (in the case of a Revolving Letter of Credit) or the Incremental Revolving Credit Maturity Date (in the case of an Incremental Letter of Credit), unless such Letter of Credit expires by its terms on an earlier date; provided, however, that a Letter of Credit may, upon the request of the Borrower, include a provision whereby such Letter of Credit shall be renewed automatically for additional consecutive periods of 12 months or less (but not beyond the date that is five Business Days prior to the Revolving Credit Maturity Date (in the case of a Revolving Letter of Credit) or the Incremental Revolving Credit Maturity Date (in the case of an Incremental Letter of Credit) unless the Issuing Bank notifies the beneficiary thereof at least 30 days prior to the then applicable expiration date that such Letter of Credit will not be renewed.

(d) *Participations*. By the issuance of a Revolving Letter of Credit and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Revolving Credit Lender, and each such Lender hereby acquires from the Issuing Bank, a participation in such Revolving Letter of Credit equal to such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Revolving Letter of Credit, effective upon the issuance of such Revolving Letter of Credit. By the issuance of an Incremental Letter of Credit and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Incremental Revolving Credit Lender, and each such Lender hereby acquires from the Issuing Bank, a participation in such Incremental Letter of Credit equal to such

Lender’s Pro Rata Percentage of the aggregate amount available to be drawn under such Incremental Letter of Credit, effective upon the issuance of such Incremental Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Credit Lender and each Incremental Revolving Credit Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender’s Pro Rata Percentage of each Revolving L/C Disbursement or Incremental L/C Disbursement, respectively, made by the Issuing Bank and not reimbursed by the Borrower (or, if applicable, another party pursuant to its obligations under any other Loan Document) forthwith on the date due as provided in Section 2.02(f). Each Revolving Credit Lender and each Incremental Revolving Credit Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) *Reimbursement*. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, the Borrower shall pay to the Issuing Bank an amount equal to such L/C Disbursement on the same Business Day on which the Borrower shall have received notice from the Issuing Bank that payment of such draft will be made, or, if the Borrower shall have received such notice later than 1:00 p.m., New York City time, on any Business Day, not later than 1:00 p.m., New York City time, on the immediately following Business Day; *provided* that to satisfy its reimbursement obligation under this paragraph (e), the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.22 an ABR Revolving Loan, an ABR Incremental Revolving Loan or a Swingline Loan to be made by the Revolving Credit Lenders, the Incremental Revolving Credit Lenders or the Swingline Lender, respectively, in the aggregate amount of any such L/C Disbursement.

(f) *Obligations Absolute*. The Borrower’s obligations to reimburse L/C Disbursements as provided in paragraph (e) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under any and all circumstances whatsoever, and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit or any Loan Document, or any term or provision therein;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of any Letter of Credit or any Loan Document;

(iii) the existence of any claim, setoff, defense or other right that the Borrower, any other party guaranteeing, or otherwise obligated with, the Borrower, any Subsidiary or other Affiliate thereof or any other person may at any time have against the beneficiary under any Letter of Credit, the Issuing Bank, the Administrative Agent or any Lender or any other person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreement or transaction;

(iv) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; and

(vi) any other act or omission to act or delay of any kind of the Issuing Bank, the Lenders, the Administrative Agent or any other person or any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Without limiting the generality of the foregoing, it is expressly understood and agreed that the absolute and unconditional obligation of the Borrower hereunder to reimburse L/C Disbursements will not be excused by the gross negligence or wilful misconduct of the Issuing Bank. However, the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's gross negligence or wilful misconduct in determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof; it is understood that the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary and, in making any payment under any Letter of Credit (i) the Issuing Bank's exclusive reliance on the documents presented to it under such Letter of Credit as to any and all matters set forth therein, including reliance on the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary thereunder equals the amount of such draft and whether or not any document presented pursuant to such Letter of Credit proves to be insufficient in any respect, if such document on its face appears to be in order, and whether or not any other statement or any other document presented pursuant to such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever and (ii) any noncompliance in any immaterial respect of the documents presented under such Letter of Credit with the terms thereof shall, in each case, be deemed not to constitute wilful misconduct or gross negligence of the Issuing Bank.

(g) *Disbursement Procedures*. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall as promptly as possible give telephonic notification, confirmed by fax, to the Administrative Agent and the Borrower of such demand for payment and whether the Issuing Bank has made or will make an L/C Disbursement thereunder; *provided* that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank, the Revolving Credit Lenders or the Incremental Revolving Credit Lenders with respect to any such L/C Disbursement. The Administrative Agent shall promptly give each Revolving Credit Lender or Incremental Revolving Credit Lender, as applicable, notice thereof.

(h) *Interim Interest*. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, then, unless the Borrower shall reimburse such L/C Disbursement in full on such date, the unpaid amount thereof shall bear interest for the account of the Issuing Bank, for each day from and including the date of such L/C Disbursement, to but excluding the earlier of the date of payment by the Borrower or the date on which interest shall commence to accrue thereon as provided in Section 2.02(f), at the rate per annum that would apply to such amount if such amount were an ABR Revolving Loan.

(i) *Resignation or Removal of the Issuing Bank.* The Issuing Bank may resign at any time by giving 30 days' prior written notice to the Administrative Agent, the Lenders and the Borrower, and may be removed at any time by the Borrower by notice to the Issuing Bank, the Administrative Agent and the Lenders. Subject to the next succeeding paragraph, upon the acceptance of any appointment as the Issuing Bank hereunder by a Lender that shall agree to serve as successor Issuing Bank, such successor shall succeed to and become vested with all the interests, rights and obligations of the retiring Issuing Bank and the retiring Issuing Bank shall be discharged from its obligations to issue additional Letters of Credit hereunder. At the time such removal or resignation shall become effective, the Borrower shall pay all accrued and unpaid fees pursuant to Section 2.05(c)(ii). The acceptance of any appointment as the Issuing Bank hereunder by a successor Lender shall be evidenced by an agreement entered into by such successor, in a form satisfactory to the Borrower and the Administrative Agent, and, from and after the effective date of such agreement, (i) such successor Lender shall have all the rights and obligations of the previous Issuing Bank under this Agreement and the other Loan Documents and (ii) references herein and in the other Loan Documents to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the resignation or removal of the Issuing Bank hereunder, the retiring Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement and the other Loan Documents with respect to Letters of Credit issued by it prior to such resignation or removal, but shall not be required to issue additional Letters of Credit.

(j) *Cash Collateralization*. If any Event of Default shall occur and be continuing, the Borrower shall, on the Business Day it receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Credit Lenders holding participations in outstanding Revolving Letters of Credit representing greater than 50% of the aggregate undrawn amount of all outstanding Revolving Letters of Credit or Incremental Revolving Credit Lenders holding participations in outstanding Incremental Letters of Credit representing greater than 50% of the aggregate undrawn amount of all outstanding Incremental Letters of Credit) thereof and of the amount to be deposited, deposit in an account with the Collateral Agent, for the benefit of the Revolving Credit Lenders or the Incremental Revolving Credit Lenders, as the case may be, an amount in cash equal to the Revolving L/C Exposure or the Incremental L/C Exposure, as applicable, as of such date. Such deposit shall be held by the Collateral Agent as collateral for the payment and performance of the Obligations. The Collateral Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits in Permitted Investments, which investments shall be made at the option and sole discretion of the Collateral Agent, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall (i) automatically be applied by the Administrative Agent to reimburse the Issuing Bank for Revolving L/C Disbursements or Incremental L/C Disbursements, in respect of which such deposit was made and for which the Issuing Bank has not been reimbursed, (ii) be held for the satisfaction of the reimbursement obligations of the Borrower for the Revolving L/C Exposure or Incremental L/C Exposure, in respect of which such deposit was made and (iii) if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Credit Lenders holding participations in outstanding Letters of Credit representing greater than 50% of the aggregate undrawn amount of all outstanding Letters of Credit or Incremental Revolving Credit Lenders holding participations in outstanding Incremental Letters of Credit representing greater than 50% of the aggregate undrawn amount of all outstanding Incremental Letters of Credit, as the case may be), be applied to satisfy the Obligations. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

(k) *Additional Issuing Banks.* The Borrower may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld) and such Lender, designate one or more additional Lenders to act as an issuing bank under the terms of this Agreement. Any Lender designated as an issuing bank pursuant to this paragraph (k) shall be deemed (in addition to being a Lender) to be the Issuing Bank with respect to Letters of Credit issued or to be issued by such Lender, and all references herein and in the other Loan Documents to the term "Issuing Bank" shall, with respect to such Letters of Credit, be deemed to refer to such Lender in its capacity as Issuing Bank, as the context shall require. Each Lender acting as an Issuing Bank hereunder shall promptly provide to the Administrative Agent such information with respect to the Letters of Credit issued by such Lender as the Administrative Agent may reasonably request to allow the Administrative Agent to calculate the Revolving L/C Exposure, the Incremental L/C Exposure, the L/C Participation Fee and the other Obligations with respect to outstanding Letters of Credit.

(l) *Redesignation of Letters of Credit.* Upon the effectiveness of any Incremental Revolving Credit Commitment, the Borrower may, by written notice to the Administrative Agent and the Issuing Bank, designate any outstanding Letter of Credit as an Incremental Letter of Credit if the Borrower at that time would be permitted to request the issuance of an Incremental Letter of Credit, with such designation to be effective upon the effectiveness of such Incremental Revolving Credit Commitment. If either the Revolving Credit Commitments or the Incremental Revolving Credit Commitments shall expire or be terminated or reduced at a time when one or more Letters of Credit of the affected class are outstanding and Section 2.13(a) would otherwise require the Borrower to replace or cash collateralize one or more Letters of Credit of the affected Class (the "*Affected Letters of Credit*"), if the Borrower at that time would be permitted to request the issuance of a Letter of Credit of the other Class in the aggregate face amount of the Affected Letters of Credit, then, by written notice to the Administrative Agent prior to such expiration, termination or reduction, the Borrower may instead redesignate the Affected Letters of Credit as Letters of Credit of the other Class, with such redesignation to be effective upon the expiration, termination or reduction of the affected Class of Commitments.

SECTION 2.24. ***Increase in Revolving Credit Commitments.*** (a) The Borrower may, by written notice to the Administrative Agent from time to time, request that the Total Revolving Credit Commitment be increased by an amount not to exceed the Incremental Revolving Facility Amount at such time. Upon the approval of such request by the Administrative Agent (which approval shall not be unreasonably withheld), the Administrative Agent shall deliver a copy thereof to each Revolving Credit Lender. Such notice shall set forth the amount of the requested increase in the Total Revolving Credit Commitment (which shall be in minimum increments of $5,000,000 and a minimum amount of $10,000,000 or equal to the remaining Incremental Revolving Facility Amount) and the date on which such increase is requested to become effective (which shall be not less than 10 Business Days nor more than 60 days after the date of such notice and which, in any event, must be on or prior to the Revolving Credit Maturity Date), and shall offer each Revolving Credit Lender the opportunity to increase its Revolving Credit Commitment by its Pro Rata Percentage of the proposed increased amount. Each Revolving Credit Lender shall, by notice to the Borrower and the Administrative Agent given not more than 10 days after the date of the Administrative Agent's notice, either agree to increase its Revolving Credit Commitment by all or a portion of the offered amount (each Revolving Credit Lender so agreeing being an *"Increasing Revolving Lender*") or decline to increase its Revolving Credit Commitment (and any Revolving Credit Lender that does not deliver such a notice within such period of 10 days shall be deemed to have declined to increase its Revolving Credit Commitment) (each Revolving Credit Lender so declining or being deemed to have declined being a "*Non-Increasing Revolving Lender*"). In the event that, on the 10th day after the Administrative Agent shall have delivered a notice pursuant to the second sentence of this paragraph, the Revolving Credit Lenders shall have agreed pursuant to the preceding sentence to increase their Revolving Credit Commitments by an aggregate amount less than the increase in the Total Revolving Credit Commitment requested by the Borrower, the Borrower may arrange for one or more banks or other entities (any such bank or other entity referred to in this clause (a) being called an "*Augmenting Revolving Lender*"), which may include any Lender, to extend Revolving Credit Commitments or increase their existing Revolving Credit Commitments in an aggregate amount equal to the unsubscribed amount; *provided* that each Augmenting Revolving Lender, if not already a Revolving Credit Lender hereunder, shall be subject to the approval of the Administrative Agent, the Swingline Lender and the Issuing Bank (which approvals shall not be unreasonably withheld) and the Borrower and each Augmenting Revolving Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence its Revolving Credit Commitment and/or its status as a Revolving Credit Lender hereunder. Any increase in the Total Revolving Credit Commitment may be made in an amount which is less than the increase requested by the Borrower if the Borrower is unable to arrange for, or chooses not to arrange for, Augmenting Revolving Lenders.

(b) In lieu of or in addition to requesting that the Total Revolving Credit Commitment be increased pursuant to paragraph (a) above, the Borrower may, by written notice to the Administrative Agent from time to time, request that one or more persons reasonably acceptable to the Administrative Agent commit to make revolving loans to the Borrower that (i) mature later than the Revolving Credit Maturity Date, (ii) have Applicable Percentages that are lower than the Applicable Percentages for the Revolving Loans or (iii) have an undrawn Commitment Fee that is lower than the Commitment Fee for the Revolving Credit Commitments (such loans, "*Incremental Revolving Loans*"), in an aggregate amount not to exceed the Incremental Revolving Facility Amount at such time. Such notice shall set forth (i) the amount of the Incremental Revolving Credit Commitments being requested (which shall be in minimum increments of $5,000,000 and a minimum amount of $10,000,000 or equal to the remaining Incremental Revolving Facility Amount), (ii) the date on which such Incremental Revolving Credit Commitments are requested to become effective (which shall not be less than five Business Days nor more than 60 days after the date of such notice), and (iii) the requested final maturity date, Applicable Percentages and Commitment Fee therefor. The Borrower and each Incremental Revolving Credit Lender shall execute and deliver to the Administrative Agent an Incremental Revolving Credit Commitment Assumption Agreement and such other documentation as the Administrative Agent shall reasonably specify to evidence the Incremental Revolving Credit Commitment of such Incremental Revolving Credit Lender. The Administrative Agent shall inform each Revolving Credit Lender of the Borrower's request to establish Incremental Revolving Credit Commitments pursuant to this paragraph (b) and offer each such Revolving Credit Lender the opportunity to amend the final termination date, Applicable Percentages and Commitment Fee relating to all or a portion of its Revolving Credit Commitment to match those of the Incremental Revolving Credit Commitment being established pursuant to this paragraph (b). To the extent any such Revolving Credit Lender agrees so to amend the terms of its Revolving Credit Commitment (such Lender, a "*Converting Revolving Credit Lender*"), such agreement will be memorialized by such Converting Revolving Credit Lender's executing an Incremental Revolving Credit Commitment Assumption Agreement. For administrative convenience, from and after the effectiveness of such Incremental Revolving Credit Commitment Assumption Agreement with respect to any Converting Revolving Credit Lender, the Revolving Credit Commitment of such Lender subject thereto shall be deemed to be an Incremental Revolving Credit Commitment and shall cease to be a Revolving Credit Commitment for all purposes of this Agreement and the other Loan Documents. For purposes of calculating the Commitment Fees and L/C Participation Fees due to any Converting Revolving Credit Lender, such fees shall be calculated based upon its Revolving Credit Commitment to but excluding the date of conversion and on its Incremental Revolving Credit Commitment thereafter.

(c) Each of the parties hereto hereby agrees that the Administrative Agent may take any and all actions as may be reasonably necessary to ensure that, after giving effect to any increase in the Total Revolving Credit Commitment pursuant to Section 2.24(a) or any decrease in the Total Revolving Credit Commitment as a result of a Revolving Credit Lender becoming an Incremental Revolving Credit Lender pursuant to Section 2.24(b), the outstanding Revolving Loans (if any) are held by the Revolving Credit Lenders in accordance with their new Pro Rata Percentages. This may be accomplished at the discretion of the Administrative Agent (i) by requiring the outstanding Revolving Loans to be prepaid with the proceeds of a new Revolving Credit Borrowing, (ii) by causing Non-Increasing Revolving Lenders to assign portions of their outstanding Revolving Loans to Increasing Revolving Lenders and Augmenting Revolving Lenders, (iii) by causing Converting Revolving Credit Lenders to assign portions of the outstanding Incremental Revolving Loans to other Incremental Revolving Credit Lenders or (iv) by any combination of the foregoing. Any prepayment or assignment described in this paragraph (c) shall be subject to Section 2.16, but otherwise without premium or penalty.

(d) Notwithstanding the foregoing, no Incremental Revolving Credit Commitment and no increase in the Total Revolving Credit Commitment (or in the Revolving Credit Commitment of any Revolving Credit Lender) or addition of a new Revolving Credit Lender shall become effective under this Section 2.24 unless, (i) on the date of such increase, the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Borrower, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Revolving Credit Lenders or Incremental Revolving Credit Lenders, as the case may be) legal opinions, board resolutions and an officer’s certificate consistent with those delivered on the Restatement Date under clauses (a)(i), (a)(ii), (c)(ii)(B) and (d) of Section 4.02.

SECTION 2.25. ***Increase in Term Loan Commitments.*** (a) The Borrower may, by written notice to the Administrative Agent from time to time, request Incremental Term Loan Commitments in an amount not to exceed the Incremental Term Loan Amount from one or more Incremental Term Lenders, which may include any existing Lender; *provided* that each Incremental Term Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld). Such notice shall set forth (i) the amount of the Incremental Term Loan Commitments being requested (which shall be in minimum increments of $5,000,000 and a minimum amount of $10,000,000 or equal to the remaining Incremental Term Loan Amount), (ii) the date on which such Incremental Term Loan Commitments are requested to become effective (which shall not be less than 10 Business Days nor more than 60 days after the date of such notice), and (iii) whether such Incremental Term Loan Commitments are commitments to make additional Term Loans or commitments to make term loans with terms different from the Term Loans (“*Other Term Loans*”).

(b) The Borrower and each Incremental Term Lender shall execute and deliver to the Administrative Agent an Incremental Term Loan Assumption Agreement and such other documentation as the Administrative Agent shall reasonably specify to evidence the Incremental Term Loan Commitment of such Incremental Term Lender. Each Incremental Term Loan Assumption Agreement shall specify the terms of the Incremental Term Loans to be made thereunder; *provided* that, without the prior written consent of the Required Lenders, (i) the interest rate spreads in respect of any Other Term Loans shall not exceed by more than 1/2 of 1% the Applicable Percentage for the Term Loans, (ii) the final maturity date of any Other Term Loans shall be no earlier than the Term Loan Maturity Date and (iii) the average life to maturity of any Other Term Loans shall be no shorter than the average life to maturity of the Term Loans. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Incremental Term Loan Assumption Agreement. Each of the parties hereto hereby agrees that, upon the effectiveness of any Incremental Term Loan Assumption Agreement, this Agreement shall be deemed amended to the extent (but only to the extent) necessary to reflect the existence and terms of the Incremental Term Loan Commitment evidenced thereby.

(c) Notwithstanding the foregoing, no Incremental Term Loan Commitment shall become effective under this Section 2.25 unless (i) on the date of such effectiveness, the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Borrower, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Incremental Term Lenders) legal opinions, board resolutions and an officer's certificate consistent with those delivered on the Restatement Date under clauses (a)(i), (a)(ii), (c)(ii)(B) and (d) of Section 4.02.

(d) Each of the parties hereto hereby agrees that the Administrative Agent may take any and all action as may be reasonably necessary to ensure that all Incremental Term Loans (other than Other Term Loans), when originally made, are included in each Borrowing of outstanding Term Loans, as the case may be, on a pro rata basis. This may be accomplished at the discretion of the Administrative Agent by requiring each outstanding Eurodollar Term Borrowing to be converted into an ABR Term Borrowing on the date of each Incremental Term Loan, or by allocating a portion of each Incremental Term Loan to each outstanding Eurodollar Term Borrowing on a pro rata basis, even though as a result thereof such Incremental Term Loan may effectively have a shorter Interest Period than the Term Loans included in the Borrowing of which they are a part (and notwithstanding any other provision of this Agreement that would prohibit such an initial Interest Period). Any conversion of Eurodollar Term Loans to ABR Term Loans required by the preceding sentence shall be subject to Section 2.16. If any Incremental Term Loan is to be allocated to an existing Interest Period for a Eurodollar Term Borrowing then, subject to Section 2.07, the interest rate applicable to such Incremental Term Loan for the remainder of such Interest Period shall equal the Adjusted LIBO Rate for a period approximately equal to the remainder of such Interest Period (as determined by the Administrative Agent two Business Days before the date such Incremental Term Loan is made) plus the Applicable Percentage. In addition, to the extent any Incremental Term Loans are not Other Term Loans, the scheduled amortization payments under Section 2.11(a)(i) required to be made after the making of such Incremental Term Loans shall be ratably increased by the aggregate principal amount of such Incremental Term Loans.

ARTICLE III

Representations and Warranties

Each of Holdings and the Borrower, with respect to itself and its Subsidiaries, represents and warrants to the Administrative Agent, the Collateral Agent, the Issuing Bank and each of the Lenders that:

SECTION 3.01. ***Organization; Powers***. Each of Holdings, the Borrower and the Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect, and (d) has the power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated hereby to which it is or will be a party and, in the case of the Borrower, to borrow hereunder.

SECTION 3.02. ***Authorization***. The execution, delivery and performance by the Loan Parties of the Loan Documents to which each is or will be a party and the consummation by the Loan Parties of the Amendment Transactions (including the borrowings by the Borrower hereunder) (a) have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation in any material respect, or of the certificate or articles of incorporation or other constitutive documents or by-laws of Holdings, the Borrower or any Subsidiary, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which Holdings, the Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound in any material respect, (ii) or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such indenture, agreement or other instrument or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by Holdings, the Borrower or any Subsidiary (other than any Lien created hereunder or under the Security Documents).

SECTION 3.03. ***Enforceability***. This Agreement has been duly executed and delivered by Holdings and the Borrower and constitutes, and each other Loan Document when executed and delivered by the each Loan Party thereto will constitute, a legal, valid and binding obligation of such Loan Party enforceable against such Loan Party in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights generally and to general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

SECTION 3.04. ***Governmental Approvals***. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Amendment Transactions, except for such as have been made or obtained and are in full force and effect, and except where the failure to obtain such consent or approval to make such registration or filing or other action, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.05. ***Financial Statements***. The Borrower has heretofore furnished to the Lenders its consolidated balance sheets and statements of income, stockholder's equity and cash flows as of and for the fiscal year ended December 31, 2003, audited by and accompanied by the opinion of Deloitte & Touche LLP, independent public accountants. Such financial statements present fairly the financial condition and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the dates thereof. Such financial statements were prepared in accordance with GAAP applied on a consistent basis.

SECTION 3.06. ***No Material Adverse Change***. No event, change or condition has occurred that has had, or could reasonably be expected to have, a material adverse effect on the business, assets, operations or condition, financial or otherwise, of Holdings, the Borrower and the Subsidiaries, taken as a whole, since December 31, 2003.

SECTION 3.07. ***Title to Properties***. Each of Holdings, the Borrower and the Subsidiaries has good and marketable title to, or valid leasehold interests in, all its material properties and assets necessary for the conduct of its business, except for minor defects in title that do not interfere in any material respect with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes. All such material properties and assets are free and clear of Liens, other than Liens expressly permitted by Section 6.02.

SECTION 3.08. ***Subsidiaries; Designated Real Estate Credit Support***. (a) Schedule 3.08(a) sets forth as of the Signing Date a list of all subsidiaries (other than Designated Real Estate Asset Subsidiaries) of Holdings, the percentage ownership interest of Holdings, the Borrower or other Subsidiaries therein and whether such Subsidiary is an Inactive Subsidiary. The shares of capital stock or other ownership interests so indicated on Schedule 3.08(a) are fully paid and non-assessable and are owned by Holdings or the Borrower, directly or indirectly, free and clear of all Liens (other than Liens created under the Security Documents).

(b) Schedule 3.08(b) sets forth, as of the Signing Date, a true and correct description of all Designated Real Estate Credit Support.

SECTION 3.09. ***Litigation; Compliance with Laws***. (a) Except as set forth on Schedule 3.09, there are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of Holdings or the Borrower, threatened against or affecting Holdings or the Borrower or any Subsidiary or any business, property or rights of any such person (i) that involve any Loan Document or the Amendment Transactions or (ii) that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) Since the Signing Date, there has been no change in the status of the matters disclosed on Schedule 3.09 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

(c) None of Holdings, the Borrower or any of the Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ***Agreements***. (a) None of Holdings, the Borrower or any of the Subsidiaries is a party to any agreement or instrument or subject to any corporate restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(b) None of Holdings, the Borrower or any of the Subsidiaries is in default in any manner under any provision of any indenture or other agreement or instrument evidencing Material Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. ***Federal Reserve Regulations***. (a) None of Holdings, the Borrower or any of the Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of the provisions of Regulation T, U or X.

SECTION 3.12. ***Investment Company Act; Public Utility Holding Company Act*** None of Holdings, the Borrower or any Subsidiary (other than any Co-investment Subsidiary) is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.13. ***Use of Proceeds***. The Borrower will (a) use the proceeds of the Term Loans only for the purposes specified in the preamble to the Amendment Agreement, (b) use the proceeds of the Revolving Loans, Incremental Revolving Loans and Swingline Loans and will request the issuance of Letters of Credit only for working capital and other general corporate purposes and (c) use the proceeds of Incremental Term Loans only as set forth in the applicable Incremental Term Loan Assumption Agreement.

SECTION 3.14. ***Tax Returns***. Each of the Holdings, the Borrower and the Subsidiaries has filed or caused to be filed all Federal and all material state, local and foreign tax returns or materials required to have been filed by it and has paid or caused to be paid all material taxes due and payable by it and all assessments received by it, except taxes that are being contested in good faith by appropriate proceedings and for which Holdings, the Borrower or such Subsidiary, as applicable, shall have set aside on its books adequate reserves.

SECTION 3.15. ***No Material Misstatements***. No information, report, financial statement, exhibit or schedule furnished by or on behalf of Holdings or the Borrower to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto contained, contains or will contain any material misstatement of fact or omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not misleading as of the time when made or delivered; *provided* that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, each of Holdings and the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.16. ***Employee Benefit Plans***. (a) Each of the Borrower and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder except for such non-compliance as could not reasonably be expected to result in a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the last annual valuation dates applicable thereto, exceed the fair market value of the assets of all such underfunded Plans by an amount that could reasonably be expected to result in a Material Adverse Effect.

(b) Each Foreign Pension Plan is in compliance in all material respects with all requirements of law applicable thereto and the respective requirements of the governing documents for such plan except to the extent such non-compliance could not reasonably be expected to result in a Material Adverse Effect. With respect to each Foreign Pension Plan, none of the Holdings, its Subsidiaries or any of its directors, officers, employees or agents has engaged in a transaction that subject Holdings or any of its Subsidiaries, directly or indirectly, to a tax or civil penalty that could reasonably be expected to have a Material Adverse Effect. With respect to each Foreign Pension Plan, reserves have been established in the financial statements furnished to Lenders in respect of any unfunded liabilities in accordance with applicable law and prudent business practice or, where required, in accordance with ordinary accounting practices in the jurisdiction in which such Foreign Pension Plan is maintained, except for such failure as could not reasonably be expected to result in a Material Adverse Effect. The aggregate unfunded liabilities, with respect to such Foreign Pension Plans could not reasonably be expected to result in a Material Adverse Effect. There are no actions, suits or claims (other than routine claims for benefits) pending or threatened against the Holdings or any of its Affiliates with respect to any Foreign Pension Plan which could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

SECTION 3.17. ***Environmental Matters***. Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, none of Holdings, the Borrower or any of the Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.18. ***Insurance***. Schedule 3.18 sets forth a true, complete and correct description of all insurance maintained by the Borrower or by the Borrower for its Subsidiaries as of the Signing Date. As of such date, such insurance is in full force and effect and all premiums have been duly paid. The Borrower and its Subsidiaries have insurance in such amounts and covering such risks and liabilities as are in accordance with normal industry practice.

SECTION 3.19. ***Labor Matters***. As of the Signing Date, there are no material strikes, lockouts or slowdowns against Holdings, the Borrower or any Subsidiary pending or, to the knowledge of Holdings or the Borrower, threatened. The hours worked by and payments made to employees of Holdings, the Borrower and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except to the extent that such violations, in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All payments due from Holdings, the Borrower or any Subsidiary, or for which any claim may be made against Holdings, the Borrower or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of Holdings, the Borrower or such Subsidiary, except to the extent that non-payment or non-accrual could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The consummation of the Amendment Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings, the Borrower or any Subsidiary is bound.

SECTION 3.20. ***Solvency***. Immediately after the consummation of the Amendment Transactions to occur on the Restatement Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of each Loan, (a) the fair value of the assets of Holdings and its subsidiaries, on a consolidated basis, and the assets of the Borrower and its subsidiaries, on a consolidated basis, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of Holdings and its subsidiaries, on a consolidated basis, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) Holdings and its subsidiaries, on a consolidated basis, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) Holdings and its subsidiaries, on a consolidated basis, will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the Restatement Date.

SECTION 3.21. ***Senior Indebtedness***. The Obligations constitute “Designated Senior Indebtedness” under and as defined in the Senior Subordinated Note Indenture.

ARTICLE IV

Conditions of Lending

SECTION 4.01. ***All Credit Events***. The obligations of the Lenders (including the Swingline Lender) to make Loans and of the Issuing Bank to issue, amend, extend or renew any Letter of Credit (each such event being called a “*Credit Event*”) are subject to the satisfaction of the following conditions on the date of each Credit Event:

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 (or such notice shall have been deemed given in accordance with Section 2.03) or, in the case of the issuance, amendment, extension or renewal of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received a notice requesting the issuance, amendment, extension or renewal of such Letter of Credit as required by Section 2.23(b) or, in the case of the Borrowing of a Swingline Loan, the Swingline Lender and the Administrative Agent shall have received a notice requesting such Swingline Loan as required by Section 2.22(b).

(b) The representations and warranties set forth in Article III hereof and in each other Loan Document shall be true and correct in all material respects on and as of the date of such Credit Event with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Credit Event, no Event of Default or Default shall have occurred and be continuing.

Each Credit Event shall be deemed to constitute a representation and warranty by the Borrower and Holdings on the date of such Credit Event as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. ***Restatement Date***. On the Restatement Date:

(a) The Administrative Agent shall have received, on behalf of itself, the Lenders and the Issuing Bank, a favorable written opinion of (i) Dean E. Miller, Esq., Assistant General Counsel- Corporate of the Borrower, substantially to the effect set forth in Exhibit E-1, and (ii) Simpson Thacher & Bartlett LLP, counsel for Holdings and the Borrower, substantially to the effect set forth in Exhibit E-2, in each case (A) dated on or shortly prior to the Restatement Date, (B) addressed to the Issuing Bank, the Administrative Agent and the Lenders, and (C) covering such other matters relating to the Loan Documents and the Amendment Transactions as the Administrative Agent shall reasonably request, and Holdings and the Borrower hereby request such counsel to deliver such opinions.

(b) All legal matters incident to this Agreement, the Borrowings and extensions of credit hereunder and the other Loan Documents shall be reasonably satisfactory to the Lenders, to the Issuing Bank and to the Administrative Agent and, to the extent requested, the Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA Patriot Act.

(c) The Administrative Agent shall have received a certificate, dated on or shortly prior to the Restatement Date and signed by the Secretary or Assistant Secretary of each of Holdings and the Borrower, certifying that, except as set forth on any schedule attached thereto, (i) the certificate or articles of incorporation of each Loan Party previously delivered on the First Restatement Date (or such later date on which such person became a Loan Party) have not been amended since the date of the last amendment thereto shown on the certificate of good standing so furnished and (ii) the by-laws of each Loan Party as in effect and delivered to the Administrative Agent on the First Restatement Date (or such later date on which such person became a Loan Party) have not been amended.

(d) The Administrative Agent shall have received a certificate, dated on or shortly prior to the Restatement Date and signed by a Financial Officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01.

(e) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Restatement Date, including, to the extent invoiced prior to the Restatement Date, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document.

(f) The Amendment Agreement shall have become effective in accordance with its terms.

(g) Each document (including each Uniform Commercial Code financing statement) required by law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Collateral Agent for the benefit of the Secured Parties a valid, legal and perfected first-priority (except to the extent otherwise provided therein) security interest in and lien on the Collateral (subject to any Lien expressly permitted by Section 6.02) described in the Collateral Agreement shall have been delivered to the Collateral Agent.

(h) The IPO shall have been consummated and Holdings shall have received not less that $135,000,000 of Net Cash Proceeds therefrom.

(i) The Existing Term Loans, together with accrued interest thereon, shall have been repaid, or shall be repaid simultaneously with the initial Borrowing of the Term Loans hereunder.

ARTICLE V

Affirmative Covenants

Each of Holdings and the Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document shall have been paid in full and all Letters of Credit have been canceled or have expired and all amounts drawn thereunder have been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, each of Holdings and the Borrower will, and will cause each of the Subsidiaries to:

SECTION 5.01. ***Existence; Businesses and Properties***. (a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.05.

(b) Except as could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect: (i) do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names necessary to the conduct of its business; (ii) comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, including Environmental Laws, whether now in effect or hereafter enacted; and (iii) at all times maintain and preserve all property necessary to the conduct of such business and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

SECTION 5.02. ***Insurance***. (a) Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating in the same or similar locations, including public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by it; and maintain such other insurance as may be required by law.

(b) Cause all such policies covering any Collateral to be endorsed or otherwise amended to include a customary lender's loss payable endorsement, in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent, which endorsement shall provide that, from and after the Closing Date, if the insurance carrier shall have received written notice from the Administrative Agent or the Collateral Agent of the occurrence of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to the Borrower or the Loan Parties under such policies directly to the Collateral Agent; cause all such policies to provide that neither the Borrower, the Administrative Agent, the Collateral Agent nor any other party shall be a coinsurer thereunder and to contain a "Replacement Cost Endorsement", without any deduction for depreciation, and such other provisions as the Administrative Agent or the Collateral Agent may reasonably require from time to time to protect their interests; deliver original or certified copies of all such policies to the Collateral Agent; cause each such policy to provide that it shall not be canceled, modified or not renewed (i) by reason of nonpayment of premium upon not less than 10 days' prior written notice thereof by the insurer to the Administrative Agent and the Collateral Agent (giving the Administrative Agent and the Collateral Agent the right to cure defaults in the payment of premiums) or (ii) for any other reason upon not less than 30 days' prior written notice thereof by the insurer to the Administrative Agent and the Collateral Agent; deliver to the Administrative Agent and the Collateral Agent, prior to the cancelation, modification or nonrenewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Administrative Agent and the Collateral Agent) together with evidence reasonably satisfactory to the Administrative Agent and the Collateral Agent of payment of the premium therefor.

SECTION 5.03. ***Obligations and Taxes***. Pay its Material Indebtedness and other material obligations promptly and in accordance with their terms and pay and discharge promptly when due all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful material claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof; *provided*, *however*, that such payment and discharge shall not be required with respect to any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Borrower shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP and such contest operates to suspend collection of the contested obligation, tax, assessment or charge and enforcement of a Lien.

SECTION 5.04. ***Financial Statements, Reports, etc***. In the case of the Borrower, furnish to the Administrative Agent (which shall furnish such statements, certificates or other documents received pursuant to this Section 5.04 to each Lender and Issuing Bank):

(a) within 90 days after the end of each fiscal year, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of the Borrower and its consolidated Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of such Subsidiaries during such year, together with comparative figures for the immediately preceding fiscal year, all audited by Deloitte & Touche LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of the Borrower and its consolidated Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of such Subsidiaries during such fiscal quarter and the then elapsed portion of the fiscal year, and comparative figures for the same periods in the immediately preceding fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of a Financial Officer (i) certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the covenants contained in Sections 6.11, 6.12, 6.13 and 6.14 and (x) in the case of a certificate delivered with the financial statements required by paragraph (b) above for the second fiscal quarter of each year, setting forth the Borrower's calculation of Excess Cash Flow, and (y) in the case of a certificate delivered with the financial statements required by paragraph (a) or (b) above for any period ended on or prior to December 31, 2004, setting forth the Borrower's Calculation of the Excess Proceeds Amount;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default or Event of Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) no later than 45 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the then current fiscal year (including a projected consolidated balance sheet and related statements of projected operations and cash flows as of the end of and for such fiscal year and setting forth the assumptions used for purposes of preparing such budget) and, promptly when available, any significant revisions of such budget;

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be;

(g) promptly after the receipt thereof by Holdings or the Borrower or any of their respective subsidiaries, a copy of any "management letter" received by any such person from its certified public accountants and the management's response thereto;

(h) promptly, following a request by any Lender, provide all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act; and

(i) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.05. ***Litigation and Other Notices***. Furnish to the Administrative Agent (which shall furnish such notice to each Lender and Issuing Bank) prompt written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against Holdings, the Borrower or any Subsidiary that could reasonably be expected to result in a Material Adverse Effect; and

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of Holdings, the Borrower and the Subsidiaries in an aggregate amount exceeding $5,000,000; and

(d) any other development that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect.

SECTION 5.06. ***Information Regarding Collateral***. (a) Furnish to the Administrative Agent prompt written notice of any change (i) in any Loan Party's corporate name or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) in the location of any Loan Party's chief executive office, its principal place of business, any office in which it maintains books or records relating to Collateral owned by it to the extent that such collateral has an aggregate fair market value in excess of $1,000,000 or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (iii) in any Loan Party's identity or corporate structure or (iv) in any Loan Party's Federal Taxpayer Identification Number. Holdings and the Borrower agree not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Collateral Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral.

(b) In the case of the Borrower, each year, at the time of delivery of the annual financial statements with respect to the preceding fiscal year pursuant to Section 5.04(a), deliver to the Administrative Agent a certificate of a Financial Officer setting forth the information required pursuant to Section 2 of the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate delivered on the Closing Date or the date of the most recent certificate delivered pursuant to this Section 5.06.

SECTION 5.07. ***Maintaining Records; Access to Properties and Inspections***. Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all material requirements of law are made of all dealings and transactions in relation to its business and activities. Each Loan Party will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender to visit and inspect the financial records and the properties of Holdings, the Borrower or any Subsidiary at reasonable times and as often as reasonably requested and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent or any Lender to discuss the affairs, finances and condition of Holdings, the Borrower or any Subsidiary with the officers thereof and independent accountants therefor. Without limiting the foregoing, Holdings and the Borrower agree to discuss their affairs, finances and condition in conference calls with Lenders at such times and at such intervals (but no more frequently than on a quarterly basis within one week after the date of delivery of financial statements required by Sections 5.04(a) and (b)) as shall be requested in writing by the Administrative Agent or the Required Lenders.

SECTION 5.08. ***Use of Proceeds***. Use the proceeds of the Loans and request the issuance of Letters of Credit only for the purposes described in Section 3.13.

SECTION 5.09. ***Further Assurances***. Execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing Uniform Commercial Code and other financing statements) that may be required under applicable law, or that the Required Lenders, the Administrative Agent or the Collateral Agent may reasonably request, in order to effectuate the transactions contemplated by the Loan Documents and in order to grant, preserve, protect and perfect the validity and priority of the security interests created or intended to be created by the Security Documents. The Borrower will cause any subsequently acquired or organized Domestic Subsidiary (other than an Inactive Subsidiary, a Co-investment Subsidiary which is not a wholly owned Subsidiary, a Special Co-investment Subsidiary, a JV Subsidiary or CBREI), or any Domestic Subsidiary that ceases to be an Inactive Subsidiary, a Special Co-investment Subsidiary or a JV Subsidiary or that becomes a wholly owned Co-investment Subsidiary (other than a Special Co-investment Subsidiary), to become party to the Collateral Agreement and each other applicable Security Document in favor of the Collateral Agent. In addition, from time to time, the Borrower will, at its cost and expense, promptly secure the Obligations by pledging or creating, or causing to be pledged or created, perfected security interests with respect to such of its material assets and properties as the Administrative Agent or the Required Lenders shall designate (it being understood that it is the intent of the parties that the Obligations shall be secured by, among other things, substantially all the assets of the Borrower and its Domestic Subsidiaries (other than Inactive Subsidiaries, partially owned Co-investment Subsidiaries, Special Co-investment Subsidiaries, JV Subsidiaries or CBREI and any assets consisting of Co-investment Vehicles) (including material real property, properties of the types which constitute collateral under the Security Documents on the Closing Date which are acquired subsequent to the Closing Date and such other property that may be so pledged without imposing undue burden or cost on the Borrower and its Subsidiaries)). Such security interests and Liens will be created under the Security Documents and other security agreements and other instruments and documents in form and substance reasonably satisfactory to the Collateral Agent, and the Borrower shall deliver or cause to be delivered to the Lenders all such instruments and documents (including legal opinions, title insurance policies and lien searches) as the Collateral Agent shall reasonably request to evidence compliance with this Section.

ARTICLE VI

Negative Covenants

Each of Holdings and the Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable under any Loan Document have been paid in full and all Letters of Credit have been cancelled or have expired and all amounts drawn thereunder have been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, neither Holdings nor the Borrower will, nor will they cause or permit any of the Subsidiaries to:

SECTION 6.01. ***Indebtedness***. Incur, create, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the Second Restatement Date and set forth in Schedule 6.01(a) and any extensions, renewals or replacements of such Indebtedness to the extent the principal amount of such Indebtedness is not increased, neither the final maturity nor the weighted average life to maturity of such Indebtedness is decreased, such Indebtedness, if subordinated to the Obligations, remains so subordinated on terms no less favorable to the Lenders, and the obligors in respect of such Indebtedness at the time of such refinancing remain the only obligors thereon;

(b) Indebtedness created hereunder and under the other Loan Documents;

(c) intercompany Indebtedness of the Borrower and the Subsidiaries to the extent permitted by Section 6.04(c);

(d) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; *provided* that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this Section 6.01(d), when combined with the aggregate principal amount of all Capital Lease Obligations incurred pursuant to Section 6.01(e) shall not exceed $20,000,000 at any time outstanding;

(e) Capital Lease Obligations in an aggregate principal amount, when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 6.01(d), not in excess of $20,000,000 at any time outstanding;

(f) Indebtedness under performance bonds or with respect to workers' compensation claims, in each case incurred in the ordinary course of business;

(g) Melody Permitted Indebtedness and Non-Recourse Indebtedness;

(h) Indebtedness incurred by Foreign Subsidiaries for working capital in an aggregate principal amount not exceeding $30,000,000 at any time outstanding, up to $15,000,000 of which may be Guaranteed on an unsecured basis by the Borrower and/or one or more Domestic Subsidiaries;

(i) Indebtedness of any Subsidiary that exists at the time such person becomes a Subsidiary and that was not incurred in contemplation of or in connection with the acquisition by the Borrower or a Subsidiary of such person, in an aggregate principal amount not to exceed $10,000,000 at any time outstanding;

(j) Guarantees by the Borrower or any Subsidiary of any Indebtedness permitted under this Section 6.01;*provided, however*, that (i) no Indebtedness of Holdings may be Guaranteed under this paragraph (j), (ii) Indebtedness of Foreign Subsidiaries may be Guaranteed by the Borrower and the Domestic Subsidiaries only to the extent provided for in paragraph (h) above and (iii) neither the Borrower nor any Subsidiary (other than a Co-investment Subsidiary) may Guarantee Non-Recourse Indebtedness;

(k) Indebtedness in respect of the Additional L/C Facilities in an aggregate amount outstanding at any time not to exceed $30,000,000 ; and

(l) other unsecured Indebtedness of the Borrower or the Subsidiaries in an aggregate principal amount not exceeding $40,000,000 at any time outstanding.

SECTION 6.02. ***Liens***. Create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower and its Subsidiaries existing on the Second Restatement Date and set forth in Schedule 6.02*provided* that such Liens shall secure only those obligations which they secure on the date hereof and extensions, renewals and replacements thereof permitted hereunder;

(b) any Lien created under the Loan Documents;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary;*provided* that (i) such Lien is not created in contemplation of or in connection with such acquisition, and (ii) such Lien does not apply to any other property or assets of the Borrower or any Subsidiary;

(d) Liens for taxes, fees, assessments or other governmental charges not yet due or which are being contested in compliance with Section 5.03;

(e) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due and payable or which are being contested in compliance with Section 5.03;

(f) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(g) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(h) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(i) purchase money security interests in real property, improvements thereto or equipment hereafter acquired (or, in the case of improvements, constructed) by the Borrower or any Subsidiary; *provided* that (i) such security interests secure Indebtedness permitted by Section 6.01(d), (ii) such security interests are incurred, and the Indebtedness secured thereby is created, within 90 days after such acquisition (or construction), (iii) the Indebtedness secured thereby does not exceed 100% of the cost of such real property, improvements or equipment at the time of such acquisition (or construction) and (iv) such security interests do not apply to any other property or assets of the Borrower or any Subsidiary;

(j) Liens arising out of judgments or awards in respect of which Holdings, the Borrower or any of the Subsidiaries shall in good faith be prosecuting an appeal or proceedings for review in respect of which there shall be secured a subsisting stay of execution pending such appeal or proceedings; *provided* that the aggregate amount of all such judgments or awards (and any cash and the fair market value of any property subject to such Liens) does not exceed $7,500,000 at any time outstanding;

(k) Liens on assets of Foreign Subsidiaries;*provided* that (i) such Liens do not extend to, or encumber, assets which constitute Collateral or the Equity Interests of the Borrower or any of the Subsidiaries, and (ii) such Liens secure only Indebtedness incurred by such Foreign Subsidiary pursuant to Section 6.01(h);

(l) Liens on investments made by Melody in connection with the Melody Loan Arbitrage Facility or the Melody Mortgage Warehousing Facility to secure Indebtedness under the Melody Loan Arbitrage Facility, if such investments were acquired by Melody with the proceeds of such Indebtedness;

(m) Liens on commercial mortgage loans originated and owned by Melody or any Mortgage Banking Subsidiary pursuant to the Melody Mortgage Warehousing Facility;

(n) any Lien existing on any property or asset of any person that exists at the time such person becomes a Subsidiary and that secured Indebtedness permitted by Section 6.01(i); *provided* that (i) such Lien was not created in contemplation of or in connection with such acquisition and (ii) such Lien does not apply to any property or assets of the Borrower or any other Subsidiary;

(o) Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided*, that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Borrower or any Subsidiary in excess of those set forth by regulations promulgated by the Board and (ii) such deposit account is not intended by the Borrower or any Subsidiary to provide collateral to such depository institution;

(p) Liens on the assets of a Co-investment Subsidiary to secure Non-Recourse Indebtedness; *provided* that such Liens do not extend to, or encumber, the Equity Interests of any Co-investment Subsidiary;

(q) Liens on any Equity Interests of any Designated Real Estate Asset Subsidiary; and

(r) other Liens not permitted by the foregoing; *provided* that neither the obligations secured thereby nor the aggregate fair market value of the assets subject thereto shall exceed $5,000,000.

SECTION 6.03. ***Sale and Lease-Back Transactions***. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred unless (a) the sale of such property is permitted by Section 6.05 and (b) any Capital Lease Obligations or Liens arising in connection therewith are permitted by Sections 6.01 and 6.02, respectively.

SECTION 6.04. ***Investments, Loans and Advances***. Purchase, hold or acquire any Equity Interests, evidences of indebtedness or other securities of, make or permit to exist any loans or advances to, or make or permit to exist any investment or any other interest in, any other person (other than investments in insurance contracts pursuant to the Deferred Compensation Plan), except:

(a) (i) investments by Holdings, the Borrower and the Subsidiaries existing on the Second Restatement Date in the Equity Interests of the Borrower and the Subsidiaries and (ii) additional investments by Holdings, the Borrower and the Subsidiaries in the Equity Interests of the Borrower and the Subsidiaries; *provided* that (A) any such Equity Interests held by a Loan Party shall be pledged pursuant to the Collateral Agreement (provided that no Loan Party shall be required to pledge more than 65% of the voting Equity Interests of any Foreign Subsidiary) and (B) the aggregate amount of investments by Loan Parties in, and loans and advances by Loan Parties to, Subsidiaries that are not Loan Parties (other than investments in Co-investment Subsidiaries to implement Co-investments pursuant to clause (i) below) shall not exceed at any time outstanding the sum of (x) the aggregate amount of the investments, loans and advances indicated on Schedule 6.04(a) and (y) $15,000,000;

(b) Permitted Investments;

(c) loans or advances made by the Borrower to any Subsidiary and made by any Subsidiary to the Borrower or any other Subsidiary; *provided* that (i) any such loans and advances made by a Loan Party shall be evidenced by a promissory note pledged to the

Collateral Agent for the ratable benefit of the Secured Parties pursuant to the Collateral Agreement and (ii) the amount of such loans and advances made by Loan Parties to Subsidiaries that are not Loan Parties shall be subject to the limitation set forth in clause (a) above;

(d) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(e) the Borrower and the Subsidiaries may make loans and advances in the ordinary course of business consistent with past practice to their respective employees so long as the aggregate principal amount (determined without regard to any write-downs or write-offs of such loans and advances, other than write-downs or write-offs for which the total amount of such write-down or write-off is included as a charge in Consolidated EBITDA) does not exceed $25,000,000 in the aggregate outstanding at any time;

(f) the Borrower may enter into Hedging Agreements that are not speculative in nature and are related to income derived from operations of the Borrower or any Subsidiary or otherwise related to purchases from suppliers;

(g) the Borrower or any Subsidiary may acquire all or substantially all the assets of a person or line of business of such person, or all or substantially all of the Equity Interests of a person that as a result becomes a wholly owned Subsidiary (referred to herein as the "*Acquired Entity*"); *provided* that (i) such acquisition was not preceded by an unsolicited tender offer for such Equity Interests by, or proxy contest initiated by, Holdings, the Borrower or any Subsidiary; (ii) the Acquired Entity shall be a going concern and shall be in a similar line of business as that of the Borrower and the Subsidiaries as conducted during the current and most recent calendar year; and (iii) at the time of such transaction (A) both before and after giving effect thereto, no Event of Default or Default shall have occurred and be continuing; (B) the Borrower would be in Pro Forma Compliance, as evidenced by a certificate of a Financial Officer of the Borrower which shall have been prepared in good faith and based on reasonably detailed written assumptions; (C) after giving effect to such acquisition, there must be at least $40,000,000 of unused and available Revolving Credit Commitments; and (D) the aggregate consideration paid in connection with such acquisition and any related acquisitions pursuant to this Section 6.04(g) (including any Indebtedness of the Acquired Entity that is assumed by the Borrower or any Subsidiary following such acquisition and the amount of any forgivable loan to the Acquired Entity) shall not exceed (x) $30,000,000 for such acquisition and (y) $60,000,000 for all such acquisitions pursuant to this Section 6.04(g) (any acquisition of an Acquired Entity meeting all the criteria of this Section 6.04(g) being referred to herein as a "*Permitted Acquisition*");

(h) investments made by Melody in connection with the Melody Loan Arbitrage Facility or the Melody Mortgage Warehousing Facility;

(i) Co-investments (other than with respect to the Calpers Co-investment) not to exceed $30,000,000 in any fiscal year of the Borrower and Co-investments pursuant to the Calpers Co-investment not to exceed $26,000,000 in the aggregate outstanding at any time; *provided*, *however*, that the aggregate amount of Co-investments in each fiscal year made in Co-investment Vehicles that are organized in, or the principal real estate investments of which are located in, countries that are not members of the Organization for Economic Co-operation and Development, shall not exceed $5,000,000;

(j) investments to the extent consisting of noncash consideration received in connection with a sale of assets permitted by Section 6.05;

(k) investments by Holdings, the Borrower and the Subsidiaries existing on the Second Restatement Date and listed on Schedule 6.04(k);

(l) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods and services in the ordinary course of business;

(m) investments in, and loans and advances to, the Designated Real Estate Subsidiaries pursuant to Section 9.3 of the Island Purchase Agreement, on behalf of and solely with monies advanced by Island and its Affiliates (other than, for the avoidance of doubt, Holdings, the Borrower or any Subsidiary);

(n) additional investments in, and loans or advances to, the Designated Real Estate Asset Subsidiaries in an aggregate amount not to exceed $5,900,000;

(o) investments in, and loans and advances to, the DUS Subsidiary in an aggregate amount (determined without regard to any write-downs or write-offs of such investments, loans and advances) not to exceed $12,0000,000 in the aggregate outstanding at any time;

(p) (i) investments in, and loans and advances to, the Investors 1031 Subsidiary not to exceed $25,000,000 in the aggregate outstanding at any time and (ii) investments in, and loans and advances to, the Collective Investment Scheme Subsidiary not to exceed $20,0000,000 in the aggregate outstanding at any time, in each case determined without regard to any write-downs or write-offs of such investments, loans and advances; and

(q) in addition to investments permitted by paragraphs (a) through (p) above, additional investments, loans and advances by the Borrower and the Subsidiaries so long as the aggregate amount invested, loaned or advanced pursuant to this paragraph (q) (determined without regard to any write-downs or write-offs of such investments, loans and advances) does not exceed $40,000,000 in the aggregate outstanding at any time.

SECTION 6.05. ***Mergers, Consolidations, Sales of Assets and Acquisitions***. (a) Merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all the assets (whether now owned or hereafter acquired) of the Borrower, or purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or any substantial part of the assets of any other person, except that if at the time thereof and immediately after giving effect thereto no Event of Default or Default shall have occurred and be continuing (i) any wholly owned Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any wholly owned Subsidiary may merge into or consolidate with any other wholly owned Subsidiary in a transaction in which the surviving entity is a wholly owned Subsidiary and no person other than the Borrower or a wholly owned Subsidiary receives any consideration (*provided* that if any party to any such transaction is a Loan Party, the surviving entity of such transaction shall be a Loan Party) and (iii) the Borrower and the Subsidiaries may make Permitted Acquisitions.

(b) Engage in any other Asset Sale except:

(i) (A) any such Asset Sale the consideration for which is at least 80% cash, (B) such consideration is at least equal to the fair market value of the assets being sold, transferred, leased or disposed of, (C) the fair market value of all assets sold, transferred, leased or disposed of pursuant to this clause (i) (other than sales of Equity Interests by Foreign Subsidiaries to investors) shall not exceed in any fiscal year the sum of (I) $10,000,000 for each fiscal year (the amount of permitted Asset Sales in any fiscal year being referred to herein as the "*Annual Limit*") plus (II) in each fiscal year, the excess, if any, of the Annual Limit for the preceding fiscal year over the amount of Asset Sales made by the Borrower and the Subsidiaries during the preceding fiscal year, (D) sales of Equity Interests by Foreign Subsidiaries to investors shall not exceed $10,000,000 in any fiscal year and (E) the aggregate amount of all Asset Sales made pursuant to this provision (other than pursuant to clause (D)) from the Restatement Date to the termination of this Agreement shall not exceed $25,000,000; and

(ii) sales by the Borrower or the Subsidiaries of brokerage offices, or transfers of the assets of brokerage offices and related assets, to joint ventures in the ordinary course of business.

SECTION 6.06. ***Restricted Payments; Restrictive Agreements***. (a) Declare or make, or agree to declare or make, directly or indirectly, any Restricted Payment (including pursuant to any Synthetic Purchase Agreement), or incur any obligation (contingent or otherwise) to do so; *provided*, *however*, that (i) any Subsidiary may declare and pay dividends or make other distributions ratably to its equity holders, (ii) so long as (x) no Event of Default shall have occurred and be continuing and (y) the Borrower shall be in Pro Forma Compliance after giving effect thereto, the Borrower may make Restricted Payments to Holdings in the amounts and at the times necessary to enable Holdings (A) to pay interest in cash on the Holdco Notes and (B) if then permitted by Section 6.09(c)(ii), (iii) or (iv), to redeem, repurchase or otherwise retire Holdco Notes, (iii) so long as no Event of Default or Default shall have occurred and be continuing or would result therefrom, the Borrower may, or the Borrower may make distributions to Holdings so that Holdings may, repurchase its Equity Interests owned by employees of Holdings, the Borrower or the Subsidiaries or make payments to employees of Holdings, the Borrower or the Subsidiaries upon termination of employment in connection with the exercise of stock options, stock appreciation rights or similar equity incentives or equity based incentives pursuant to management incentive plans or in connection with the death or disability of such employees in an aggregate amount (excluding any amount of any such repurchase paid for with the cancellation of Indebtedness of such employee to the Borrower or Holdings, as the case may be) not to exceed $4,000,000 in any fiscal year, (iv) the Borrower may, or the Borrower may make distributions to Holdings, so that Holdings may, repurchase or redeem shares of its Equity Interests pursuant to the Borrower's 401(k) plan as in effect on the Closing Date and to the extent required by law, (v) so long as no Event of Default shall have occurred and be continuing or would result therefrom, the Borrower may, or the Borrower may make distributions to Holdings, so that Holdings may, repurchase or redeem shares (including any repurchase or redemption paid for with the cancellation of Indebtedness of the applicable employee to the Borrower or Holdings, as the case may be) of its Equity Interests issued or granted by Holdings to employees (including substantially full-time independent contractors) and held by such employees in an aggregate amount not to exceed $4,000,000 during any fiscal year of the Borrower,*provided* that any such purchases or redemptions paid for with the cancellation of Indebtedness of employees to the Borrower or Holdings, as the case may be, shall not be limited in amount, (vi) the Borrower may make Restricted Payments to Holdings (x) in an amount not to exceed $1,000,000 in any fiscal year, to the extent necessary to pay actual out-of-pocket general corporate and overhead expenses incurred by Holdings in the ordinary course of business and (y) in an amount necessary to pay Tax liabilities directly attributable to (or arising as a result of) the Borrower and the Subsidiaries, and (vii) Holdings may issue common stock of Holdings in exchange for stock fund units in the Deferred Compensation Plan pursuant to the Deferred Compensation Plan. Notwithstanding the foregoing, all Restricted Payments made to Holdings pursuant to clause (ii), (v) or (vi) above will be used by Holdings for the purposes specified herein within 10 Business Days of the receipt thereof or returned to the Borrower.

(b) Notwithstanding paragraph (a), Holding may make Restricted Payments in respect of the Common Stock, and the Borrower may make Restricted Payments to Holdings to fund such Restricted Payments by Holdings, during any ECF Period in an aggregate amount not to exceed 25% of Excess Cash Flow for the preceding ECF Period (less the amount thereof used to prepay, repurchase, redeem or otherwise retire Existing Debt pursuant to Section 6.09(c)(iii)); *provided, however*, that (i) at the time thereof and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing, (ii) the Borrower would be in Pro Forma Compliance after giving effect thereto and (iii) the Leverage Ratio, calculated on a Pro Forma Basis, shall be less than 3.0 to 1.0.

(c) Enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (i) the ability of Holdings, the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (ii) the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; *provided* that (A) the foregoing shall not apply to restrictions and conditions imposed by law or by any Loan Document, Senior Subordinated Note Document or Senior Unsecured Note Document, (B) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, *provided* such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (C) the foregoing shall not apply to restrictions and conditions imposed on any Foreign Subsidiary by the terms of any Indebtedness of such Foreign Subsidiary permitted to be incurred hereunder, (D) clause (i) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (E) the foregoing shall not apply to restrictions and conditions existing on the Restatement Date and identified on Schedule 6.06(b), (F) the foregoing shall not apply to customary restrictions on or customary conditions to the payment of dividends or other distributions on, or the creation of Liens on, Equity Interests owned by the Borrower or any Subsidiary in any joint venture or similar enterprise contained in the constitutive documents, including shareholders' or similar agreements, of such joint venture or enterprise, and (G) clause (i) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 6.07. ***Transactions with Affiliates***. Except for transactions by or among Loan Parties, sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that the

Borrower or any Subsidiary may engage in any of the foregoing transactions at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties.

SECTION 6.08. ***Business of Holdings, Borrower and Subsidiaries***. (a) With respect to Holdings, engage in any business activities or have any assets or liabilities other than (i) its ownership of the Equity Interests of the Borrower, its activities as a holding company, the provision of certain administrative services for its subsidiaries in the ordinary course of business, and liabilities reasonably related thereto, including its liabilities pursuant to the Collateral Agreement, and (ii) its liabilities pursuant to the Holdco Note Documents, the Senior Subordinated Note Documents and the Senior Unsecured Note Documents.

(b) With respect to the Borrower and its Subsidiaries, engage at any time in any business or business activity other than the business currently conducted by the Borrower or any of the Subsidiaries and business activities reasonably incidental thereto.

SECTION 6.09. ***Other Indebtedness and Agreements***. (a) (i) Permit any waiver, supplement, modification, amendment, termination or release of any indenture, instrument or agreement pursuant to which any Material Indebtedness of Holdings, the Borrower or any of the Subsidiaries is outstanding if the effect of such waiver, supplement, modification, amendment, termination or release would materially increase the obligations of the obligor or confer additional material rights on the holder of such Indebtedness in a manner adverse to Holdings, the Borrower, any of the Subsidiaries or the Lenders or (ii) modify its charter or by-laws to the extent that any such modification would be adverse to the Lenders in any material respect.

(b) (i) Make any distribution, whether in cash, property, securities or a combination thereof, other than regular scheduled payments of principal and interest as and when due (to the extent not prohibited by applicable subordination provisions), in respect of, or pay, or offer or commit to pay, or directly or indirectly (including pursuant to any Synthetic Purchase Agreement) redeem, repurchase, retire or otherwise acquire for consideration, or set apart any sum for the aforesaid purposes, the Holdco Notes or any subordinated Indebtedness, or (ii) pay in cash any amount in respect of any Indebtedness (other than the Holdco Notes, to the extent permitted by Section 6.06(a)) or preferred Equity Interests) that may at the obligor's option be paid in kind or in other securities.

(c) Notwithstanding the foregoing, so long as no Default or Event of Default shall have occurred and be continuing or result therefrom, (i) Holdings and/or the Borrower may expend up to $30,000,000 (calculated from and after the Signing Date) to prepay, redeem, repurchase or otherwise retire Existing Debt, (ii) Existing Debt may be prepaid, redeemed, repurchased or otherwise retired prior to the Repurchase Cutoff Date with IPO Proceeds, (iii) Holdings and or the Borrower may prepay, redeem, repurchase or otherwise retire Existing Debt during any ECF Period in an aggregate amount not to exceed 25% of Excess Cash Flow for the preceding ECF Period (less the amount thereof used to make Restricted Payments pursuant to Section 6.06(b)) and (iv) Holdings may otherwise prepay, redeem, repurchase or otherwise retire the Holdco Notes, in whole or in part, so long as after giving effect to each such prepayment, redemption, repurchase or retirement, (x) the Borrower would be in Pro Forma Compliance, (y) there would be no outstanding Revolving Loans, Incremental Revolving Loans or Swingline Loans and (z) if the aggregate amount so expended pursuant to this clause (iv) would exceed $25,000,000, the Senior Secured Leverage Ratio would be less than 1.25 to 1.00.

SECTION 6.10. ***Capital Expenditures***. Permit the aggregate amount of Capital Expenditures made by the Borrower and the Subsidiaries to exceed (i) $30,000,000 in the fiscal year ending 2002, (ii) $50,000,000 in the fiscal year ending 2003 or (iii) $40,000,000 in any fiscal year thereafter. The amount of permitted Capital Expenditures set forth above in respect of any fiscal year, shall be increased (but not decreased) by (a) the amount of unused permitted Capital Expenditures for the immediately preceding fiscal year less (b) an amount equal to unused Capital Expenditures carried forward to such preceding fiscal year.

SECTION 6.11. ***Interest Coverage Ratio***. Permit the Interest Coverage Ratio for any period of four consecutive fiscal quarters, in each case taken as one accounting period, ending on the last day of any fiscal quarter during any period set forth below to be less than the ratio set forth opposite such period below:

Date or Period	Ratio
March 31, 2004 through June 30, 2005	2.00:1.00
September 30, 2005 and thereafter	2.25:1.00

SECTION 6.12. ***Fixed Charge Coverage Ratio***. Permit the Fixed Charge Coverage Ratio for any period of four consecutive fiscal quarters, in each case taken as one accounting period, ending on the last day of any fiscal quarter during any period set forth below to be less than the ratio set forth opposite such date or period below:

Date or Period	Ratio
March 31, 2004 through June 30, 2005	1.25:1.00
September 30, 2005 and thereafter	1.50:1.00

SECTION 6.13. ***Maximum Leverage Ratio***. Permit the Leverage Ratio on the last day of any fiscal quarter during any period set forth below to be greater than the ratio set forth opposite such date or period below:

Date or Period	Ratio
March 31, 2004 through June 30, 2004	4.00:1.00
September 30, 2004	3.75:1.00
December 31, 2004	3.25:1.00
March 31, 2005 through June 30, 2005	3.50:1.00
September 30, 2005	3.25:1.00
December 31, 2005	2.75:1.00

March 31, 2006 through June 30, 2006	3.25:1.00
September 30, 2006	3.00:1.00
December 31, 2006	2.25:1.00
March 31, 2007 through June 30, 2007	2.75:1.00
September 30, 2007	2.50:1.00
December 31, 2007 and thereafter	2.25:1.00

SECTION 6.14. ***Maximum Senior Secured Leverage Ratio***. Permit the Senior Secured Leverage Ratio on the last day of any fiscal quarter during any period set forth below to be greater than the ratio set forth opposite such date or period below:

Date or Period	Ratio
March 31, 2004 through June 30, 2004	1.75:1.00
September 30, 2004	1.50:1.00
December 31, 2004	1.00:1.00
March 31, 2005 through June 30, 2005	1.50:1.00
September 30, 2005 and thereafter	1.25:1.00

SECTION 6.15. ***Fiscal Year***. With respect to Holdings and the Borrower, change their fiscal year-end to a date other than December 31.

SECTION 6.16. ***Management Fees***. With respect to Holdings and the Borrower, pay or agree to pay to any Sponsor any management fees, transaction fees or similar charges.

SECTION 6.17. ***Indebtedness of Co-investment Subsidiaries; CBREI; DUS Subsidiary and Melody Loan Securitization Funds*** (a) Permit any Co-investment Subsidiary other than a JV Subsidiary to incur, create, assume or permit to exist any Indebtedness other than Non-Recourse Indebtedness.

(b) Permit any JV Subsidiary to incur, create, assume or permit to exist any Indebtedness in an aggregate amount outstanding at any time which exceeds $10,000,000; *provided that*, the debt permitted pursuant to this paragraph (b) must also be permitted under Section 6.01 to be incurred, created, assumed or permitted to exist.

(c) Permit CBREI to become liable with respect to any Indebtedness, or to engage in any business or conduct any business activity other than holding investments in funds to provide long-term incentive compensation to employees of Holdings and its subsidiaries.

(d) Guarantee or provide any other credit support, directly or indirectly, for any Indebtedness of the DUS Subsidiary or the Melody Loan Securitization Funds.

ARTICLE VII

Events of Default

In case of the happening of any of the following events ("*Events of Default*"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings or issuances of Letters of Credit hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan or the reimbursement with respect to any L/C Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or L/C Disbursement or any Fee or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days;

(d) default shall be made in the due observance or performance by Holdings, the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 2.13(i), 5.01(a), 5.05(a) or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by Holdings, the Borrower or any Subsidiary of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent or any Lender to the Borrower;

(f) (i) Holdings, the Borrower or any Subsidiary shall fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness, when and as the same shall become due and payable, or (ii) any other event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; *provided* that this clause (ii) shall not apply to (x) secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness and (y) Indebtedness existing on the Closing Date which by its terms provides for an option by the payee thereof to require repayment prior to the scheduled maturity thereof;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Holdings, the Borrower or any Subsidiary (other than an Inactive Subsidiary), or of a substantial part of the property or assets of Holdings, the Borrower or a Subsidiary (other than an Inactive Subsidiary), under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary (other than an Inactive Subsidiary) or for a substantial part of the property or assets of Holdings, the Borrower or a Subsidiary (other than an Inactive Subsidiary) or (iii) the winding-up or liquidation of Holdings, the Borrower or any Subsidiary (other than an Inactive Subsidiary); and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) Holdings, the Borrower or any Subsidiary (other than an Inactive Subsidiary) shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary (other than an Inactive Subsidiary) or for a substantial part of the property or assets of Holdings, the Borrower or any Subsidiary (other than an Inactive Subsidiary), (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an aggregate amount in excess of $7,500,000 shall be rendered against Holdings, the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Holdings, the Borrower or any Subsidiary to enforce any such judgment;

(j) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect;

(k) any Guarantee under the Collateral Agreement for any reason shall cease to be in full force and effect (other than in accordance with its terms), or any Guarantor shall deny in writing that it has any further liability under the Collateral Agreement (other than as a result of the discharge of such Guarantor in accordance with the terms of the Loan Documents);

(l) any security interest purported to be created by any Security Document shall cease to be, or shall be asserted by the Borrower or any other Loan Party not to be, a valid, perfected, first priority (except as otherwise expressly provided in this Agreement or such Security Document) security interest in the securities, assets or properties covered thereby, except to the extent that any such loss of perfection or priority results from (i) the sale or other disposition of the applicable Collateral in a transaction permitted by any Loan Document, (ii) any action taken by the Collateral Agent to release any such Lien in compliance with the provisions of this Agreement or any other Loan Document, (iii) the Collateral Agent's failure to properly file (A) Uniform Commercial Code financing statements or comparable filings delivered to it for filing under the Security Documents or (B) Uniform Commercial Code continuation statements or comparable filings necessary to maintain perfection or (iv) the failure of the Collateral Agent to maintain possession of certificates representing securities pledged and delivered to it under the Collateral Agreement;

(m) any of the Obligations shall cease to constitute "Designated Senior Indebtedness" under and as defined in the Senior Subordinated Note Indenture; or

(n) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to Holdings or the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to Holdings or the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding.

ARTICLE VIII

The Administrative Agent and the Collateral Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent and the Collateral Agent (for purposes of this Article VIII, the Administrative Agent and the Collateral Agent are referred to collectively as the "*Agents*") its agent and authorizes the Agents to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, the Agents are hereby expressly authorized to execute any and all documents (including releases) with respect to the Collateral and the rights of the Secured Parties with respect thereto, as contemplated by and in accordance with the provisions of this Agreement and the Security Documents.

The bank serving as the Administrative Agent and/or the Collateral Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with Holdings, the Borrower or any Subsidiary or other Affiliate thereof as if it were not an Agent hereunder.

Neither Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) neither Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) neither Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.08), and (c) except as expressly set forth in the Loan Documents, neither Agent shall have any duty to disclose, nor shall it be liable for the failure to disclose, any information relating to Holdings, the Borrower or any of the Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent and/or Collateral Agent or any of its Affiliates in any capacity. Neither Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.08) or in the absence of its own gross negligence or wilful misconduct. Neither Agent shall be deemed to have knowledge of any Default unless and until written notice thereof is given to such Agent by Holdings, the Borrower or a Lender, and neither Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper person. Each Agent may also rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by it. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

Subject to the appointment and acceptance of a successor Agent as provided below, either Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower and, unless an Event of Default shall have occurred and be continuing, with the consent of the Borrower (which shall not be unreasonably withheld), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After an Agent's resignation hereunder, the provisions of this Article and Section 9.05 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX

Miscellaneous

SECTION 9.01. ***Notices***. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, as follows:

(a) if to the Borrower or Holdings, to it at CB Richard Ellis Services, Inc., 865 South Figueroa Street, 34th Floor, Los Angeles, CA 90017, Attention of Chief Financial Officer (Fax No. (213) 438-4820); at CB Richard Ellis Services, Inc., 355 South Grand Avenue, Suite 3100, Los Angeles, CA 90071, Attention of Assistant General Counsel, Corporate (Fax No. (213) 613-3008); and at CB Richard Ellis Services, Inc., at 970 West 190th Street, Suite 280, Torrance, CA 90502, Attention of Treasurer (Fax No. (310) 354-5070);

(b) if to the Administrative Agent, to Credit Suisse First Boston, Eleven Madison Avenue, New York, NY 10010, Attention of Syndicated Finance/Agency Department Manager (Fax No. (212) 325-8304), with a copy to Credit Suisse First Boston, at Eleven Madison Avenue, New York, NY 10010, Attention of Mark E. Gleason (Fax No. (212) 325-8615); and

(c) if to a Lender, to it at its address (or fax number or e-mail address) set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by fax or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 9.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 9.01. As agreed to among Holdings, the Borrower, the Administrative Agent and the applicable Lenders from time to time, notices and other communications may also be delivered by e-mail to the e-mail address of a representative of the applicable person provided from time to time by such person. Holdings, the Borrower, the Administrative Agent and any Lender may each change the address or e-mail address for service of notice and other communications by a notice in writing to the other parties hereto.

SECTION 9.02. ***Survival of Agreement***. All covenants, agreements, representations and warranties made by the Borrower or Holdings herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and the Issuing Bank and shall survive the making by the Lenders of the Loans and the issuance of Letters of Credit by the Issuing Bank, regardless of any investigation made by the Lenders or the Issuing Bank or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not been terminated. The provisions of Sections 2.14, 2.16, 2.20 and 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the expiration of any Letter of Credit, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent, any Lender or the Issuing Bank.

SECTION 9.03. ***Binding Effect***. This Agreement shall become effective as provided in the Amendment Agreement.

SECTION 9.04. **Successors and Assigns.** (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, Holdings, the Administrative Agent, the Collateral Agent, the Issuing Bank or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); *provided*, *however*, that (i) except in the case of an assignment by a Lender of its outstanding Term Loans to a Lender or an Affiliate or Related Fund of a Lender which does not result in any increased costs or other additional amounts being paid by the Borrower, (x) the Borrower and the Administrative Agent (and, in the case of any assignment of a Revolving Credit Commitment or an Incremental Revolving Credit Commitment, the Issuing

Bank and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld); *provided*, *however*, that the consent of the Borrower shall not be required to any such assignment during the continuance of any Event of Default; *provided further, however*, that any such assignment made in connection with the syndication of the Term Loans within 60 Business Days after the Restatement Date shall not require the consent of the Borrower but shall be made in consultation with the Borrower, and (y) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $1,000,000 (or, if less, the entire remaining amount of such Lender's Commitment), (ii) the parties to each such assignment shall (A) electronically execute and deliver to the Administrative Agent an Assignment and Acceptance via an electronic settlement system acceptable to the Administrative Agent (which initially shall be ClearPar, LLC) or (B) if no such system shall then be used by the Administrative Agent, manually execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500 at the discretion of the Administrative Agent, and (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and any applicable tax forms. Upon acceptance and recording pursuant to paragraph (e) of this Section 9.04, from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.16, 2.20 and 9.05, as well as to any Fees accrued for its account and not yet paid).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Term Loan Commitment, Revolving Credit Commitment and Incremental Revolving Credit Commitment, and the outstanding balances of its Term Loans, Revolving Loans and Incremental Revolving Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Holdings, the Borrower or any Subsidiary or the performance or observance by Holdings, the Borrower or any Subsidiary of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.05 or delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, the Collateral Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent and the Collateral Agent, respectively, by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "*Register*"). The entries in the Register shall be conclusive and the Borrower, the Administrative Agent, the Issuing Bank, the Collateral Agent and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank, the Collateral Agent and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire (including any tax documentation required therein) completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above, if any, and, if required, the written consent of the Borrower, the Swingline Lender, the Issuing Bank and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower, the Issuing Bank and the Swingline Lender. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e), and it shall be the sole responsibility of each assignee to confirm such recordation.

(f) Each Lender may without the consent of the Borrower, the Swingline Lender, the Issuing Bank or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided*, *however*, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.14, 2.16 and 2.20 to the same extent as if they were Lenders (but, with respect to any particular participant, to no greater extent than the Lender that sold the participation to such participant and solely to the extent that such participant agrees to comply with the requirements of Section 2.20(f) as though it were a Lender) and (iv) the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans or L/C Disbursements and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans, increasing or extending the Commitments or releasing any Guarantor or all or any substantial part of the Collateral).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; *provided* that, prior to any such disclosure of information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 9.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to secure extensions of credit to such Lender or in support of obligations owed by such Lender; *provided* that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "*Granting Lender*") may grant to a special purpose funding vehicle (an "*SPC*"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.04, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC, subject to an agreement to preserve the confidentiality of such non-public information.

(j) Neither Holdings nor the Borrower shall assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent, the Issuing Bank and each Lender, and any attempted assignment without such consent shall be null and void.

(k) In the event that S&P, Moody's, and Thompson's Bank Watch (or Insurance Watch Ratings Service, in the case of Lenders that are insurance companies (or Best's Insurance Reports, if such insurance company is not rated by Insurance Watch Ratings Service)) shall, after the date that any Lender becomes a Revolving Credit Lender or an Incremental Revolving Credit Lender, downgrade the long-term certificate of deposit ratings of such Lender, and the resulting ratings shall be below BBB-, Baa3 and C (or BB, in the case of a Lender that is an insurance company (or B, in the case of an insurance company not rated by Insurance Watch Ratings Service)), then the Issuing Bank shall have the right, but not the obligation, at its own expense, upon notice to such Lender and the Administrative Agent, to replace (or to request the Borrower to use its reasonable efforts to replace) such Lender with an assignee (in accordance with and subject to the restrictions contained in paragraph (b) above), and such Lender hereby agrees to transfer and assign without recourse (in accordance with and subject to the restrictions contained in paragraph (b) above) all its interests, rights and obligations in respect of its Revolving Credit Commitment or Incremental Revolving Commitment, as the case may be, to such assignee; *provided*, *however*, that (i) no such assignment shall conflict with any law, rule and regulation or order of any Governmental Authority and (ii) the Issuing Bank or such assignee, as the case may be, shall pay to such Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by such Lender hereunder and all other amounts accrued for such Lender's account or owed to it hereunder.

SECTION 9.05. ***Expenses; Indemnity***. (a) The Borrower and Holdings agree, jointly and severally, to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Issuing Bank and the Swingline Lender in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement and the other Loan Documents or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or incurred by the Administrative Agent, the Collateral Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents or in connection with the Loans made or Letters of Credit issued hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP, counsel for the Administrative Agent and the Collateral Agent, and, in connection with any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for the Administrative Agent, the Collateral Agent or any Lender.

(b) The Borrower and Holdings agree, jointly and severally, to indemnify the Administrative Agent, the Collateral Agent, each Lender, the Issuing Bank and each Related Party of any of the foregoing persons (each such person being called an "*Indemnitee*") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (other than Excluded Taxes), including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby, (ii) the use of the proceeds of the Loans or issuance of Letters of Credit, (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, or (iv) any actual or alleged presence or Release of Hazardous Materials on any property owned or operated by the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to the Borrower or the Subsidiaries; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that Holdings and the Borrower fail to pay any amount required to be paid by them to the Administrative Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum of the Aggregate Revolving Credit Exposure, Aggregate Incremental Revolving Credit Exposure, outstanding Term Loans and unused Commitments at the time.

(d) To the extent permitted by applicable law, neither Holdings nor the Borrower shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) The provisions of this Section 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the expiration of any Letter of Credit, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent, any Lender or the Issuing Bank. All amounts due under this Section 9.05 shall be payable on written demand therefor.

SECTION 9.06. ***Right of Setoff***. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, except to the extent prohibited by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower or Holdings against any of and all the obligations of the Borrower or Holdings now or hereafter existing under this Agreement and other Loan Documents (to the extent such obligations of Holdings or the Borrower are then due and payable (by acceleration or otherwise)) held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section 9.06 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.07. ***Applicable Law***. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN LETTERS OF CREDIT AND AS EXPRESSLY SET FORTH IN OTHER LOAN DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE

WITH, THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT, OR IF NO SUCH LAWS OR RULES ARE DESIGNATED, THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS MOST RECENTLY PUBLISHED AND IN EFFECT, ON THE DATE SUCH LETTER OF CREDIT WAS ISSUED, BY THE INTERNATIONAL CHAMBER OF COMMERCE (THE "UNIFORM CUSTOMS") AND, AS TO MATTERS NOT GOVERNED BY THE UNIFORM CUSTOMS, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.08. ***Waivers; Amendment***. (a) No failure or delay of the Administrative Agent, the Collateral Agent, any Lender or the Issuing Bank in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower or any other Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower or Holdings in any case shall entitle the Borrower or Holdings to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, Holdings and the Required Lenders; *provided*, *however*, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or any date for reimbursement of an L/C Disbursement, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan or L/C Disbursement, without the prior written consent of each Lender affected thereby, (ii) increase or extend the Commitment or decrease or extend the date for payment of any Fees of any Lender without the prior written consent of such Lender, (iii) amend or modify the pro rata requirements of Section 2.17, the provisions of Section 9.04(j) or the provisions of this Section, or release any Guarantor or all or substantially all of the Collateral, without the prior written consent of each Lender, (iv) change the provisions of any Loan Document in a manner that by its terms adversely affects the rights in respect of payments due to Lenders holding Loans of one Class differently from the rights of Lenders holding Loans of any other Class without the prior written consent of Lenders holding a majority in interest of the outstanding Loans and unused Commitments of each adversely affected Class, (v) modify the protections afforded to an SPC pursuant to the provisions of Section 9.04(i) without the written consent of such SPC or (vi) reduce the percentage contained in the definition of the term "Required Lenders" without the consent of each Lender affected thereby (it being understood that with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as the Term Loan Commitments and Revolving Credit Commitments are included on the date hereof); *provided further* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender hereunder or under any other Loan Document without the prior written consent of the Administrative Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender, as the case may be.

SECTION 9.09. ***Interest Rate Limitation***. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or participation in any L/C Disbursement, together with all fees, charges and other amounts which are treated as interest on such Loan or participation in such L/C Disbursement under applicable law (collectively the "*Charges*"), shall exceed the maximum lawful rate (the "*Maximum Rate*") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan or participation in accordance with applicable law, the rate of interest payable in respect of such Loan or participation hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan or participation but were not payable as a result of the operation of this Section 9.09 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or participations or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.10. ***Entire Agreement***. This Agreement, the Fee Letter dated February 17, 2003, as amended, between the Borrower and the Administrative Agent, and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any person (other than the parties hereto and thereto, their respective successors and assigns permitted hereunder (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders) any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 9.11. ***WAIVER OF JURY TRIAL***. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

SECTION 9.12. ***Severability***. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13. ***Counterparts***. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 9.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9.14. ***Headings***. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.15. ***Jurisdiction; Consent to Service of Process***. (a) Each of Holdings and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower, Holdings or their respective properties in the courts of any jurisdiction.

(b) Each of Holdings and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.16. ***Confidentiality***. (a) Each of the Administrative Agent, the Collateral Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' officers, directors, employees and agents, including accountants, legal counsel and other advisors (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested or required by any regulatory authority or quasi-regulatory authority (such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) in connection with the exercise of any remedies hereunder or under the other Loan Documents or any suit, action or proceeding relating to the enforcement of its rights hereunder or thereunder, (v) subject to an agreement containing provisions substantially the same as those of this Section 9.16, to (y) any actual or prospective assignee of or participant in any of its rights or obligations under this Agreement and the other Loan Documents or (z) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower or any Subsidiary or any of their respective obligations, (vi) with the consent of the Borrower, (vii) to any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (viii) to the extent such Information becomes publicly available other than as a result of a breach of this Section 9.16. For the purposes of this Section, "*Information*" shall mean all information received from the Borrower or Holdings and related to the Borrower or Holdings or their business, other than any such information that was available to the Administrative Agent, the Collateral Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to its disclosure by the Borrower or Holdings. Any person required to maintain the confidentiality of Information as provided in this Section 9.16 shall be considered to have complied with its obligation to do so if such person has exercised the same degree of care to maintain the confidentiality of such Information as such person would accord its own confidential information.

(a) Notwithstanding anything herein to the contrary, any party subject to confidentiality obligations hereunder or otherwise (and any Affiliate thereof and any employee, representative or other agent of such party or such Affiliate) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and the U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. For this purpose, the tax treatment of the transactions contemplated hereby is the purported or claimed U.S. federal income tax treatment of such transactions and the tax structure of such transactions is any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of such transactions.

SECTION 9.17. ***Effect of Restatement***. This Agreement shall, except as otherwise expressly set forth herein, supersede the Existing Credit Agreement from and after the Restatement Date with respect to the transactions hereunder and with respect to the Loans and Letters of Credit outstanding under the Existing Credit Agreement as of the Restatement Date. The parties hereto acknowledge and agree, however, that (i) this Agreement and all other Loan Documents executed and delivered herewith do not constitute a novation, payment and reborrowing or termination of the Obligations (except as expressly provided for herein with respect to the repayment of the Existing Term Loans) under the Existing Credit Agreement and the other Loan Documents as in effect prior to the Restatement Date, (ii) such Obligations are in all respects continuing with only the terms being modified as provided in this Agreement and the other Loan Documents, (iii) the liens and security interests in favor of the Collateral Agent for the benefit of the Secured Parties securing payment of such Obligations are in all respects continuing and in full force and effect with respect to all Obligations and (iv) all references in the other Loan Documents to the Credit Agreement shall be deemed to refer without further amendment to this Agreement.

SECTION 9.18. ***USA Patriot Act Notice***. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies Holdings and the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies Holdings and the Borrower, which information includes the name and address of Holdings and the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify Holdings and the Borrower in accordance with the USA Patriot Act.

EXHIBIT 10.3

2004 STOCK INCENTIVE PLAN

OF

CB RICHARD ELLIS GROUP, INC.

Adopted by Board on April 1, 2004

Approved by Stockholders on April 20, 2004

Termination Date: March 31, 2014

1. PURPOSES.

(a) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(b) Available Stock Awards. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Stock Awards including, but not limited to: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Restricted Stock Bonuses, (iv) Restricted Stock Purchase Rights, (v) Stock Appreciation Rights, (vi) Phantom Stock Units, (vii) Restricted Stock Units, (viii) Performance Share Bonuses, and (ix) Performance Share Units.

(c) General Purpose. The Company, by means of this new Plan, which is intended to replace the Company's 2001 Stock Incentive Plan ("Predecessor Plan"), seeks to provide incentives for the group of persons eligible to receive Stock Awards to exert maximum efforts for the success of the Company and its Affiliates. Stock Awards granted under the Predecessor Plan shall continue to be governed by the terms of the Predecessor Plan in effect on the date of grant of such award.

2. DEFINITIONS.

(a) "Affiliate" means generally with respect to the Company, any entity directly, or indirectly through one or more intermediaries, controlling or controlled by (but not under common control with) the Company. Solely with respect to the granting of any Incentive Stock Options, Affiliate means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "Beneficial Owner" means the definition given in Rule 13d-3 of the Exchange Act.

(c) "Blum Capital" means Blum Capital Partners, L.P., a Delaware limited partnership.

(d) “Board” means the Board of Directors of the Company.

(e) “Change of Control” means the occurrence of any of the following events:

(i) The sale, exchange, lease or other disposition of all or substantially all of the assets of the Company to a person or group of related persons, as such terms are defined or described in Sections 3(a)(9) and 13(d)(3) of the Exchange Act (other than Blum Capital and its affiliates, Freeman Spogli and their affiliates or any group in which the foregoing is a member), that will continue the business of the Company in the future;

(ii) A merger or consolidation involving the Company in which the voting securities of the Company owned by the shareholders of the Company immediately prior to such merger or consolidation do not represent, after conversion if applicable, more than fifty percent (50%) of the total voting power of the surviving controlling entity outstanding immediately after such merger or consolidation; provided that any person who (1) was a beneficial owner (within the meaning of Rules 13d-3 and 13d-5 promulgated under the Exchange Act) of the voting securities of the Company immediately prior to such merger or consolidation, and (2) is a beneficial owner of more than 20% of the securities of the Company immediately after such merger or consolidation, shall be excluded from the list of “shareholders of the Company immediately prior to such merger or consolidation” for purposes of the preceding calculation;

(iii) Any person or group (other than Blum Capital and its affiliates, Freeman Spogli and their affiliates or any group in which any of the foregoing is a member) is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of the Company (including by way of merger, consolidation or otherwise) and the representatives of Blum Capital and its affiliates, Freeman Spogli and their affiliates or any group in which any of the foregoing is a member, individually or in the aggregate, cease to have the ability to elect a majority of the Board (for the purposes of this clause (iii), a member of a group will not be considered to be the Beneficial Owner of the securities owned by other members of the group);

(iv) During any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board (together with any new Directors whose election by such Board or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the Directors of the Company then still in office, who were either Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board then in office; or

(v) A dissolution or liquidation of the Company.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Committee” means a committee of one or more members of the Board (or other individuals who are not members of the Board to the extent allowed by law) appointed by the Board in accordance with Subsection 3(c) of the Plan.

(h) “Common Stock” means the Class A common shares of the Company.

(i) “Company” means CB Richard Ellis Group, Inc., a Delaware corporation.

(j) “Consultant” means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term “Consultant” shall not include either Directors who are not compensated by the Company for their services as Directors or Directors who are compensated by the Company solely for their services as Directors.

(k) “Continuous Service” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by the Company or an Affiliate, including sick leave, military leave or any other personal leave.

(l) “Covered Employee” means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to shareholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(m) “Director” means a member of the Board of Directors of the Company.

(n) “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code for all Incentive Stock Options. For all other Stock Awards, “Disability” means physical or mental incapacitation such that for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period, a person is unable to substantially perform his or her duties. Any question as to the existence of that person’s physical or mental incapacitation as to which the person or person’s representative and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the person and the Company. If the person and the Company or an Affiliate cannot agree as to a qualified independent physician, each shall appoint such a physician and those two (2) physicians shall select a third (3^{rd})who shall make such determination in writing. The determination of Disability made in writing to the

Company or an Affiliate and the person shall be final and conclusive for all purposes of the Stock Awards.

(o) “Eligible Director” means any Director who: (i) is not employed by the Company and (ii) does not receive a financial management fee from the Company and is not employed by any entity that receives such a fee.

(p) “Employee” means any person employed by the Company or an Affiliate. Service as a Director or compensation by the Company or an Affiliate solely for services as a Director shall not be sufficient to constitute “employment” by the Company or an Affiliate.

(q) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(r) “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the arithmetic mean of the high and the low selling prices of the Common Stock as reported on such date on the Composite Tape of the principal national securities exchange on which the Common Stock is listed or admitted to trading, or if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted on a national securities exchange, the arithmetic mean of the closing bid price and per share closing ask price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or if no sale of Common Stock shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealers Automated Quotation System on such date, then the immediately preceding date on which sales of the Common Stock have been so reported or quoted shall be used.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(iii) Notwithstanding the foregoing, for non-discretionary Stock Awards granted to Eligible Directors as of the effective date of the Plan as set forth in Section 16 hereof and as described below in Section 7, “Fair Market Value” shall mean the price at which the Company sells Company Common Stock to the public pursuant to a registration statement filed with the U.S. Securities and Exchange Commission on or around such effective date.

(s) “Freeman Spogli” means FS Equity Partners III, L.P. and FS Equity Partners International, L.P., collectively.

(t) “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(u) “Non-Employee Director” means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“Regulation S-K”)), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(v) “Nonstatutory Stock Option” means an Option not intended to qualify as an Incentive Stock Option.

(w) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(x) “Option” means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(y) “Option Agreement” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(z) “Optionholder” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(aa) “Outside Director” means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an “affiliated corporation” at any time and is not currently receiving direct or indirect remuneration from the Company or an “affiliated corporation” for services in any capacity other than as a Director; or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code.

(bb) “Participant” means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(cc) “Performance Share Bonus” means a grant of shares of the Company’s Common Stock not requiring a Participant to pay any amount of monetary consideration, and subject to the provisions of Subsection 8(f) of the Plan.

(dd) “Performance Share Unit” means the right to receive one (1) share of the Company’s Common Stock at the time the Performance Share Unit vests, with the further right to elect to defer receipt of shares of Common Stock otherwise deliverable upon the vesting of an award of Performance Share Units. These Performance Share Units are subject to the provisions of Subsection 8(g).

(ee) “Phantom Stock Unit” means the right to receive the value of one (1) share of the Company’s Common Stock, subject to the provisions of Subsection 8(d) of the Plan.

(ff) “Plan” means this 2004 Stock Incentive Plan of CB Richard Ellis Group, Inc.

(gg) “Restricted Stock Bonus” means a grant of shares of the Company’s Common Stock not requiring a Participant to pay any amount of monetary consideration, and subject to the provisions of Subsection 8(a) of the Plan.

(hh) “Restricted Stock Purchase Right” means the right to acquire shares of the Company’s Common Stock upon the payment of the agreed-upon monetary consideration, subject to the provisions of Subsection 8(b) of the Plan.

(ii) “Restricted Stock Unit” means the right to receive one (1) share of the Company’s Common Stock at the time the Restricted Stock Unit vests, with the further right to elect to defer receipt of shares of Common Stock otherwise deliverable upon the vesting of an award of restricted stock. These Restricted Stock Units are subject to the provisions of Subsection 8(e).

(jj) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule l6b-3, as in effect from time to time.

(kk) “Securities Act” means the Securities Act of 1933, as amended.

(ll) “Securities Registration Date” means the first date upon which any equity security of the Company is registered under the Exchange Act.

(mm) “Stock Appreciation Right” means the right to receive an amount equal to the Fair Market Value of one (1) share of the Company’s Common Stock on the day the Stock Appreciation Right is redeemed, reduced by the deemed exercise price or base price of such right.

(nn) “Stock Award” means any Option award, Restricted Stock Bonus award, Restricted Stock Purchase Right award, Stock Appreciation Right award, Phantom Stock Unit award, Restricted Stock Unit award, Performance Share Bonus award, Performance Share Unit award, or other stock-based award. These Awards may include, but are not limited to those listed in Subsection 1(b).

(oo) “Ten Percent Shareholder” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. ADMINISTRATION.

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in Subsection 3(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 14 of the Plan.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary, desirable, convenient or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(v) To adopt sub-plans and/or special provisions applicable to Stock Awards regulated by the laws of a jurisdiction other than and outside of the United States. Such sub-plans and/or special provisions may take precedence over other provisions of the Plan, with the exception of Section 4 of the Plan, but unless otherwise superseded by the terms of such sub-plans and/or special provisions, the provisions of the Plan shall govern.

(c) Delegation to Committee.

(i) General. The Board may delegate administration of the Plan to a Committee or Committees of one or more individuals, and the term “Committee” shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee, as applicable), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(ii) Committee Composition when Common Stock is Publicly Traded. At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more individuals who are not

Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (2) delegate to a committee of one or more individuals who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are either (a) not then subject to Section 16 of the Exchange Act or (b) receiving a Stock Award as to which the Board or Committee elects not to comply with Rule 16b-3 by having two or more Non-Employee Directors grant such Stock Award.

(a) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

4. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to the provisions of Section 13 of the Plan relating to adjustments upon changes in Common Stock, the maximum aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards shall not exceed seven and a half million (7,500,000) shares, provided that each Option or SAR granted will reduce the share reserve by one (1) share upon exercise or redemption and each share or unit granted pursuant to other Stock Awards will reduce the share reserve by two and a quarter (2.25) shares upon issuance of shares of Common Stock pursuant to such Stock Award. To the extent that a distribution pursuant to a Stock Award is made in cash, the share reserve shall remain unaffected.

(b) Reversion of Shares to the Share Reserve. If any Stock Award shall for any reason (i) expire or otherwise terminate, in whole or in part, without having been exercised or redeemed in full, (ii) be reacquired by the Company prior to vesting, or (iii) be repurchased at cost by the Company prior to vesting, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan. To the extent that a Stock Appreciation Right or Phantom Stock Unit granted under the Plan is redeemed by payment in cash rather than shares of Common Stock, the shares of Common Stock subject to the redeemed portion of the Stock Appreciation Right shall revert to and again become available for issuance under the Plan.

(c) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) Ten Percent Shareholders. A Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) Section 162(m) Limitation. Subject to the provisions of Section 13 of the Plan relating to adjustments upon changes in the shares of Common Stock, no Employee shall be eligible to be granted Options or Stock Appreciation Rights covering more than two million and two hundred and fifty thousand (2,250,000) shares of Common Stock during any fiscal year.

(d) Consultants.

(i) A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (e.g., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

(ii) Form S-8 generally is available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority owned subsidiaries; and (iii) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Subsection 5(b) of the Plan regarding Ten Percent Shareholders, no Incentive Stock Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Exercise Price of an Incentive Stock Option. Subject to the provisions of Subsection 5(b) of the Plan regarding Ten Percent Shareholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Exercise Price of a Nonstatutory Stock Option. The exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(d) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash or by check at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option): (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder, including use of a promissory note, (3) pursuant to a "same day sale" program, or (4) by some combination of the foregoing. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the market rate of interest and contain such other terms and conditions necessary to avoid a charge to earnings for financial accounting purposes as a result of the use of such deferred payment arrangement.

(e) Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(f) Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the

Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) Vesting Generally. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Board. The vesting provisions of individual Options may vary. Generally, so long as the Optionholder remains in continuous service with the Company, an Option shall vest and become exercisable with respect to 20% of the shares subject to the Option on each anniversary of the date of grant over a five-year period. The provisions of this Subsection 6(g) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(h) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(i) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act or other applicable securities law, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in the Option Agreement or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(j) Disability of Optionholder. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(k) Death of Optionholder. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death pursuant to Subsection 6(e) or 6(f) of the Plan, but only within the period ending on the earlier of (l) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(l) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate.

7. NON-DISCRETIONARY STOCK AWARDS FOR ELIGIBLE DIRECTORS.

In addition to any other Stock Awards that Eligible Directors may be granted on a discretionary basis under the Plan, each Eligible Director of the Company shall be automatically granted without the necessity of action by the Board, the following option grants and restricted stock bonuses, as described in Subsections 7(a) and 7(b) below:

(a) Annual Stock Option Grant. An annual grant of stock options shall automatically be made to each Eligible Director. The number of shares of Common Stock covered by each stock option shall be equal to $50,000 divided by the Fair Market Value of the Company's Common Stock on the date of grant, rounded to the nearest whole number. The exercise price of each option shall be one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the option on the date the option is granted. The maximum term of the options shall be seven (7) years and the options shall vest and become exercisable at a rate of one-twelfth ($1/12^{th}$) of the grant per quarter over a period of three (3) years. In the event of involuntary termination (such as death, Disability, or non-reelection), vested shares must be exercised within one (1) year of termination, but no later than seven (7) years from the date of grant. In the event of resignation or other voluntary termination, the options must be exercised within three (3) months of termination. In the event of removal, such Options shall lapse automatically. Except as otherwise expressly described in this subsection, the terms are the same as those for the standard form of Nonstatutory Stock Options in use by the Company at the time of grant. This grant shall be pro-rated as provided in Subsection 7(c) below.

(b) Annual Restricted Stock Bonus. An annual grant of restricted stock shall automatically be made in an amount equal to the number of shares (rounded to the nearest whole number) which represents a Fair Market Value of $25,000 at the time of the grant. The restricted stock granted shall vest in full on the third (3^{rd}) anniversary of the date of the grant (the "Vesting Date") provided that the Eligible Director has served continuously since the grant. If an Eligible Director leaves the Board of Directors as a result of the Eligible Director's death, Disability, retirement, or failure to be renominated or reelected to the Board, any unvested restricted stock shall become vested immediately prior to such departure in the amount of one-third (1/3) of the total number of shares subject to the grant for each full year the Eligible Director served on the Board of Directors after the date of grant. (For purposes of this subsection, "retirement" is defined as resignation after an Eligible Director reaches sixty-five [65] years of age.) This grant shall be pro-rated as provided in Subsection 7(c) below.

(c) Pro-Ration of Grants. Stock option and restricted stock bonus grants to Eligible Directors shall be pro-rated based on the "Commencement Date" of the Eligible Director to the end of the pro-ration cycle. (For purposes of this Section 7, the annual pro-ration cycle shall end on May 15th each year.) For new Eligible Directors, the "Commencement Date" shall be the date the Eligible Director is elected to the Board. For existing Board members, the "Commencement Date" shall be the date on which the Plan is approved by the Board. For an existing Board member who becomes an Eligible Director as a result of a change in status, the "Commencement Date" shall be the date the status of the Director changes.

The pro-ration of the option grants to each Eligible Director shall be calculated as the number of shares covered by the option grant to him/her as described above in Subsection 7(a) multiplied by the following fraction: the number of days from the Commencement Date of that Eligible Director's service until the next May 15th divided by 365 days. The pro-ration of the restricted stock grants to each Eligible Director shall be calculated as the number of shares covered by the restricted stock grant to him/her as described above in Subsection 7(b) multiplied by the following fraction: the number of days from the Commencement Date of that Eligible Director's service until the next May 15th divided by 365 days.

For avoidance of doubt, calculations of pro-ration shall not be altered by the date on which a Stock Award is granted. The pro-ration calculation for an individual Eligible Director shall be applied to his or her Stock Awards granted within the pro-ration cycle with respect to which the calculation is being made.

(d) Date of Grants. For purposes of the Plan, the first annual compensation and equity grants shall be based on the one (1) month anniversary of the date the Eligible Director is elected to the Board, or in the case of existing Board members, the effective date of the Plan as described in Section 16 below. The date of subsequent grants shall be based on the first Board meeting following each Annual Meeting of Shareholders, and will require at least three (3) months of prior service as an Eligible Director. In the case of an existing Board member who becomes an Eligible Director as a result of a change in status, the grant will be as of the one (1) month anniversary of the date the status of the Eligible Director changes.

8. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) Restricted Stock Bonus Awards. Each Restricted Stock Bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Bonus agreements may change from time to time, and the terms and conditions of separate Restricted Stock Bonus agreements need not be identical, but each Restricted Stock Bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) Vesting. Vesting shall generally be based on the Participant's Continuous Service. Shares of Common Stock awarded under the Restricted Stock Bonus agreement shall be subject to a share reacquisition right in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company shall reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the Restricted Stock Bonus agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the Restricted Stock Bonus agreement remains subject to the terms of the Restricted Stock Bonus agreement.

(b) Restricted Stock Purchase Rights. Each Restricted Stock Purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the Restricted Stock Purchase agreements may change from time to time, and the terms and conditions of separate Restricted Stock Purchase agreements need not be identical, but each Restricted Stock Purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Purchase Price. The purchase price under each Restricted Stock Purchase agreement shall be such amount as the Board shall determine and designate in such Restricted Stock Purchase agreement. The purchase price shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(ii) Consideration. The purchase price of Common Stock acquired pursuant to the Restricted Stock Purchase agreement shall be paid either: (i) in cash or by check at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant, including use of a promissory note; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, then payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(iii) Vesting. The Board shall determine the criteria under which shares of Common Stock under the Restricted Stock Purchase agreement may vest; the criteria may or may not include performance criteria or Continuous Service. Shares of Common

Stock acquired under the Restricted Stock Purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(i) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company may repurchase any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the Restricted Stock Purchase agreement.

(ii) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the Restricted Stock Purchase agreement remains subject to the terms of the Restricted Stock Purchase agreement.

(c) Stock Appreciation Rights. Two types of Stock Appreciation Rights ("SARs") shall be authorized for issuance under the Plan: (i) stand-alone SARs and (ii) stapled SARs.

(i) Stand-Alone SARs. The following terms and conditions shall govern the grant and redeemability of stand-alone SARs:

(a) The stand-alone SAR shall cover a specified number of underlying shares of Common Stock and shall be redeemable upon such terms and conditions as the Board may establish. Upon redemption of the stand-alone SAR, the holder shall be entitled to receive a distribution from the Company in an amount equal to the excess of (i) the aggregate Fair Market Value (on the redemption date) of the shares of Common Stock underlying the redeemed right over (ii) the aggregate base price in effect for those shares.

(b) The number of shares of Common Stock underlying each stand-alone SAR and the base price in effect for those shares shall be determined by the Board in its sole discretion at the time the stand-alone SAR is granted. In no event, however, may the base price per share be less than eighty-five percent (85%) of the Fair Market Value per underlying share of Common Stock on the grant date.

(c) The distribution with respect to any redeemed stand-alone SAR may be made in shares of Common Stock valued at Fair Market Value on the redemption date, in cash, or partly in shares and partly in cash, as the Board shall in its sole discretion deem appropriate.

(ii) Stapled SARs. The following terms and conditions shall govern the grant and redemption of stapled SARs:

(a) Stapled SARs may only be granted concurrently with an Option to acquire the same number of shares of Common Stock as the number of such shares underlying the stapled SARs.

(b) Stapled SARs shall be redeemable upon such terms and conditions as the Board may establish and shall grant a holder the right to elect among (i) the exercise of the concurrently granted Option for shares of Common Stock, whereupon the number of shares of Common Stock subject to the stapled SARs shall be reduced by an equivalent number, (ii) the redemption of such stapled SARs in exchange for a distribution from the Company in an amount equal to the excess of the Fair Market Value (on the redemption date) of the number of vested shares which the holder redeems over the aggregate base price for such vested shares, whereupon the number of shares of Common Stock subject to the concurrently granted Option shall be reduced by any equivalent number, or (iii) a combination of (i) and (ii).

(c) The distribution to which the holder of stapled SARs shall become entitled under this Section 8 upon the redemption of stapled SARs as described in Section 8(c)(ii)(b) above may be made in shares of Common Stock valued at Fair Market Value on the redemption date, in cash, or partly in shares and partly in cash, as the Board shall in its sole discretion deem appropriate.

(d) Phantom Stock Units. The following terms and conditions shall govern the grant and redeemability of Phantom Stock Units:

(i) Phantom Stock Unit awards shall be redeemable by the Participant to the Company upon such terms and conditions as the Board may establish. The value of a single Phantom Stock Unit shall be equal to the Fair Market Value of a share of Common Stock, unless the Board otherwise provides in the terms of the Stock Award Agreement.

(ii) The distribution with respect to any exercised Phantom Stock Unit award may be made in shares of Common Stock valued at Fair Market Value on the redemption date, in cash, or partly in shares and partly in cash, as the Board shall in its sole discretion deem appropriate.

(e) Restricted Stock Units. The following terms and conditions shall govern the grant and redeemability of Restricted Stock Units:

A Restricted Stock Unit is the right to receive one (1) share of the Company's Common Stock at the time the Restricted Stock Unit vests. Participants may elect to defer receipt of shares of Common Stock otherwise deliverable upon the vesting of an award of restricted stock. An election to defer such delivery shall be irrevocable and shall be made in writing on a form acceptable to the Company. The election form shall be filed prior to the vesting date of such restricted stock in a manner determined by the Board. When the Participant vests in such restricted stock, the Participant will be credited with a number of Restricted Stock Units equal to the number of shares of Common Stock for which delivery is deferred. Restricted Stock Units shall be paid by delivery of shares of Common Stock in accordance with the timing and manner of payment elected by the Participant on his or her election form, or if no deferral election is made, as soon as administratively practicable following the vesting of the Restricted Stock Unit.

Each Restricted Stock Unit agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Restricted Stock Unit agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit agreements need not be identical, but each Restricted Stock Unit agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Unit may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) Vesting. Vesting shall generally be based on the Participant's Continuous Service. Shares of Common Stock awarded under the Restricted Stock Unit agreement shall be subject to a share reacquisition right in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company shall reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the Restricted Stock Unit agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Unit agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Unit agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the Restricted Stock Unit agreement remains subject to the terms of the Restricted Stock Unit agreement.

(f) Performance Share Bonus Awards. Each Performance Share Bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Performance Share Bonus agreements may change from time to time, and the terms and conditions of separate Performance Share Bonus agreements need not be identical, but each Performance Share Bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Performance Share Bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) Vesting. Vesting shall be based on the achievement of certain performance criteria, whether financial, transactional or otherwise, as determined by the Board. Vesting shall be subject to the Performance Share Bonus agreement. Upon failure to meet performance criteria, shares of Common Stock awarded under the Performance Share Bonus agreement shall be subject to a share reacquisition right in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company shall reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the Performance Share Bonus agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Performance Share Bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Performance Share Bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the Performance Share Bonus agreement remains subject to the terms of the Performance Share Bonus agreement.

(g) Performance Share Units. The following terms and conditions shall govern the grant and redeemability of Performance Share Units:

A Performance Share Unit is the right to receive one (1) share of the Company's Common Stock at the time the Performance Share Unit vests. Participants may elect to defer receipt of shares of Common Stock otherwise deliverable upon the vesting of an award of performance shares. An election to defer such delivery shall be irrevocable and shall be made in writing on a form acceptable to the Company. The election form shall be filed prior to the vesting date of such performance shares in a manner determined by the Board. When the Participant vests in such performance shares, the Participant will be credited with a number of Performance Share Units equal to the number of shares of Common Stock for which delivery is deferred. Performance Share Units shall be paid by delivery of shares of Common Stock in accordance with the timing and manner of payment elected by the Participant on his or her election form, or if no deferral election is made, as soon as administratively practicable following the vesting of the Performance Share Unit.

Each Performance Share Unit agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of Performance Share Unit agreements may change from time to time, and the terms and conditions of separate Performance Share Unit agreements need not be identical, but each Performance Share Unit agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Performance Share Unit may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit. The Board shall have the discretion to provide that the Participant pay for such Performance Share Units with cash or other consideration permissible by law.

(ii) Vesting. Vesting shall be based on the achievement of certain performance criteria, whether financial, transactional or otherwise, as determined by the Board. Vesting shall be subject to the Performance Share Unit agreement. Upon failure to meet performance criteria, shares of Common Stock awarded under the Performance Share Unit agreement shall be subject to a share reacquisition right in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. In the event a Participant's Continuous Service terminates, the Company shall reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the Performance Share Unit agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Performance Share Unit agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the Performance Share Unit agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the Performance Share Unit agreement remains subject to the terms of the Performance Share Unit agreement.

9. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise, redemption or satisfaction of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock related to such Stock Awards unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

11. CANCELLATION AND RE-GRANT OF OPTIONS.

(a) The Board shall have the authority to effect, at any time and from time to time, (i) the repricing of any outstanding Options under the Plan and/or (ii) with the consent of the affected Optionholders, the cancellation of any outstanding Options under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different number of shares of Common Stock, but having an exercise price per share not less than eighty-five percent (85%) of the Fair Market Value (one hundred percent (100%) of Fair Market Value in the case of an Incentive Stock Option or, in the case of a 10% shareholder (as described in Subsection 5(b) of the Plan), not less than one hundred ten percent (110%) of the Fair Market Value) per share of Common Stock on the new grant date. Notwithstanding the foregoing, the Board may grant an Option with an exercise price lower than that set forth above if such Option is granted as part of a transaction to which section 424(a) of the Code applies. Prior to the implementation of any such repricing or cancellation of one or more outstanding Options, the Board shall obtain the approval of the shareholders of the Company to the extent required by any New York Stock Exchange, Nasdaq or other securities exchange listing requirements, or applicable law.

(b) Shares subject to an Option canceled under this Section 11 shall continue to be counted against the maximum award of Options permitted to be granted pursuant to Subsection 5(c) of the Plan. The repricing of an Option under this Section 11, resulting in a reduction of the exercise price, shall be deemed to be a cancellation of the original Option and the grant of a substitute Option; in the event of such repricing, both the original and the substituted Options shall be counted against the maximum awards of Options permitted to be granted pursuant to Subsection 5(c) of the Plan. The provisions of this Subsection 11(b) shall be applicable only to the extent required by Section 162(m) of the Code.

12. MISCELLANEOUS.

(a) Acceleration of Exercisability and Vesting. The Board, (or Committee, if so authorized by the Board) shall have the power to accelerate exercisability and/or vesting when it deems fit, such as upon a Change of Control. The Board or Committee shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Shareholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to a Stock Award except to the extent that the Company has issued the shares of Common Stock relating to such Stock Award.

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant’s agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company, and any applicable provisions of the corporate law of the state in which the Company is incorporated, as the case may be.

(d) Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) Investment Assurances. The Company may require a Participant, as a condition of exercising or redeeming a Stock Award or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant’s knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of acquiring the Common Stock; (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock; and (iii) to give such other written assurances as the Company may determine are reasonable in order to comply with applicable law. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws, and in either case otherwise complies with applicable law. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state, local, or foreign tax withholding obligation relating to the exercise or redemption of a Stock Award or the acquisition, vesting, distribution or transfer of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

13. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, spinoff, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to Subsection 4(a) above, the maximum number of securities subject to award to any person pursuant to Subsection 5(c) above, and the number of securities subject to the option grants to Eligible Employee Directors under Section 7 of the Plan, and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of the securities subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Adjustments Upon a Change of Control.

(i) In the event of a Change of Control as defined in 2(e)(i) through 2(e)(iv), such as an asset sale, merger, or change in ownership of voting power, then any surviving entity or acquiring entity shall assume or continue any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the shareholders in the transaction by which the Change of Control occurs) for those outstanding under the Plan. In the event any surviving entity or acquiring entity refuses to assume or continue such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the Board in its sole discretion and without liability to any person may (1) provide for the payment of a cash amount in exchange for the cancellation of a Stock Award equal to the product of (x) the excess, if any, of the Fair Market Value per share of Common Stock at such time over the exercise or redemption price, if any, times (y) the total number of shares then subject to such Stock Award, (2) continue the Stock Awards, or (3) notify Participants holding an Option, Stock Appreciation Right, or Phantom Stock Unit that they must exercise or redeem any portion of such Stock Award (including, at the discretion of the Board, any unvested portion of such Stock Award) at or prior to the closing of the transaction by which the Change of Control occurs and that the Stock Awards shall terminate if not so exercised or redeemed at or prior to the closing of the transaction by which the Change of Control occurs. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised or redeemed prior to the closing of the transaction by which the Change of Control occurs. The Board shall not be obligated to treat all Stock Awards, even those which are of the same type, in the same manner.

(ii) In the event of a Change of Control as defined in 2(e)(v), such as a dissolution of the Company, all outstanding Stock Awards shall terminate immediately prior to such event.

14. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 13 of the Plan relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy the requirements of Section 422 of the Code, any New York Stock Exchange, Nasdaq or other securities exchange listing requirements, or other applicable law or regulation.

(b) Shareholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible

Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) No Material Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be materially impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be materially impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

15. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the shareholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Material Impairment of Rights. Suspension or termination of the Plan shall not materially impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

16. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the Securities Registration Date, but no Option or Stock Appreciation Right shall be exercised or redeemed (or, in the case of any other form of Stock Award, shall be granted) unless and until the Plan has been approved by the shareholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

17. CHOICE OF LAW.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

EXHIBIT 10.9

FULL RECOURSE NOTE

$3,000,000 **April 8, 2004**

FOR VALUE RECEIVED, Raymond E. Wirta (the "Borrower"), hereby unconditionally promises to pay to the order of CB Richard Ellis Group, Inc., a Delaware corporation formerly named CBRE Holding, Inc. (the "Company"), or its registered assigns, the aggregate principal amount of Three Million Dollars ($3,000,000), in lawful money of the United States of America and in immediately available funds (the "Option Loan") for purposes of exercising the Koll Option. The parties acknowledge that the Company is hereby providing the Option Loan in fulfillment of its obligation undertaken on July 20, 2001 pursuant to Section 5(b) of that certain Employment Agreement, dated as of such date, between the Company and the Borrower (the "Employment Agreement"). All capitalized terms not otherwise defined herein shall have the meanings given to them in the Employment Agreement (as amended by that certain Termination of Employment Agreement dated as of February 15, 2004).

1. Interest and Payment. Interest shall accrue on the principal amount hereof at an annual rate of four percent (4%), compounded annually. All accrued and unpaid interest, together with all unpaid principal, if not sooner paid, shall be due and payable on the earliest to occur of (a) ninety (90) days following the termination of the Borrower's employment with the Company (other than by the Company without Cause or by the Borrower for Good Reason), (b) seven months following the date the Shares become readily tradable on a national securities exchange or over the counter market, (c) the sale of all the Shares purchased with the Option Loan, and (d) July 20, 2010. In addition, the Option Loan shall be repayable to the extent of any net after tax proceeds received by the Borrower upon the sale of any portion of the Shares purchased with the Option Loan or upon exercise of stock options granted to the Borrower by the Company, such amounts to be applied first to payment of any accrued and unpaid interest and then (if additional funds remain) to any unpaid principal. "Net after tax proceeds" for purposes of the previous sentence shall be determined based on the assumptions that the Borrower is subject to federal and California income taxes at the highest marginal rates then in effect and shall take into account the reduction in federal income taxes that could be obtained from the deduction for state and local taxes.

2. Acceleration. (a) In the event that the Borrower commences an action under any law relating to bankruptcy, insolvency or relief of debtors, there is commenced against the Borrower an action under any such law which results in the entry of an order for relief or such action remains undismissed for a period of 60 days or the Borrower otherwise becomes insolvent, the obligation of the Borrower hereunder shall automatically be accelerated and (b) in the event that the Borrower defaults in any payment obligation hereunder or in any agreement contained in the Pledge Agreement (as defined in Section 4), the Company may accelerate the Option Loan and may, by written notice to the Borrower, declare the entire unpaid outstanding principal amount and all such accrued and unpaid interest thereon to be immediately due and payable and, thereupon, in the case of each of clause (a) and (b), the unpaid outstanding principal amount and all such accrued and unpaid interest shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly

waived by the Borrower. The failure of the Company to accelerate the Option Loan shall not constitute a waiver of any of the Company's rights under the Option Loan as long as any of the events described in this Section 2 continue.

3. Voluntary Prepayments. The Borrower shall have the right at any time and from time to time prior to the payment due date to prepay the principal of this Note in whole or in part, without premium or penalty. Any prepayment hereunder shall be accompanied by interest on the principal amount of this Note being prepaid to the date of prepayment.

4. Pledge Agreement. The obligations of the Borrower hereunder are secured in part pursuant to the Pledge Agreement dated the date hereof made by the Borrower to the Company.

5. Miscellaneous. To the extent permitted by law, the Borrower waives diligence, presentment, demand, demand for payment, notice of non-payment, notice of dishonor, protest and notice of protest and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Note.

No waiver or modification of the terms of this Note shall be valid unless in writing signed by the Company and then only to the extent therein set forth.

This Note shall be governed by and construed and enforced in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed and delivered on the day and year first above written.

/S/ RAYMOND E. WIRTA

Raymond E. Wirta

PLEDGE AGREEMENT

Pledge Agreement, dated as of April 8, 2004, made by Raymond E. Wirta (the "Pledgor"), to CB Richard Ellis Group, Inc., a Delaware corporation formerly named CBRE Holding, Inc. (the "Company"). Capitalized terms that are not defined herein shall have the meanings ascribed to them in that certain Employment Agreement, dated as of July 20, 2001, between the Company and the Borrower (the "Employment Agreement").

Pledgor is the owner of 521,590 shares of the Company's Class B Common Stock received upon exercise of the Koll Option (the "Pledged Interests"). The Company is loaning Pledgor Three Million Dollars ($3,000,000) (the "Option Loan"), to be evidenced by a full recourse note to be executed by Pledgor simultaneously herewith (the "Note").

NOW, THEREFORE, in consideration of the premises and in order to induce the Company to make the Option Loan under the Note, Pledgor hereby agrees with the Company as follows:

1. Pledge. Pledgor hereby pledges to the Company and grants the Company a first priority security interest in (a) the Pledged Interests and (b) all Proceeds and products thereof, accessions thereto and substitutions therefore, including, without limitation, all Investment Property and General Intangibles included therein and all dividends, distributions, rights and interests that may, from time to time, be issued, granted or arise in respect thereof (collectively, the "Collateral"). As used herein, the terms "Proceeds," "Investment Property" and "General Intangibles" shall have the respective meanings set forth in the Uniform Commercial Code of California as in effect on the date hereof.

2. Security for Obligations. This Pledge Agreement secures the payment of all of Pledgor's obligations under the Note and this Pledge Agreement (including, without limitation, interest accruing at the rate provided in the Note after the maturity of the Option Loan and interest accruing at the rate provided in the Note after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Pledgor, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether due or to become due or now existing or hereafter incurred (the "Obligations").

3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing the Pledged Interests, including Collateral received by the Borrower after the date hereof, shall be delivered to and held by the Company and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Company.

4. Representations and Warranties. Pledgor represents and warrants that (i) Pledgor is the legal and beneficial owner of the Pledged Interests and (ii) no lien, security interest, pledge, hypothecation or similar encumbrance exists on the Collateral (except as created hereunder) ("Lien").

5. Disposition. The Pledgor may not sell, exchange or otherwise dispose of any of the Pledged Interests unless the Pledgor has repaid the amount of unpaid principal and any accrued and unpaid interest on the Note in full. Without the prior written consent of the Company, the Pledgor will not (a) grant any option with respect to, create, incur or permit to exist any Lien or option in favor of or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the security interests created by this Pledge Agreement, or (b) enter into any agreement or undertaking restricting the right or ability of the Pledgor or the Company to Transfer any of the Collateral, except for the restrictions set forth herein with respect to the Pledgor.

6. Indemnity. The Pledgor shall pay, and save the Company and its directors, employees and affiliates harmless from, any and all liabilities and expenses related to or arising from the Note or the Pledge Agreement or any exercise of remedies in respect thereof, including with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Pledge Agreement.

7. Rights and Remedies of the Company. If any obligation under the Note is not paid in full when due, or if any obligation thereunder is accelerated as set forth therein (except in the case of an insolvency event described in clause (a) of Section 2 of the Note, in which case no notice shall be required), (a) the Company shall, by notice to the Pledgor of its intent to exercise such rights, have the right to receive any and all cash payments or distributions paid in respect of the Collateral and make application thereof to the Obligations in such order as the Company may determine, and to exercise all rights of the Pledgor in respect of the Collateral and (b) shall have and may exercise all the rights and remedies in respect of the Collateral and the Obligations of a secured party under the California Uniform Commercial Code, and may apply any Proceeds from time to time to the Obligations in such manner as it may elect. To the extent permitted by applicable law, the Pledgor waives all claims, damages and demands it may acquire against the Company arising out of the exercise by them of any rights hereunder. The Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Collateral are insufficient to pay the Obligations.

8. Cash Dividends; Voting Rights. Unless any obligation under the Note is not paid in full when due, or if any obligation thereunder is accelerated as set forth therein (except in the case of an insolvency event described in clause (a) of Section 2 of the Note, in which case no notice shall be required), the Pledgor shall be permitted (a) to receive, upon repayment of the Note and all accrued and unpaid interest thereon, all cash dividends paid in respect of the Pledged Interests and (b) to exercise all voting and corporate rights with respect to the Pledged Interests.

9. Further Assurances. Pledgor agrees that from time to time the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Company may request, in order to perfect and protect the pledge and first priority security interest granted hereby, and further authorizes the Company to file financing statements with respect to the Collateral with the signature of the Pledgor as the Company determines appropriate.

10. Continuing Security Interest. This Agreement shall be a continuing assignment of, and security interest in, the Collateral and shall remain in full force and effect until payment of all obligations under the Note. Upon the payment in full of all such obligations, Pledgor shall be entitled to the return of the Pledged Interests and to the release of the Company's security interest in the Collateral.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, Pledgor has caused this Agreement to be duly executed and delivered as of the date first written above.

/s/ RAYMOND E. WIRTA

Raymond E. Wirta

EXHIBIT 10.11

June 4, 2003

INSIGNIA RICHARD ELLIS LIMITED

-and-

ALAN CHARLES FROGGATT

AMENDED AND RESTATED

EXECUTIVE SERVICE AGREEMENT

CONTENTS

THIS AGREEMENT is made on June 4, 2003.

BETWEEN:

(1) **INSIGNIA RICHARD ELLIS LIMITED** (No. 3350437) whose registered office is at Berkeley Square House, London WlX 6AN (the "**Company**"); and

(2) **ALAN CHARLES FROGGATT** of Touchstone, Hullbrook Lane, Shamley Green, Guildford, Surrey GU5 OUQ (the "**Executive**").

WHEREAS, the Executive continuously has been employed by the Company or its predecessor entities since May 1, 1997;

WHEREAS, the Company desires to assure itself of the services of the Executive for the period provided in clause 2 of this agreement, and the Executive is willing to serve in the employ of the Company for such period upon the terms and conditions provided in this agreement;

WHEREAS, in contemplation of the merger of Apple Acquisition Corp. with and into Insignia Financial Group, Inc., as detailed in that certain Agreement and Plan of Merger (the "**Merger Agreement**") dated February 17, 2003, the Executive and the Company desire to enter into this agreement effective as of the "**Closing Date**" (as defined in the Merger Agreement); and

WHEREAS, in the event that the "**Closing**" (as defined in the Merger Agreement) fails to occur, this agreement shall be void *ab initio.*

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive agree as follows:

1. **DEFINITIONS**

In this agreement, unless the context otherwise requires:

1.1 "**Board**" means the board of directors of the Company;

1.2 "**Commencement Date**" means the Closing Date;

1.3 "**Group Companies**" or "**Group**" means the Company, its holding company, and all subsidiary and associated companies of holding company;

1.4 "**associated company**" means a company which is treated as such for the purposes of Statement of Standard Accounting Practice No. 1 of the Institute of Chartered Accountants in England and Wales.

1.5 "**subsidiary**" and "**holding company**" have the meanings given to them in section 736 of the Companies Act 1985.

2. **TERM AND APPOINTMENT**

2.1 The Company shall engage the Executive and the Executive shall serve the Company as Chief Executive on the terms hereinafter provided (the "**Appointment**"). The Appointment shall commence on the Commencement Date and shall continue subject as hereinafter mentioned until terminated by the Company giving to the Executive not less than 12 months notice in writing or the Executive giving to the Company not less than 6 months notice in writing but not in any event so as to extend beyond the normal retirement age of 60 years. Notice to terminate the Appointment cannot be given by either party under this clause 2.1 prior to December 31, 2004.

2.2 During the notice period, regardless of whether the Executive or the Company has given the notice, the Company may at its absolute discretion, for all or part of the notice period, require the Executive:

(a) not to enter the premises of the Company and/or any Group Company;

(b) not to carry out any work or duties on behalf of the Company or any Group Company, except as may be requested by the Company;

(c) not to act or represent himself as if he has authority to act on behalf of the Company or any Group Company except as may be requested by the Company;

(d) to resign from all offices held in the Company or any of the Group Companies (and should he fail to do so the Company is hereby irrevocably appointed to be the Executive's Attorney in his name and on his behalf to execute any documents and to do any things necessary or requisite to give effect to this sub-clause); and/or

(e) not to contact or communicate with suppliers, customers or clients, investors, employees, agents, trustees or representatives of the Company or any Group Company except as may be requested by the Company.

2.3 The Company shall be entitled to terminate the Appointment immediately at any time; however, if the Company terminates the Appointment prior to December 31, 2004, the Company will pay to the Executive payments in lieu of salary, bonus and contractual benefits that the Executive would have received had the Appointment continued until December 31, 2005. If the Company terminates the Appointment on or after December 31, 2004, the Company will pay to the Executive payments in lieu of salary, bonus and contractual benefits for (i) 12 months following the termination of the Appointment if the Company has not provided the Executive with the 12 month notice of its intention to terminate the Appointment, or (ii) where the 12 month notice of termination of the Appointment previously has been given by the Company, for the remaining term of the 12 month notice period. Notwithstanding any other provision in this clause 2.3, in the event that the Company terminates the Appointment after the Executive has provided the Company with the 6 month notice of Executive's intention to terminate the Appointment, the Company will pay to the Executive payments in lieu of salary, bonus and contractual benefits that the Executive would have received for the remaining term of the 6 month notice period. For the purposes of determining the value of pay in lieu of any bonus entitlement, the relevant amount will be the average of the bonuses awarded to the Executive in respect of the 3 previous financial years prior to the date of termination of employment. The Executive will not be entitled to any of the benefits or items of compensation described in this clause 2.3 if he is dismissed summarily in accordance with clause 11 of this agreement.

3. **DUTIES**

3.1 During the Appointment the Executive shall devote the whole of his time and attention to the duties assigned to him which are consistent with the position of Chief Executive and shall well and faithfully serve the Company and use his reasonable endeavours to promote the interests of the Company and shall obey all reasonable and lawful directions given to him by or under the authority of the Board. The duties for the time being are contained in Schedule 1 to this Agreement.

3.2 The Executive may be required in pursuance of his duties hereunder:

(a) to perform services not only for the Company but also for any of the Group Companies provided that such services are commensurate with his status and without further remuneration (except as otherwise agreed) to accept such offices in any of the Group Companies as the Company may from time to time reasonably require;

(b) to work at the Company's principal place of business in London or such other location in the United Kingdom as may be agreed between the parties;

(c) to travel to such places whether in or outside the United Kingdom by such means and on such occasions as the Board and/or the Board of the holding company may from time to time reasonably require;

(d) to make reports to the Board and/or the Board of its holding company on any matters concerning the affairs of the Company or any other Group Company as it or they may reasonably require.

3.3 The statutory maximum average working week is 48 hours. Without prejudice to any argument that this statutory maximum does not apply to the Executive because, for example, he is sufficiently senior to control his own working time, the Executive agrees that his hours of work may exceed the statutory maximum. If the statutory maximum does apply to the Executive then either party may end the agreement in this clause that the Executive may work more than the statutory maximum by giving to the other party not less than 3 months' notice.

4. **HOLIDAY ENTITLEMENT**

During the Appointment the Executive shall be entitled to 30 working days holiday (in addition to the public holidays) in each calendar year January to December at full salary to be taken at such time or times as may be approved by the Board. Any holiday taken in the 2003 calendar year prior to the Commencement Date will be deducted from the Executive's entitlement under this agreement in the 2003 calendar year.

Holidays not taken cannot be carried over to a subsequent year. Upon the termination of the Appointment, either the Executive shall be entitled to receive payment in lieu of accrued holidays not taken at that date (provided that such termination is not pursuant to clause 12) or the Company shall be entitled to make a deduction from the Executive's remuneration in respect of holidays taken in excess of the accrued entitlement. The accrued holiday entitlement at the date of determination shall be calculated on the basis of 2 $^{1}/_{2}$ days holiday for each completed calendar month of service in the then current calendar year and the amount of the payment in lieu or deduction shall be calculated on the basis of 1/260 of the Executive's annual salary for each day's holiday not taken or taken in excess of the accrued entitlement.

5. **DISCLOSURE OF INTERESTS**

5.1 Except as a representative of the Company or with the previous written approval of the Board which shall be deemed to be given in respect of any financial interest, office or employment which the Executive holds at the date hereof, brief details of which are attached at schedule 2 to this Agreement, the Executive shall not during the Appointment whether directly or indirectly paid or unpaid be engaged or concerned in the conduct of any other actual or prospective business or profession or be or become an Executive, agent, partner, consultant or director of any other company or firm or assist or have any financial interest in any other such business or profession.

5.2 The Executive shall be permitted to hold shares or securities of a company any of whose shares or securities are quoted or dealt in on any recognized investment exchange provided that any such holding shall not exceed three per cent of the issued share capital of the company concerned and is held by way of bona fide investment only ("**Investment**").

5.3 The Executive shall disclose to the Board any matters relating to his spouse (or anyone living as such), their children, step children, parents or any trust or firm whose affairs or actions he controls which, if they applied to the Executive, would contravene clause 5.1, to the extent that the Executive has actual knowledge of such matters.

6. **REMUNERATION**

6.1 During the Appointment as remuneration for his services hereunder, the Executive shall be paid a fixed salary at the rate of £250,000 per annum or such higher rate as may from time to time be agreed. Such salary shall be inclusive of any fees or remuneration which he would otherwise be entitled to receive from the Company, Group Company or any associated company and shall be payable by bank credit transfer in equal monthly installments in arrears on or before the last working day of each calendar month and will be reviewed annually by the Board.

6.2 In addition to the said salary, the Executive shall be entitled to participate in the Executive Bonus Plan of CB Richard Ellis, Inc. (in accordance with the rules thereof for the time being). Under the Executive Bonus Plan CB Richard Ellis, Inc. (the "Plan"), the Executive shall be afforded the opportunity to earn an annual target bonus of £250,000. The determination of the Executive's precise amount of annual bonus under the Plan (which may be more or less than £250,000) shall be calculated in accordance with the terms of the Plan; provided, however, that the Executive shall be guaranteed a minimum bonus of £150,000 for calendar year 2003 only. The Executive will not be entitled to this guaranteed minimum bonus if during 2003 he is dismissed summarily in accordance with clause 11 of this agreement. Subject to providing the Executive with the guaranteed bonus in calendar year 2003 (as described above), the Board of Directors of CB Richard Ellis, Inc. shall retain the right to amend or terminate the Plan at any time. The Executive shall have no entitlement to receive bonuses except as provided in this clause 6.2.

6.3 No provision of benefits on retirement (including annuities) will be made by the Company for the Executive. There is therefore no contracting-out certificate in force under the Pension Schemes Act 1993 in respect of the Employment.

6.4 The Executive shall be entitled to participate in such permanent health insurance, life assurance and medical expenses insurance schemes as the Company shall from time to time maintain for the benefit of executives of the seniority of the Executive subject to their terms and conditions from time to time in force.

6.5 The Company made a cash payment of £47,344 to the Executive on January 1, 2001, in accordance with the terms of the Employment Agreement executed between the Company and Executive on February 27, 2001 (the "**Original Agreement**"). On the Closing Date, the Executive's obligation to repay any amount of such cash payment to the Company under clause 6.5 of the Original Agreement shall be cancelled in its entirety.

6.6 The Company may deduct from any sums due from the Company to the Executive any sums due from the Executive to the Company.

7. **EXPENSES**

The Executive shall be entitled to be repaid all reasonable traveling, hotel and other expenses properly authorized by the Board and incurred in or about the performance of the duties hereunder, which expenses shall be evidenced in such manner as the Company may specify from time to time.

8. **CONFIDENTIAL INFORMATION**

8.1 The Executive shall not use or divulge or communicate to any person other than with proper authority any of the trade secrets or other confidential information of or relating to the Company or any of the Group Companies (including but not limited to details of customers, potential customers, consultants, suppliers, potential suppliers, designs, product details, future product details, prices, discounting arrangements, specific product applications, existing trade arrangements, terms of business and those in the course of negotiation, operating systems, pricing and fee structures, financial information, inventions, research and development activities and which he may have created, developed, received or obtained while in the service of the Company or any of the Group Companies). This restriction shall cease to apply with respect to any information, confidential report or research which comes into the public domain other than as a result of the Executive being in breach of his obligations under this clause.

8.2 The Executive shall not during the Appointment make otherwise that for the benefit of the Company any records (whether recorded on paper, computer memory or discs or otherwise) relating to any matter within the scope of the business of the Company or any of the Group Companies or concerning any of its or their dealings or affairs nor either during the Appointment or thereafter use or permit to be used any such records otherwise than for the benefit of the Company, it being agreed by the parties that all such records (and copies thereof) in the possession or control of the Executive shall be property of the Company and shall be handed over by the Executive to the Company from time to time and on demand and in any event upon the termination of the Appointment.

8.3 The Executive shall not during the Appointment speak in public or write any article for publication on any matter connected with or relating to the business of the Company or any of the Group Companies without first obtaining the approval of the Board.

9. **INVENTIONS AND CREATIVE WORKS**

9.1 The Executive acknowledges that because of the nature of his duties and the particular responsibilities arising as a result of such duties which he owes to the Company and the Group Companies he has a special obligation to further the interests of the Company and the Group Companies. In particular the duties of the Executive shall include reviewing the products and services of the Company and Group Companies with a view to improving them by new and/or original ideas and inventions and implementing such improvements.

9.2 The Executive shall promptly disclose to the Company any idea, invention or work which is relevant to or capable of use in the business of the Company or any of the Group Companies made by the Executive in the course of his employment whether or not in the course of his duties. The Executive acknowledges that the intellectual property rights subsisting or which may in the future subsist in any such ideas, inventions or works created by him in the course of his employment will, on creation, vest in and be the exclusive property of the Company and where the same does not automatically vest as aforesaid, the Executive shall assign the same to the Company (upon the request and at the cost of the Company). The Executive hereby irrevocably waives any rights which he may have in any such ideas, inventions or works which are or have been conferred upon him by chapter IV of part I of the Copyright, Designs and Patents Act 1988 headed “Moral Rights”.

9.3 The Executive hereby irrevocably appoints the Company to be his attorney in his name and on his behalf to execute and do any such instrument or thing and generally to use his name for the purpose of giving to the Company or its nominee the full benefit of the provisions of this clause 9 and acknowledges in favour of any third party that a certificate in writing signed by any Director or Secretary of the Company that any instrument or act falls within the authority hereby conferred shall be conclusive evidence that such is the case.

10. **RESTRICTIONS AFTER TERMINATION**

10.1 The Executive acknowledges and agrees that the covenants set out below are reasonably necessary for the proper protection of the legitimate business interests of the Company. The Executive covenants to the Company (for itself and as trustee for each of the Group Companies) that he shall not for the following periods after the termination of the Appointment howsoever arising (but excluding repudiatory breach of this agreement by the Company) directly or indirectly, either alone or jointly with or on behalf of any person, firm, company or entity and whether on his own account or as principal, partner, shareholder, director, executive, consultant or in any other capacity whatsoever:

(a) for 12 months following termination in the "**Relevant Territory**" (as defined below) and in competition with the Company or any of the "**Relevant Group Companies**" (as defined below) engage, assist or be interested in any undertaking which provides services similar to those provided by the Company or any of the Relevant Group Companies in the 12 months prior to termination and with which the Executive was concerned in the said period of 12 months;

(b) for 12 months following termination in the Relevant Territory solicit or interfere with or endeavour to entice away from the Company or any of the Relevant Group Companies any person, firm, company or entity who was a client of the Company or any of the Relevant Group Companies in the 12 months prior to termination and with whom the Executive was concerned or had personal contact in the said period of 12 months;

(c) for 12 months following termination in the Relevant Territory be concerned with the supply of services to any person, firm, company or entity which was a client of the Company or any of the Relevant Group Companies in the 12 months prior to termination where such services are identical or similar to and in competition with those services supplied by the Company or any of the Relevant Group Companies in the said 12 month period, with which supply the Executive was concerned in the said period of 12 months;

(d) for 12 months following termination offer to employ or engage or solicit the employment or engagement of any person who immediately prior to the date of termination was a senior Executive or consultant of the Company or any of the Relevant Group Companies and with whom the Executive had significant working contact in the 12 months prior to termination (whether or not such person would commit any breach of their contract of employment or engagement by reason of leaving the service of such company); and

(e) represent himself as being in any way connected with or interested in the business of the Company or any of the Relevant Group Companies.

10.2 Each of the obligations contained in this clause constitutes an entire separate and independent restriction on the Executive and if any part is found to be unenforceable the remainder will remain valid and enforceable.

10.3 While the restrictions are considered by the parties to be fair and reasonable in the circumstances, it is agreed that if any such restrictions should be judged to be void or ineffective for any reason but would be treated as valid and effective if part of the wording thereof were deleted the said restrictions shall apply with such modifications will be necessary to make them valid and effective.

10.4 The Executive agrees that he will at the request and cost of the Company enter into a direct agreement with any of the Group Companies under which he will accept restrictions corresponding to the restrictions contained in this clause (or such as will be appropriate in the circumstances) in relation to such Group Company.

10.5 The provisions of this clause will not prevent the Executive from holding an Investment.

10.6 For the purposes of this clause:

(a) a "**Relevant Group Company"** means any of the Group Companies for which the Executive has performed services or in which he has held office during the 12 months immediately preceding termination and, if applicable, their predecessors in business during such 12 month period.

(b) "**Relevant Territory"** means the United Kingdom; and

(c) the periods of restriction following termination of the Executive's employment that are set out above shall be reduced by a period equal to the aggregate amount of time during which the Company relies upon its rights under clause 2.2.

11. **TERMINATION BY EVENTS OF DEFAULT**

The Appointment shall be subject to summary termination at any time by the Company by notice in writing if the Executive shall have committed any serious breach or (after warning in writing) any repeated or continued material breach of the obligations hereunder or shall have been guilty of any act of dishonesty or serious misconduct or shall be declared bankrupt or shall compound with his creditors. Any delay by the Company in exercising such right to termination shall not constitute a waiver thereof.

12. **INCAPACITY**

12.1 The Company shall continue to pay the Executive's salary and other contractual entitlements to remuneration during any period of absence on medical grounds up to a maximum of 24 consecutive months provided that the Executive shall from time to time if required supply the Company with medical certificates covering any period of sickness or incapacity exceeding 7 days (including weekends). The Company and the Executive further agree, however, that the Company's obligations under this clause 12.1 shall be reduced or eliminated by any benefits provided to Executive under an arrangement described in clause 6.4.

12.2 Payment of the salary and other remuneration pursuant to clause 12.1 shall be inclusive of any Statutory Sick Pay to which the Executive may be entitled.

12.3 If the Executive's absence shall be occasioned by the actionable negligence of a third party in respect of which damages are recoverable, then all remuneration paid hereunder shall constitute loans to the Executive who shall:

(a) Forthwith notify the Company of all the relevant circumstances and of any claim, compromise, settlement or judgment made or awarded in connection therewith;

(b) If the Company so requires, refund to the Company such sum as the Company may determine, not exceeding the lesser of:

(i) the amount of damages recovered by him under such compromise, settlement or judgment in respect of his loss of earnings as an Executive hereunder; and

(ii) the sums advanced to him in respect of the period of incapacity .

In either case after deducting the amount of all professional costs incurred by the Executive in connection with the action or negligence of such third party to the extent that those costs are not recovered by the Executive from such third party.

13. **OBLIGATIONS UPON TERMINATION**

Upon the termination of the Appointment howsoever arising the Executive shall:

13.1 At any time or from time to time thereafter upon the request of the Company, resign without claim for compensation from:

(a) all offices held in the Company or any of the Group Companies; and

(b) any office in any other company acquired by reason of or in connection with the Appointment;

and should he fail to do so the Company is hereby irrevocably appointed to be the Executive's Attorney in his name and on his behalf to execute any documents and to do any things necessary or requisite to give effect to this clause;

13.2 deliver to the Board all documents (including, but not limited to, correspondence, lists of clients or customers notes, memoranda, plans, drawings and other documents of whatsoever nature and all copies thereof) made or complied or acquired by the Executive during the Appointment and concerning the business, finances or affairs of the Company or any of the Group Companies or clients.

14. **SHARE DEALING**

14.1 The Executive shall as applicable comply, and shall procure that his spouse or partner and minor children shall comply, with all applicable rules of law stock exchange regulations and codes of conduct of the Company and any Group Company for the time being in force in relation to dealings in shares debentures or other securities of the Company or any Group Company or any unpublished price sensitive information affecting the securities of any other company (provided that the Executive shall be entitled to exercise any options granted to him under any share option scheme established by the Company or any Group Company subject to the rules of any such scheme and any other rules for the time being in force in relation to exercise of options under such scheme).

15. **DATA PROTECTION**

15.1 The Executive hereby confirms that the Company will be entitled to process (within the meaning of the Data Protection Act 1998 (and any amending or subordinate legislation passed from time to time)) in any way it reasonably considers fit any data and other information concerning the Executive provided that the Employer shall exercise all reasonable care to treat such data and information with the degree of confidentiality that would normally be expected of a reasonable and responsible Employer engaged in the processing of such data or information.

15.2 The Executive hereby consents to the passing of any such data and information by the Company to any of the Group Companies whether within or outside the European Union or to any associated companies subject to the conditions set out above.

16. **RECONSTRUCTION AND AMALGAMATION**

If at any time the Executive's employment is terminated in connection with any reconstruction or amalgamation of the Company or any of the Group Companies whether by winding up or otherwise and the Executive receives an offer on terms which (considered in their entirety) are not less favourable to any material extent than the terms of this agreement from a company involved in or resulting from such reconstruction or amalgamation the Executive shall have no claim whatsoever against the Company or any such company arising out of or connected with such termination.

17. **NOTICES**

Any notice to be given hereunder shall be in writing. Notices may be given by either party by personal delivery or post or by fax addressed to the other party at (in the case of the Company) its registered office for the time being and (in the case of the Executive) his last known address and any such notice given by letter or fax shall be deemed to have been served at the time at which the letter was delivered personally or transmitted or if sent by post would be delivered in the ordinary course of post.

18. **PREVIOUS CONTRACTS**

18.1 Other than where expressly stated to the contrary in this agreement, this agreement contains the entire agreement relating to the Executive's employment with the Company and is in substitution for and replaces any previous contract of service between the Company or any of the Group Companies and the Executive which shall be deemed to have been terminated by mutual consent as from the commencement of the Appointment and the Executive hereby waives with effect from the Commencement Date any and all claims which he may have arising out of or in connection with any such previous contract of service.

18.2 The Executive hereby warrants and represents to the Company that he will not, in entering into this agreement or carrying out his duties hereunder, be in breach of any terms of employment whether express or implied or any other obligation binding upon him.

19. **PROPER LAW**

This agreement shall be governed and construed in all respects in accordance with English law.

20. **CONSTRUCTION**

20.1 The headings in this agreement are inserted for convenience only and shall not affect its construction.

20.2 Any reference to a statutory provision shall be construed as a reference to any statutory modification or re-enactment thereof (whether before or after the date hereof) for the time being in force.

21. **STATUTORY INFORMATION AND SCHEDULE 3**

Schedule 3 hereto (in addition to this agreement) constitutes a written statement as at the date hereof of the terms of employment of the Executive in compliance with the provisions of the Employment Rights Act 1996.

22. **INDEMNITY**

The Company agrees to indemnify the Executive against any and all liabilities he may incur as a result of carrying out his duties hereunder, save in circumstances where the Executive has committed an act of default under clause 11 above (including by way of example any act of willful misconduct or gross negligence) and insofar as such an indemnity would be rendered void by section 310 of the Companies Act 1985 and any subsequent amendments or modifications.

IN WITNESS whereof this agreement has been executed as a deed on the date first before written.

Executed and Delivered as a Deed by
INSIGNIA RICHARD ELLIS LIMITED
Acting by:

/s/ MARK STRONG

Mark Strong
Director

/s/ MARTIN LUBIENIECKI

Martin Lubieniecki
Director/Secretary

Signed and Delivered as a deed by the said
ALAN CHARLES FROGGATT
in the presence of:

/s/ ALAN CHARLES FROGGATT

/s/ ANN LYONSON

Ann Lyonson
12 The Mount
76 Bedford Gardens
London
W8765
Secretary

EXHIBIT 10.12

[CB Richard Ellis Logo]

ASIA – PACIFIC

CB Richard Ellis Pty Ltd
ABN 57 087 373 574

Level 9
255 George Street
Sydney 2000 Australia
Tel 61 2 9240 9340
Fax 61 2 9235 0879
DX 10262

www.cbre.com.au

wchillingworth@cbre.com.au

23 January 2001

William Chillingworth
Chairman

Mr. Rob Blain
11 Albemarie Avenue
Rose Bay, NSW
Australia

Dear Rob:

OFFER OF EMPLOYMENT

I am pleased to offer you employment with CB Richard Ellis ("CBRE" or "the Company") on the terms and conditions set out in this letter.

Please read this letter carefully. If you wish to accept the Company's offer of employment, please sign and return the enclosed copy of this letter to me as an acknowledgment that you have read and accept these terms and conditions. Once accepted, this letter will constitute your entire contract of employment with the Company and supersedes all prior representations and agreements in connection with your employment.

Commencement: Your employment will commence on 1 February 2000; however, if circumstances accelerate your departure from your current employer, CBRE will commence your job as soon as mutually possible.

Position Title: You will be employed as Executive Managing Director, Greater China and Managing Director, Hong Kong. A position description outlining the primary duties of your position is attached. You shall report to the Chairman, Asia-Pacific.

It is anticipated that your services under this international assignment will be indefinite. However, you are employed "at will" which means you are entitled to quit for any reason or no reason, and that the Company may terminate your employment for any reason or no reason as outlined in the

"Notice of Termination" clause of this contract.

Salary Package:

Your salary package will be US$300,000 gross per annum inclusive of compensation for lack of Company retirement payment, car allowance, club dues and home leave.

The Company will normally review your salary package annually. In conducting such review, the Company will take into account both market factors and your job performance and may, at its sole discretion, make any necessary adjustments to your salary package. You will be notified in writing of any such adjustments.

If the Company, for any reason other than misconduct, terminates your employment during the first year of your employment, you will receive a full year's entitlement of your salary (not to exceed US$300,000) plus any salary due pro rata to the date of termination.

Schooling & Housing Allowance

In addition to your salary package, the Company will provide you with a schooling and a housing allowance. For schooling an annual allowance of US$20,000 will be provided; for housing, an annual allowance of $140,000 will be provided. The manner of the payments will be worked out between you and the Company prior to your commencing your employment.

If the Company for any reason other than misconduct terminates your employment during the first year of your employment, you will receive a full year's entitlement of both these benefits (not to exceed US$160,000) plus any housing and schooling allowance due pro rata to the date of termination.

Bonus/Profit Sharing Scheme:

A document setting out your profit share scheme going forward (beginning with the year ending 31 December 2002) will be mutually negotiated during the first quarter of 2002. This profit share scheme will be based on achieving the 2002 budget. It will carry a target profit share payment to you of US$100,000 that the Company will guarantee for the year 2002. However, for subsequent years, this amount can vary upwards or downwards depending on the performance of the region that you are in charge of.

If the Company for any reason other than misconduct terminates your employment during the first year of your employment, you will receive a full year's entitlement of your profit share (not to exceed US$100,000). Beyond the first year of employment, if the Company, for any reason other than misconduct, terminates your employment, you will be entitled to a pro rata profit share payment calculated as at the date of termination. These payments will be payable to you by the Company in the year following the year of termination in accordance with the attached document entitled "Profit Share."

If your employment is terminated by the Company for misconduct, or is terminated by you for any reason other than for breach of this agreement by the Company before the close of business on 31 December of any year, then you will not be entitled to any bonus or profit share for that year.

Insurance: The Company will provide "Death in Service" insurance equal to three times your salary as well as a Bupa Gold family medical and dental policy.

Payment: You will be paid all remuneration via the payroll in Hong Kong in the local currency. The exchange rate used will be as of the date of employment.

Relocation: You are eligible for reimbursement for certain moving expenses for moving from your current residence ("Australia Residence") to your new residence ("Foreign Residence") in accordance with the Company's policy on employee relocation, and for reimbursement of travel expenses for you and your family members under the Company's air travel policy.

Repatriation: You are eligible for reimbursement for certain moving expenses for moving from your Foreign Residence to your Australian Residence in accordance with the Company's policy on employee relocation, and for reimbursement of travel expenses for you and your family members under the Company's air travel policy; as presently in effect as outlined in the attached schedule entitled "Employee Relocation."

This eligibility for repatriation applies only the Company continuing your employment either in Australia, or elsewhere, or in the event the Company terminates your employment for reasons other than misconduct.

One-Time Transfer Allowance You will receive a one-time transfer allowance to help cover some incidental costs and extraordinary moving expenses in the amount of US$15,000.

Hours: Normal office hours are 8:30 am – 5:00 pm from Monday to Friday. Owing to the nature of your job, you are expected to work as and when required to satisfactorily perform the duties of your position. This may include working beyond normal office hours, without further compensation.

Holiday Entitlement: Each person appointed as a Director is expected to organise their affairs in such a manner that enables them to take their full annual leave entitlement annually. Accordingly, each Director is afforded the flexibility of managing their own time and is excluded from normal day-to-day company documentation/procedural requirements that apply to taking and recording of annual leave. Once a year, you will be asked to report annual leave taken in the form of a memorandum. This flexibility is intended to encourage the taking of annual leave and therefore we do expect that you will take a full four (4) weeks annual leave per year. This issue of carrying leave forward to allow for extended holidays, etc. will not be a factor as you will be afforded the flexibility and discretion to take additional leave when necessary.

At the termination of employment the liability of the Company for annual leave is limited to the pro rata entitlement, accrued but untaken, during the current year from the last anniversary date of the employment contract.

Sickness:

You will be entitled to five (5) days sick leave for the first year of service and eight (8) days for each second and subsequent year of service. Untaken sick leave shall accumulate from year to year.

Untaken sick leave is not payable on termination of your employment.

If you are not on paid sick leave, and are unfit for work for three (3) consecutive months, or for an aggregate of three (3) months over a twelve (12) month period, the Company reserves its rights to terminate your employment.

Confidentiality:

In the ordinary course of your employment you will have access to information about the business, affairs, finance or trade connections of the Company, other members of CB Richard Ellis and their Directors and clients which is confidential or is commercially sensitive and which may not be readily available to competitors or the general public and which is disclosed could cause significant harm to the Company, the members of CB Richard Ellis or the clients of the Company or such members.

You must not, whether during or after your employment, except as required by law or as authorised or required by your duties as an employee of the Company, disclose or divulge (whether deliberately or through lack of care or diligence) to any person, firm, company or organisation or otherwise make use of any confidential information. For the purpose of this letter, “confidential information” includes, but is not limited to, the following:

(a) Any trade secrets, proprietary information, secrets or confidential operations, processes or business methods or any information (other than that within the public domain) concerning the organisation, business, finances, transactions or affairs of the Company, the members of CB Richard Ellis or the clients of the Company or such members.

(b) Information concerning the business, affairs, finance, property listings or trade connections of the Company, other members of CB Richard Ellis and their Directors and clients.

(c) Developments, designs, ssemblies, processes, methods, formulae, drawings and systems relating to the business of CB Richard Ellis.

(d) Results of research, investigations, market research inquiries, interviews, appointments, negotiations conducted by, under the order or director of, or for and on behalf of CB Richard Ellis.

(e) Personnel and medical records, salary and promotional plans, building/availability information, transaction information, any information that has substantial financial value, or any other information that the Company deems confidential.

You may face instant dismissal should you in any way fail to comply with any of the provisions in this letter relating to confidential information.

Further, any documents, notes, memoranda, writings, materials, records, other stored information of any kind or tangible items of any nature acquired by you in the course of your employment shall be and shall remain the property of the Company. You must not remove any such property belonging to the Company or from the Company premises at any time without prior written consent from the Company.

You must return to the Company upon request, and in any event, upon termination of your employment with the Company howsoever arising, all documents and tangible items which belong to the Company or which contain or refer to any confidential information which are in your possession or under your control.

You must, if requested by the Company, delete all confidential information from any reusable material and/or destroy all other documents and tangible items which contain or refer to any confidential information which are in your possession or under your control.

In this letter "*members of CB Richard Ellis*" or "*CB Richard Ellis*" means CB Richard Ellis[(c)] Pty Ltd and each of its direct and indirect Subsidiaries. The term "*Subsidiary*" means any corporation or other entity in which CB Richard[(c)] Ellis Pty Ltd or another Subsidiary directly or indirectly owns more than 50% of the voting or equity interest.

Render Service: You shall carry out all such duties as may be required properly to perform the duties of your position. You are also required to perform such other duties as the Company may from time to time reasonably direct under the precise of your role as Executive Managing Director of

	Greater China and Managing Director of Hong Kong.
Exclusive Service:	You shall devote the whole of your time, attention and skill to the duties of your position and shall at all times faithfully and diligently perform such duties. You shall obey all reasonable and lawful directions of the Company. You will not during your employment, except with the written consent of the Company, be directly or indirectly engaged, concerned or interested in any other trade, business or occupation whatsoever.
Activities on Termination:	For the purpose of protecting the Company in relation to the goodwill of its business, and in consideration of the benefits you will derive under this agreement evidenced in this letter, you shall not, without first obtaining the Company's written consent do any of the following either directly or indirectly: (a) for a period of three months following the termination of your employment, have any dealings with any Relevant Client in respect of the supply of any Relevant Services; (b) for a period of six months following the termination of your employment, induce, solicit or entice or attempt to induce, solicit or entice from the Company any director, manager, officer, employee, contractor or Relevant Client. "*Relevant Client*" means a person, firm, company or organisation who is a client of the Company or was in the habit of dealing under contract with the contract with the Company and with whom you have dealt during the employment in the period of 12 months immediately preceding the Termination Date. "*Relevant Services*" means provision of brokerages services (sales and leasing) consulting and corporate advisory services, valuation services, asset or property management services, pension or investment advisory services, facilities management services or real estate financing services.
Notice of Termination:	Notice of termination by either party to this agreement is to be in writing and provide a minimum of ninety (90) days notice. If the Company terminates your employment, on the date of termination you will cease to be entitled to any pay benefits except for: (1) repatriation as outlined above; (2) any accrued but unpaid salary and leave entitlements to the date of termination; and (3) any profit share entitlements described in this document. *Note: special provisions within this document have been made for termination within the first year of employment.*

	If you terminate your employment for any reason other than breach of this employment agreement by the Company, you will be entitled to: (1) any accrued but unpaid salary and leave entitlements to the date of termination. The Company may elect to pay you salary in lieu of notice, or require you to work at a place other than your normal place of work, for the duration of all or part of the notice period.
Summary Termination:	Your employment may be terminated without notice where you are guilty of serious misconduct. Examples of serious misconduct may include intoxication or substance abuse whilst at work, fighting, abuse or assault, or disobedience to lawful and reasonable instructions from the Company.
Deductions:	You hereby authorise the Company to deduct from your remuneration (which for the purposes of this provision shall include salary, pay in lieu of notice, profit shares, bonuses or incentives, holiday pay and sick pay) all debts owed by you to the Company including, but without limitation to the balance of any outstanding loans advanced by the Company and/or deductions in respect of tax, compulsory superannuation contributions or social benefits, if any.
Alternations in Terms of Employment:	The Company reserves the right to make reasonable changes to your duties according to the needs of the operation.
Governing Law and Jurisdiction:	The terms and conditions in this Agreement shall be construed and interpreted in accordance with the laws of New South Wales, Australia, and the parties shall submit to the non-exclusive jurisdiction of New South Wales, Australia courts in the event of any dispute arising out of and/or in connection with this Agreement.

Please sign the enclosed copy of this letter and return it to me to indicate that you wish to accept the Company's offer of employment.

If you have any questions about the terms and conditions contained in this letter, please do not hesitate to contact me.

Yours sincerely
CB Richard Ellis(c) Pty Ltd

/s/ WILLIAM L CHILLINGWORTH

William L Chillingworth
Chairman, Asia-Pacific

I hereby accept employment with CB Richard Ellis(c) Pty Ltd on the terms and conditions set out in this letter

/s/ ROB BLAIN

Rob Blain

Date

EXHIBIT 23.1

Independent Auditors' Consent

We consent to the use in this Amendment No. 2 to the Registration Statement (No. 333-112867) of CB Richard Ellis Group, Inc. on Form S-1 of our report dated March 30, 2004 (which report expresses an unqualified opinion and includes explanatory paragraphs referring to the adoption of Statement of Financial Accounting Standards No. 142 effective January 1, 2002 and concerning the application of procedures relating to certain disclosures of financial statement amounts related to the 2001 financial statements that were audited by other auditors who have ceased operations and for which we have expressed no opinion or other form of assurance other than with respect to such disclosures), appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ *DELOITTE & TOUCHE LLP*

Los Angeles, California
April 29, 2004

EXHIBIT 23.2

Independent Auditors' Consent

The Stockholders
Insignia Financial Group, Inc.:

We consent to the use of our report dated October 15, 2003, with respect to the consolidated balance sheet of Insignia Financial Group, Inc. as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, included in this registration statement on Form S-1 (No. 333-12867) of CB Richard Ellis Group, Inc., and to the reference to our firm under the heading "Experts" in the registration statement. Our report refers to the adoption of the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, and to the adoption of the accounting principles set forth in Statements of Financial Accounting Standards Nos. 141 and 142 effective January 1, 2002.

/s/ KPMG LLP

New York, New York
April 29, 2004

EXHIBIT 23.3

Consent of Ernst & Young LLP, Independent Auditors

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated February 8, 2002 (except Notes 3, 4, 5, 15 and 19, as to which the date is October 15, 2003) with respect to the consolidated statements of operations, stockholders’ equity and cash flows of Insignia Financial Group, Inc. included in the Registration Statement on Form S-1 (No. 333-112867) and the related Prospectus of CB Richard Ellis Group, Inc. for the registration of Class A Common Stock.

/s/ Ernst & Young LLP

New York, New York
April 29, 2004