UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended March 31, 2004

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

For the Transition Period from to

Commission File Number 000-32983

CB RICHARD ELLIS GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**94-3391143**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
865 South Figueroa Street, Suite 3400	
Los Angeles, California	**90017**
(Address of principal executive offices)	**(Zip Code)**

(213) 613-3226
(Registrant s telephone number, including area code)

(Former name, former address and

former fiscal three months if changed since last report)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ¨ No x.

The number of shares of Class A and Class B common stock outstanding at May 31, 2004 was 7,173,053 and 53,409,550 respectively.

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Explanatory Note

This Amendment No. 1 (the Amendment) amends the Quarterly Report on Form 10-Q for CB Richard Ellis Group, Inc. for the quarter ended March 31, 2004, which was originally filed on May 17, 2004 (the Original Report). The purpose of the Amendment is to revise the disclosure contained in the Original Report to address comments of the Securities and Exchange Commission received by CB Richard Ellis Group, Inc. in connection with the Commission s review of the Registration Statement on Form S-1 (Registration No. 333-112867) of CB Richard Ellis Group, Inc. In addition, except as otherwise indicated, all information in the Amendment assumes a 3-for-1 stock split of the outstanding Class A common stock and Class B common stock of CB Richard Ellis Group, Inc. on May 4, 2004, which was effected by a stock dividend, and a 1-for-1.0825 reverse stock split of the outstanding Class A common stock and Class B common stock of CB Richard Ellis Group, Inc. on June 7, 2004.

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March 31, 2004

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CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	March 31, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 54,254	$ 163,881
Restricted cash	15,165	14,899
Receivables, less allowance for doubtful accounts of $16,408 and $16,181 at March 31, 2004 and December 31, 2003, respectively	272,574	322,416
Warehouse receivable	72,725	230,790
Prepaid expenses	28,899	22,854
Deferred tax assets, net	65,438	57,681
Other current assets	33,705	26,461
Total Current Assets	542,760	838,982
Property and equipment, net	117,340	113,569
Goodwill	825,679	819,558
Other intangible assets, net of accumulated amortization of $82,362 and $73,449 at March 31, 2004 and December 31, 2003, respectively	123,694	131,731
Deferred compensation assets	81,111	76,389
Investments in and advances to unconsolidated subsidiaries	73,354	68,361
Deferred tax assets, net	30,216	32,179
Other assets, net	125,581	132,712
Total Assets	$ 1,919,735	$ 2,213,481
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 188,725	$ 189,787
Compensation and employee benefits payable	143,997	148,874
Accrued bonus and profit sharing	83,161	200,343
Short-term borrowings:		
Warehouse line of credit	72,725	230,790
Revolver and swingline credit facility	13,250	
Other	27,846	39,347
Total short-term borrowings	113,821	270,137
Current maturities of long-term debt	11,252	11,285
Other current liabilities	12,642	12,991
Total Current Liabilities	553,598	833,417
Long-Term Debt:		
11¼% senior subordinated notes, net of unamortized discount of $2,764 and $2,827 at March 31, 2004 and December 31, 2003, respectively	226,236	226,173
Senior secured term loan	285,000	287,500
9¾% senior notes	200,000	200,000
16% senior notes, net of unamortized discount of $2,560 and $2,844 at March 31, 2004 and December 31, 2003, respectively	35,756	35,472
Other long-term debt	43,500	42,275

Total Long-Term Debt	790,492	791,420
Deferred compensation liability	144,996	138,037
Pension liability	38,917	35,998
Other liabilities	72,712	75,024
Total Liabilities	1,600,715	1,873,896
Minority interest	6,860	6,656
Commitments and contingencies		
Stockholder s Equity:		
Class A common stock; $0.01 par value; 325,000,000 shares authorized; 7,578,976 and 7,561,499 shares issued and outstanding at March 31, 2004 and December 31, 2003, respectively	76	76
Class B common stock; $0.01 par value; 100,000,000 shares authorized; 53,409,556 shares issued and outstanding at March 31, 2004 and December 31, 2003	534	534
Additional paid-in capital	361,636	361,522
Notes receivable from sale of stock	(4,388)	(4,680)
Accumulated (deficit) earnings	(15,119)	1,449
Accumulated other comprehensive loss	(28,267)	(23,780)
Treasury stock at cost, 405,888 and 385,103 shares at March 31, 2004 and December 31, 2003, respectively	(2,312)	(2,192)
Total Stockholders Equity	312,160	332,929
Total Liabilities and Stockholders Equity	$ 1,919,735	$ 2,213,481

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

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CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended March 31,	
	2004	**2003**
Revenue	$ 440,992	$ 263,724
Costs and expenses:		
Cost of services	224,222	123,599
Operating, administrative and other	199,251	126,175
Depreciation and amortization	16,831	6,171
Merger-related charges	9,960	
Operating (loss) income	(9,272)	7,779
Equity income from unconsolidated subsidiaries	2,526	3,063
Interest income	2,307	1,075
Interest expense	20,679	14,324
Loss before benefit for income taxes	(25,118)	(2,407)
Benefit for income taxes	(8,550)	(1,060)
Net loss	$ (16,568)	$ (1,347)
Basic and diluted loss per share	$ (0.26)	$ (0.03)
Weighted average shares outstanding for basic and diluted loss per share	62,522,176	41,651,415

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

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CB RICHARD ELLIS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2004	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (16,568)	$ (1,347)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,831	6,171
Amortization of deferred financing costs	1,662	824
Deferred compensation deferrals	4,863	2,111
Gain on sale of servicing rights and other assets	(518)	(809)
Equity income from unconsolidated subsidiaries	(2,526)	(3,063)
Provision for doubtful accounts	929	152
Deferred income tax benefit	(8,508)	(772)
Decrease in receivables	46,988	21,169
(Increase) decrease in deferred compensation assets	(4,722)	246
Decrease (increase) in prepaid expenses and other assets	28	(2,365)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(120,613)	(77,994)
(Decrease) increase in accounts payable and accrued expenses	(2,721)	1,112
Decrease in income taxes payable	(4,414)	(15,728)
Increase (decrease) in other liabilities	502	(742)
Other operating activities, net	1,420	274
Net cash used in operating activities	(87,367)	(70,761)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net of concessions received	(10,406)	(4,000)
Acquisition of businesses including net assets acquired, intangibles and goodwill	(7,069)	(22)
Other investing activities, net	(1,623)	1,528
Net cash used in investing activities	(19,098)	(2,494)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolver and swingline credit facility	47,500	33,750
Repayment of revolver and swingline credit facility	(34,250)	(20,250)
Repayment of senior secured term loan	(2,500)	(2,338)
(Repayment of) proceeds from euro cash pool and other loans, net	(12,802)	68
Other financing activities, net	(151)	526
Net cash (used in) provided by financing activities	(2,203)	11,756
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,668)	(61,499)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	163,881	79,701
Effect of currency exchange rate changes on cash	(959)	1,168

CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 54,254	$ 19,370
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of amount capitalized	$ 5,882	$ 5,823
Income taxes, net of refunds	$ 3,529	$ 14,532

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

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Operations

CB Richard Ellis Group, Inc., formerly known as CBRE Holding, Inc. (which may be referred to in this Form 10-Q/A as we, us, and our), offers 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.

CB Richard Ellis Group, Inc. 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 real estate services firm. Prior to July 20, 2001, we were a wholly owned subsidiary of Blum 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). On July 23, 2003, our global position in the commercial real estate services industry was further solidified as CBRE acquired Insignia Financial Group, Inc.

2. 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.

The aggregate preliminary purchase price for the acquisition of Insignia was approximately $328.6 million, which includes: (1) $267.9 million in cash paid for shares of Insignia s outstanding common stock, at $11.156 per share, (2) $38.2 million in cash paid for Insignia s outstanding Series A preferred stock and Series B preferred stock at $100.00 per share plus accrued and unpaid dividends, (3) cash payments of $7.9 million to holders of Insignia s vested and unvested warrants and options and (4) $14.6 million of direct costs incurred in connection with the acquisition, consisting mostly of legal and accounting fees.

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 is still preliminary. Additionally, adjustment to the estimated liabilities assumed in connection with the Insignia Acquisition may still be required.

During the three months ended March 31, 2004, we made the following adjustments to goodwill:

We assigned a $6.6 million estimated fair value to the broker draw asset acquired from Insignia. Based on our management s estimates, we generally derive benefit from brokers participating in our draw

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

program over two years. Accordingly, we estimate that we will derive benefit from the broker draw asset related to Insignia s brokers over two years from the date of the Insignia Acquisition and we will amortize it on a straight-line basis, which reflects the pattern in which the economic benefits of the broker draw asset are consumed, during that period. The allocation of purchase price to the broker draw asset, net of related tax impact, resulted in a $3.8 million decrease in goodwill and a related $1.4 million increase in net loss during the three months ended March 31, 2004, which includes a $0.8 million adjustment to correct the amortization taken for the period from the date of the Insignia Acquisition through December 31, 2003.

We recorded a $5.0 million increase to goodwill due to an increase in liabilities primarily related to additional lease termination costs, contract termination costs and severance payments in excess of amounts previously accrued. All such adjustments were recorded in accordance with the requirements of Emerging Issues Task Force (EITF) No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. As of the consummation date of the acquisition of Insignia, our management began to assess and formulate a plan to close certain Insignia locations. Due to the size of this acquisition and the dispersed nature of Insignia s operations, a significant amount of time and effort was required to finalize plans with respect to closures, analyze the provisions of contracts to be terminated and estimate the total exit costs. The adjustment during the first quarter of 2004 represents a change in estimate as we completed our assessments and finalized our plans with respect to certain of the locations. Consistent with the requirements of EITF 95-3, finalization of our plans for all Insignia closures will be completed within one year of the consummation date of the acquisition.

We recorded a $4.2 million increase to goodwill related to the sale of certain assets acquired in connection with the Insignia Acquisition. Of this amount, $3.7 million represents a receivable due from a buyer, which will be relieved in the second quarter of 2004 as cash was received in May 2004 and will be applied to the balance. The remaining $500,000 adjustment reflects the sale of assets at an amount less than the value assigned in the preliminary purchase price allocation. As no event occurred during the period from the acquisition date to the sale date that would have impacted the value of these assets, our management concluded that the amount at which these assets were ultimately sold represents the best estimate of the value of these assets at the date of the Insignia Acquisition.

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 EITF No. 95-3. These liabilities assumed in connection with the Insignia Acquisition consist of the following (dollars in thousands):

	2003 Charge To Goodwill	2004 Adjustments	Utilized To Date	To be Utilized
Severance	$ 30,706	$ 162	$ (14,762)	$ 16,106
Lease termination costs	28,922	2,969	(5,102)	26,789
Change of control payments	10,451		(10,451)	
Costs associated with exiting contracts	8,921	1,997	(9,723)	1,195
Legal settlements anticipated	8,739	(139)	(3,032)	5,568
	$ 87,739	$ 4,989	$ (43,070)	$ 49,658

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. Basis of Presentation

The consolidated statements of operations and cash flows for the three months ended March 31, 2004 include a full quarter of activity for Insignia. However, the consolidated statements of operations and cash flows for the three months ended March 31, 2003 do not include any activity of Insignia, as the Insignia Acquisition occurred on July 23, 2003. As such, our consolidated financial statements after the Insignia Acquisition are not directly comparable to our financial statements prior to the Insignia Acquisition.

Pro forma results for the three months ended March 31, 2003, assuming the Insignia Acquisition had occurred as of January 1, 2003, are presented below. These pro forma results have been prepared for comparative purposes only and include 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 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, and may not be indicative of future operating results (dollars in thousands, except share data):

	Three Months Ended March 31, 2003
Revenue	$ 393,624
Operating loss	(39,078)
Net loss	(31,751)
Basic and diluted loss per share	(0.51)

The accompanying consolidated financial statements have been prepared in accordance with the rules applicable to Form 10-Q and include all information and footnotes required for interim financial statement presentation. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ materially from those estimates. All significant inter-company transactions and balances have been eliminated, and certain reclassifications have been made to prior periods consolidated financial statements to conform with the current period presentation. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2004. The consolidated financial statements and notes to the consolidated financial statements should be read in conjunction with our 2003 Annual Report on Form 10-K, which contains the latest available audited consolidated financial statements and notes thereto, which are as of and for the year ended December 31, 2003.

4. 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.

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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.

5. Stock-Based Compensation

Prior to the fourth quarter of 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.*

In the fourth quarter of 2003, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards (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.*

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 was not freely tradable on a national securities exchange or an over-the-counter market during the periods presented in these financial statements, 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.

The following table illustrates the effect on net loss and loss 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):

	Three Months Ended March 31,	
	2004	**2003**
Net loss as reported	$ (16,568)	$ (1,347)
Add: Stock-based employee compensation expense included in reported net loss, net of the related tax effect	53	
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of the related tax effect	(197)	(148)

Pro forma net loss	$ (16,712)	$ (1,495)
Basic and Diluted Loss per Share:		
As Reported	$ (0.26)	$ (0.03)
Pro Forma	$ (0.27)	$ (0.04)

The weighted average minimum value of options granted by us was $0.60 and $0.58 for the three months ended March 31, 2004 and 2003, respectively. The minimum value of each option grant is estimated on the date of grant utilizing the following weighted average assumptions:

	Three Months Ended March 31,	
	2004	**2003**
Risk-free interest rate	3.08%	3.04%
Expected life	5 years	5 years

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Option valuation models require the input of subjective assumptions including the expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the minimum value estimate, we do not believe that the minimum value model necessarily provides a reliable single measure of the minimum value of our employee stock options.

6. Restricted Cash

Included in the accompanying consolidated balance sheets as of March 31, 2004 and December 31, 2003, is restricted cash of $15.2 million and $14.9 million, respectively, which primarily consists of cash pledged to secure the guarantee of notes issued in connection with previous acquisitions by Insignia in the United Kingdom (UK). The acquisitions include the 1999 acquisition of St. Quintin Holdings Limited and the 1998 acquisition of Richard Ellis Group Limited.

7. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2004 are as follows (dollars in thousands):

	Americas	EMEA	Asia Pacific	Total
Balance at January 1, 2004	$ 598,439	$ 217,106	$ 4,013	$ 819,558
Purchase accounting adjustments related to acquisitions	5,838	344	(61)	6,121
Balance at March 31, 2004	$ 604,277	$ 217,450	$ 3,952	$ 825,679

Other intangible assets totaled $123.7 million and $131.7 million, net of accumulated amortization of $82.4 million and $73.4 million, as of March 31, 2004 and December 31, 2003, respectively, and are comprised of the following (dollars in thousands):

	As of March 31, 2004		As of December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization

Unamortizable intangible assets				
Trademarks	$ 63,700		$ 63,700	
Tradename	19,826		19,826	
Total	$ 83,526		$ 83,526	
Amortizable intangible assets				
Backlog	$ 72,503	$ (65,925)	$ 72,503	$ (59,108)
Management contracts	26,033	(10,879)	25,649	(9,708)
Loan servicing rights	18,186	(4,272)	17,694	(3,812)
Other	5,808	(1,286)	5,808	(821)
Total	$ 122,530	$ (82,362)	$ 121,654	$ (73,449)

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 tradename was separately identified, which represents the Richard Ellis tradename in the UK that was owned by Insignia prior to the Insignia Acquisition. Both the trademarks and the tradename 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 United States (US), the UK, France and other European operations, as well as valuation services and fund management contracts in the UK. 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 US, 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 US as well as franchise agreements and a tradename 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 $8.6 million and $1.0 million for the three months ended March 31, 2004 and 2003, respectively. The estimated amortization expense for the five years ending December 31, 2008 approximates $20.4 million, $6.5 million, $4.9 million, $4.4 million and $3.2 million, respectively.

8. Investments in and Advances to Unconsolidated Subsidiaries

Investments in and advances to unconsolidated subsidiaries are accounted for under the equity method of accounting. Combined condensed financial information for these entities is as follows (dollars in thousands):

Condensed Balance Sheets Information:

	March 31, 2004	December 31, 2003
Current assets	$ 201,222	$ 208,743
Non current assets	2,171,077	2,040,138
Current liabilities	198,149	154,778
Non current liabilities	1,016,541	969,993
Minority interest	4,735	4,600

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Condensed Statements of Operations Information:

	Three Months Ended March 31,	
	2004	**2003**
Net revenue	$ 120,579	$ 99,031
Operating income	23,888	23,604
Net income	34,184	21,077

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.

9. Debt

In order to partially fund the 2001 Merger, we entered into a credit agreement with Credit Suisse First Boston (CSFB) and other lenders and borrowed $235.0 million of term loans on July 20, 2001. To partially fund the Insignia Acquisition 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. 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 substantially all of our domestic subsidiaries and are secured by a pledge of substantially all of our assets. Additionally, 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.

The existing amended and restated credit agreement includes the following: (1) a term loan facility of $300.0 million, which requires quarterly principal payments of $2.5 million through September 30, 2008 and matures on December 31, 2008; and (2) a $90.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on July 20, 2007. The revolving credit facility requires the repayment of any outstanding balance for a period of 45 consecutive days commencing on any day in the month of December of each year as determined by us. We repaid our revolving credit facility as of July 23, 2003 and at December 31, 2003 we had no revolving line of credit principal outstanding. As of March 31, 2004, we had $13.3 million of revolving line of credit principal outstanding, which is included in short-term borrowings in the accompanying consolidated balance sheet.

Borrowings under the term loan facility bear interest at varying rates based, at our option, on either LIBOR plus 3.25% or the alternate base rate plus 2.25%. 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. Borrowings under the revolving credit facility bear interest at varying rates based on our option, on either the applicable LIBOR plus 3.00% to

3.75% or the alternate base rate plus 2.00% to 2.75%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA, which are defined in the amended and restated credit agreement. The total amount outstanding under the term loan facility included in senior secured term loan and current maturities of long-term debt in the accompanying consolidated balance sheets was $295.0 million and $297.5 million as of March 31, 2004 and December 31, 2003, 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 9¾% senior notes due May 15, 2010. The proceeds of this issuance

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 CBRE, and CBRE assumed all obligations with respect to the 9¾% senior notes. The 9¾% 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 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 the accompanying consolidated balance sheets was $200.0 million as of March 31, 2004 and December 31, 2003.

In order to partially finance the 2001 Merger, Blum CB 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. CBRE assumed all obligations with respect to the 11¼% senior subordinated notes in connection with the 2001 Merger. 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 ¼% senior subordinated notes included in the accompanying consolidated balance sheets, net of unamortized discount, was $226.2 million as of March 31, 2004 and December 31, 2003.

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 16.0% 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. However, the restricted payments covenant in our amended and restated credit agreement prevents us from purchasing or redeeming the 16% senior notes unless the purchase or redemption falls within the specified exceptions to the covenant. 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, net of unamortized discount, was $35.8 million and $35.5 million as of March 31, 2004 and December 31, 2003, respectively.

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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.

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. In our accompanying consolidated balance sheets, this debt comprised $42.6 million and $41.8 million of our other long-term debt as of March 31, 2004 and December 31, 2003, respectively. 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 March 31, 2004 and December 31, 2003, $2.0 million of this non-recourse debt is included in short-term borrowings in the accompanying consolidated balance sheets.

We had short-term borrowings of $113.8 million and $270.1 million with related average interest rates of 2.8% and 2.7% as of March 31, 2004 and December 31, 2003, respectively.

Our wholly owned subsidiary, L.J. Melody & Company (L.J. Melody), has a credit agreement with Residential Funding Corporation (RFC) for the purpose of funding mortgage loans that will be resold. 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 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.

During the quarter ended March 31, 2004, we had a maximum of $230.8 million revolving line of credit principal outstanding with RFC. At March 31, 2004 and December 31, 2003 we had a $72.7 million and a $230.8 million warehouse line of credit outstanding, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. Additionally, we had a $72.7 million and a $230.8 million warehouse receivable representing mortgage loans funded through the line of credit that had not been purchased as of March 31, 2004 and December 31, 2003, respectively, which are also included in the accompanying consolidated balance sheets.

L.J. Melody 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 March 31, 2004 and December 31, 2003, no amounts were outstanding under this line of credit.

In connection with our acquisition of Westmark Realty Advisors in 1995, 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.

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 March 31, 2004 and December 31, 2003.

Insignia, which we acquired in July 2003, issued loan notes as partial consideration for previous acquisitions of businesses in the UK. The acquisition loan notes are payable to the sellers of the previously acquired UK 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 March 31, 2004 and December 31, 2003, $12.6 million and $12.2 million of the acquisition loan notes were outstanding, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets.

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%. At March 31, 2004, there were no amounts outstanding under the Euro cash pool loan. The amount of the Euro cash pool loan included in short-term borrowings in the accompanying consolidated balance sheet was $11.5 million as of December 31, 2003.

10. 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.

In connection with the sale of real estate investment assets by Insignia to Island Fund I LLC (Island) 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 March 31, 2004, 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.

L.J. Melody previously executed an agreement with the Federal National Mortgage Association (Fannie Mae) to initially fund the purchase of a commercial mortgage loan portfolio using proceeds from its RFC line of

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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 $24.3 million as of March 31, 2004, excluding letters of credit related to our outstanding indebtedness. Approximately $12.6 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 $10.7 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 at any one time and these 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 letter of credit described above, was issued pursuant to a credit agreement with Wells Fargo Bank. Under this agreement, we may issue up to a maximum of $8.0 million of letters of credit, and these outstanding letters of credit are secured by the same assets of ours that secure our amended and restated credit agreement. The outstanding letters of credit as of March 31, 2004 expire at varying dates through March 31, 2005. However, we are obligated to renew the letters of credit related to certain office leases until as late as 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 March 31, 2004, 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 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. Renewals, modifications and extensions of such loan may be made without our consent, but the $1.3 million amount of our guarantee related to such loan may not be increased without our consent in connection with any such renewal, modification or extension.

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 March 31, 2004 we had committed $22.6 million to fund future co-investments. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments.

11. Comprehensive Loss

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

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	Three Months Ended March 31,	
	2004	**2003**
Net loss	$ (16,568)	$ (1,347)
Foreign currency translation (loss) gain	(4,487)	121
Comprehensive loss	$ (21,055)	$ (1,226)

12. Per Share Information

For the three months ended March 31, 2004 and 2003, our basic and diluted loss per share was computed by dividing the net loss by the weighted average number of common shares outstanding of 62,522,176 and 41,651,415, respectively. As a result of operating losses incurred, diluted weighted average shares outstanding did not give effect to potential common shares, as to do so would have been anti-dilutive.

13. Fiduciary Funds

The accompanying consolidated balance sheets do not include the net assets of escrow, agency and fiduciary funds, which amounted to $640.8 million and $626.3 million at March 31, 2004 and December 31, 2003, respectively.

14. Pensions

Net periodic pension cost consisted of the following (dollars in thousands):

	Three Months Ended March 31,

	2004	2003
Service cost	$ 1,660	$ 1,419
Interest cost	2,837	1,392
Expected return on plan assets	(3,184)	(1,587)
Amortization of prior service costs	(53)	
Amortization of unrecognized net gain	421	497
Net periodic pension cost	$ 1,681	$ 1,721

We contributed an additional $1.0 million to fund our pension plan during the three months ended March 31, 2004. We expect to contribute a total of $4.4 million to fund our pension plan for the year ended December 31, 2004.

15. Merger-Related Charges

We recorded merger-related charges of $10.0 million for the three months ended March 31, 2004 in connection with the Insignia Acquisition. These charges primarily related to the exit of facilities that were occupied by us prior to the Insignia Acquisition that became duplicative as a result of such acquisition. We recorded charges for the exit of these facilities as premises were vacated in accordance with SFAS No. 146,

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Accounting for Costs Associated with Exit or Disposal Activities. Additionally, during the three months ended March 31, 2004, we recorded consulting costs of $1.2 million, which represented fees paid to outside parties for nonrecurring activities relating to the combination of Insignia s financial systems and businesses with ours. Our merger-related charges consisted of the following (dollars in thousands):

	2003 Charge	2004 Adjustments	Utilized To Date	To be Utilized
Lease termination costs	$ 15,805	$ 7,143	$ (2,775)	$ 20,173
Severance	7,042	993	(8,035)	
Change of control payments	6,525		(6,525)	
Consulting costs	2,738	1,154	(3,892)	
Other	4,707	670	(5,377)	
Total merger-related charges	$ 36,817	$ 9,960	$ (26,604)	$ 20,173

16. Guarantor and Nonguarantor Financial Statements

The 9 ¾% senior notes are jointly and severally guaranteed on a senior basis by us and substantially all of our domestic subsidiaries. In addition, the 11 ¼% senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by us and substantially all of our domestic subsidiaries. (See Note 9 to the consolidated financial statements for additional information on the 9 ¾% senior notes and the 11 ¼% senior subordinated notes.)

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of March 31, 2004 and December 31, 2003; condensed consolidating statements of operations for the three months ended March 31, 2004 and 2003; and condensed consolidating statements of cash flows for the three months ended March 31, 2004 and 2003, 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 sheets as of March 31, 2004 and December 31, 2003, reflect the allocation of goodwill based upon the estimated fair value of Insignia s acquired reporting units (See Note 2 to the consolidated financial statements for additional information).

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2004

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	$ 3,177	$ 13,338	$ 21,932	$ 15,807	$	$ 54,254
Restricted cash			13,036	2,129		15,165
Receivables, less allowance for doubtful accounts	17	18	123,953	148,586		272,574
Warehouse receivable			72,725			72,725
Prepaid expenses and other current assets	75,865	30,126	27,220	23,976	(29,145)	128,042
Total current assets	79,059	43,482	258,866	190,498	(29,145)	542,760
Property and equipment, net			70,834	46,506		117,340
Goodwill			578,218	247,461		825,679
Other intangible assets, net			97,093	26,601		123,694
Deferred compensation assets		81,111				81,111
Investment in and advances to unconsolidated subsidiaries		5,361	53,455	14,538		73,354
Investment in consolidated subsidiaries	279,195	67,695	128,892		(475,782)	
Intercompany loan receivable		950,064			(950,064)	
Deferred tax assets, net	30,216					30,216
Other assets, net	2,305	31,673	31,860	59,743		125,581
Total Assets	$ 390,775	$ 1,179,386	$ 1,219,218	$ 585,347	$ (1,454,991)	$ 1,919,735
Current Liabilities:						
Accounts payable and accrued expenses	$ 1,192	$ 20,709	$ 78,412	$ 88,412	$	$ 188,725
Intercompany payable	29,145				(29,145)	
Compensation and employee benefits payable			89,389	54,608		143,997
Accrued bonus and profit sharing			29,340	53,821		83,161
Short-term borrowings:						
Warehouse line of credit			72,725			72,725
Revolver and swingline credit facility		13,250				13,250
Other			25,620	2,226		27,846
Total short-term borrowings		13,250	98,345	2,226		113,821
Current maturities of long-term debt		10,000	1,028	224		11,252
Other current liabilities	12,522			120		12,642
Total Current Liabilities	42,859	43,959	296,514	199,411	(29,145)	553,598
Long-Term Debt:						

11¼% senior subordinated notes, net of unamortized discount		226,236				226,236
Senior secured term loan		285,000				285,000
9¾% senior notes		200,000				200,000
16% senior notes, net of unamortized discount	35,756					35,756
Other long-term debt			330	43,170		43,500
Intercompany loan payable			807,692	142,372	(950,064)	
Total long-term debt	35,756	711,236	808,022	185,542	(950,064)	790,492
Deferred compensation liability		144,996				144,996
Other liabilities			46,987	64,642		111,629
Total Liabilities	78,615	900,191	1,151,523	449,595	(979,209)	1,600,715
Minority interest				6,860		6,860
Commitments and contingencies						
Stockholders Equity:	312,160	279,195	67,695	128,892	(475,782)	312,160
Total Liabilities and Stockholders Equity	$ 390,775	$ 1,179,386	$ 1,219,218	$ 585,347	$ (1,454,991)	$ 1,919,735

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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
Intercompany 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:						
		226,173				226,173

11¼% senior subordinated notes, net of unamortized discount						
Senior secured term loan		287,500				287,500
9¾% 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
Inter-company 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)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2004

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 308,899	$ 132,093	$	$ 440,992
Costs and expenses:						
Cost of services			163,546	60,676		224,222
Operating, administrative and other	296	2,574	126,091	70,290		199,251
Depreciation and amortization			9,967	6,864		16,831
Merger-related charges			7,672	2,288		9,960
Operating (loss) income	(296)	(2,574)	1,623	(8,025)		(9,272)
Equity income (loss) from unconsolidated subsidiaries		352	2,451	(277)		2,526
Interest income	27	14,240	650	1,612	(14,222)	2,307
Interest expense	2,071	16,168	12,996	3,666	(14,222)	20,679
Equity loss from consolidated subsidiaries	(14,612)	(12,727)	(7,750)		35,089	
Loss before benefit for income taxes	(16,952)	(16,877)	(16,022)	(10,356)	35,089	(25,118)
Benefit for income taxes	(384)	(2,265)	(3,295)	(2,606)		(8,550)
Net loss	$ (16,568)	$ (14,612)	$ (12,727)	$ (7,750)	$ 35,089	$ (16,568)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2003

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total

Revenue	$	$	$ 190,490	$ 73,234	$	$ 263,724
Costs and expenses:						
Cost of services			89,697	33,902		123,599
Operating, administrative and other	100	1,968	83,035	41,072		126,175
Depreciation and amortization			4,234	1,937		6,171
Operating (loss) income	(100)	(1,968)	13,524	(3,677)		7,779
Equity income (loss) from unconsolidated subsidiaries		24	3,249	(210)		3,063
Interest income	36	9,313	455	566	(9,295)	1,075
Interest expense	2,909	10,066	8,855	1,789	(9,295)	14,324
Equity income (loss) from consolidated subsidiaries	331	3,378	(4,649)		940	
(Loss) income before (benefit) provision for income taxes	(2,642)	681	3,724	(5,110)	940	(2,407)
(Benefit) provision for income taxes	(1,295)	350	346	(461)		(1,060)
Net (loss) income	$ (1,347)	$ 331	$ 3,378	$ (4,649)	$ 940	$ (1,347)

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2004

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES:	$ (14,076)	$ 15,002	$ (78,947)	$ (9,346)	$ (87,367)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures, net of concessions received			(9,039)	(1,367)	(10,406)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired			(3,060)	(4,009)	(7,069)
Other investing activities, net			456	(2,079)	(1,623)
Net cash used in investing activities			(11,643)	(7,455)	(19,098)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolver and swingline credit facility		47,500			47,500
Repayment of revolver and swingline credit facility		(34,250)			(34,250)
Repayment of senior secured term loan		(2,500)			(2,500)
Repayment of euro cash pool and other loans, net			(286)	(12,516)	(12,802)
Decrease (increase) in intercompany receivables, net	13,975	(12,276)	(35,944)	34,245	
Other financing activities, net	270	(155)		(266)	(151)
Net cash provided by (used in) financing activities	14,245	(1,681)	(36,230)	21,463	(2,203)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	169	13,321	(126,820)	4,662	(108,668)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	3,008	17	148,752	12,104	163,881
Effect of currency exchange rate changes on cash				(959)	(959)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 3,177	$ 13,338	$ 21,932	$ 15,807	$ 54,254

SUPPLEMENTAL DATA:

Cash paid during the period for:

Interest, net of amount capitalized	$ 1,533	$ 3,436	$ 384	$ 529	$ 5,882
Income taxes, net of refunds	3,529				3,529

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2003

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES:	$ (678)	$ 4,924	$ (45,078)	$ (29,929)	$ (70,761)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures, net of concessions received			(3,228)	(772)	(4,000)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired			(22)		(22)
Other investing activities, net			1,866	(338)	1,528
Net cash used in investing activities			(1,384)	(1,110)	(2,494)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolver and swingline credit facility		33,750			33,750
Repayment of revolver and swingline credit facility		(20,250)			(20,250)
Repayment of senior secured term loans		(2,338)			(2,338)
(Increase) decrease in intercompany receivables, net		(15,864)	(15,256)	31,120	
Other financing activities, net	633			(39)	594
Net cash provided by (used in) financing activities	633	(4,702)	(15,256)	31,081	11,756
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(45)	222	(61,718)	42	(61,499)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	127	54	74,173	5,347	79,701
Effect of currency exchange rate changes on cash				1,168	1,168
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 82	$ 276	$ 12,455	$ 6,557	$ 19,370
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest, net of amount capitalized	$ 2,009	$ 3,160	$ 406	$ 248	$ 5,823

Income taxes, net of refunds	14,532	14,532

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

17. Industry Segments

We report our operations through three geographically organized segments: (1) Americas, (2) Europe, Middle East and Africa (EMEA) and (3) Asia Pacific. The Americas consist of operations in the US, Canada, Mexico and South America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand. Summarized financial information by operating segment is as follows (dollars in thousands):

	Three Months Ended March 31,	
	2004	**2003**
Revenue		
Americas	$ 327,191	$ 199,950
EMEA	85,357	45,478
Asia Pacific	28,444	18,296
	$ 440,992	$ 263,724
Operating (loss) income		
Americas	$ 205	$ 11,270
EMEA	(9,985)	(688)
Asia Pacific	508	(2,803)
	(9,272)	7,779
Equity income (loss) from unconsolidated subsidiaries		
Americas	2,480	3,226
EMEA	(238)	(126)
Asia Pacific	284	(37)
	2,526	3,063
Interest income	2,307	1,075
Interest expense	20,679	14,324
Loss before benefit for income taxes	$ (25,118)	$ (2,407)

18. Subsequent Events

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. In May and June 2004, we purchased $21.6 million in aggregate principal amount of our 11¼% senior subordinated notes in the open market. We paid an aggregate of $3.1 million of premiums in connection with these purchases.

On May 4, 2004, we amended our Certificate of Incorporation increasing the authorized Class A common shares to 325,000,000 and the authorized Class B common shares to 100,000,000. Also, on May 4, 2004, we effected a three-for-one split of our outstanding Class A common stock and Class B common stock, which split was effected by a stock dividend. In addition, on June 7, 2004, we effected a 1-for-1.0825 reverse stock split of our outstanding Class A common stock and Class B common stock. The applicable share and per share data for all periods included herein have been restated to give effect to these stock splits.

On May 12, 2004, our wholly owned subsidiary, L.J. Melody, modified its credit agreement with RFC to provide a temporary revolving line of credit increase of $100.0 million that resulted in a total line of credit under

CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

the agreement equaling $350.0 million. This increase became effective on May 30, 2004 and expires 90 days after the effective date.

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

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 funds invested in commercial real estate and related assets. An economic downturn or a significant increase in interest rates also may reduce the amount of loan originations and related servicing by our commercial mortgage banking business. If our brokerage and mortgage banking businesses are negatively impacted, it is likely that our other lines of business would also suffer due to the relationship among our various business lines.

During 2002 and 2001, we were adversely affected by the slowdown in the United States (US) economy, which negatively impacted the commercial real estate market generally. This caused a decline in our leasing activities within the US. Moreover, in part because of the terrorist attacks on September 11, 2001 and the subsequent conflict with Iraq, the economic climate in the US 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 US 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 believe this program significantly contributed to the $18.7 million reduction in our operating expenses during 2002 as compared to 2001. Notwithstanding these approaches, adverse global and regional economic changes remain one of the most significant risks to our future financial condition and results of operations.

Effects of Prior Acquisitions

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 (L.J. Melody) 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 (UK). Our largest acquisition to date was our July 23, 2003 acquisition of Insignia Financial Group (Insignia), 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, through March 31, 2004, we have incurred approximately $175.0 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 inclu