MICRON TECHNOLOGY INC
Form 4
October 16, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
MADDOCK ERNEST E

(Last) (First) (Middle)

8000 S. FEDERAL WAY, MS 1-557

(Street)

BOISE, ID 83716

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MICRON TECHNOLOGY INC [MU]

3. Date of Earliest Transaction (Month/Day/Year)
10/14/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CFO & VP, Finance

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/14/2015		A		64,356 (1)	A	$ 0	103,256	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and An Underlying Sec (Instr. 3 and 4)
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Non-Qualified Stock Option	$ 18.18	10/14/2015		A		80,739		10/14/2016 (2)	10/14/2023	Common Stock
Performance Restricted Stock Unit	$ 0	10/14/2015		A		37,852		(3)	(3)	Common Stock

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MADDOCK ERNEST E 8000 S. FEDERAL WAY MS 1-557 BOISE, ID 83716			CFO & VP, Finance	

Signatures

Robert Case, Attorney-in-fact	10/16/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Restricted Stock Awards vest in 25% increments annually on the anniversary of the grant.

(2) Non-qualifed Stock Options vest in 25% increments annually on the anniversary of the grant.

(3) Each performance-based restricted stock unit represents the right to receive, following vesting, between 0% and 200% of one share of common stock based upon the achievement of pre-established performance metrics related to relative TSR and ROA over a 3-year performance period beginning September 4, 2015 and ending on August 30, 2018, and certification of such performance by the Compensation Committee following the conclusion of the performance period.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ght;">53,489

45,898

95,884

Equity income from unconsolidated subsidiaries

148

3,477

443

4,068

Minority interest expense

440

440

Interest income

36

10,261

Explanation of Responses:

1,745

519

(10,194

)

2,367

Interest expense

13,060

9,054

3,874

Explanation of Responses:

(10,194

)

15,794

Loss on extinguishment of debt

624

624

Equity income from consolidated subsidiaries

58,011

61,936

27,531

(147,478

)

Income before (benefit) provision for income taxes

56,280

56,925

77,188

42,546

(147,478

)

85,461

(Benefit) provision for income taxes

(656

)

(1,086

)

15,252

15,015

Explanation of Responses:

28,525

Net income

$

56,936

$

58,011

$

61,936

$

27,531

$

(147,478

)

$

56,936

27

CB RICHARD ELLIS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

15. Guarantor and Nonguarantor Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$	$ 1,547,611	$ 872,584	$	$ 2,420,195
Costs and expenses:						
Cost of services			810,510	399,425		1,209,935
Operating, administrative and other	7,610	375	499,135	334,761		841,881
Depreciation and amortization			23,084	18,993		42,077
Operating (loss) income	(7,610)	(375)	214,882	119,405		326,302
Equity income from unconsolidated subsidiaries		324	19,070	6,582		25,976
Minority interest expense				1,232		1,232
Interest income	7	27,884	6,026	1,394	(27,743)	7,568
Interest expense		32,673	25,129	4,696	(27,743)	34,755
Loss on extinguishment of debt		22,255				22,255
Equity income from consolidated subsidiaries	198,172	217,522	79,557		(495,251)	
Income before (benefit) provision for income taxes	190,569	190,427	294,406	121,453	(495,251)	301,604
(Benefit) provision for income taxes	(2,904)	(7,745)	76,884	41,896		108,131
Net income	$ 193,473	$ 198,172	$ 217,522	$ 79,557	$ (495,251)	$ 193,473

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	$	$ (117)	$ 1,341,669	$ 613,075	$	$ 1,954,627
Costs and expenses:						
Cost of services			722,297	265,383		987,680
Operating, administrative and other	3,927	6,040	448,305	262,385		720,657
Depreciation and amortization			21,325	11,528		32,853
Operating (loss) income	(3,927)	(6,157)	149,742	73,779		213,437
Equity income (loss) from unconsolidated subsidiaries		4,413	19,237	(209)		23,441
Minority interest expense				1,793		1,793
Interest income	89	31,940	4,371	3,135	(31,665)	7,870
Interest expense	112	38,689	28,229	7,401	(31,665)	42,766
Loss on extinguishment of debt		7,386				7,386
Equity income from consolidated subsidiaries	124,382	138,141	40,414		(302,937)	
Income before (benefit) provision for income taxes	120,432	122,262	185,535	67,511	(302,937)	192,803
(Benefit) provision for income taxes	(1,497)	(2,120)	47,394	27,097		70,874
Net income	$ 121,929	$ 124,382	$ 138,141	$ 40,414	$ (302,937)	$ 121,929

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Explanation of Responses:

CB RICHARD ELLIS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

15. Guarantor and Nonguarantor Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 (Continued)
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES:	$ (51,530)	$ (19,479)	$ 104,170	$ 53,250	$ 86,411
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(23,490)	(14,504)	(37,994)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired			(22,058)	(67,735)	(89,793)
Capital distributions from (contributions to) investments in unconsolidated subsidiaries, net		81	7,596	(20,724)	(13,047)
Proceeds from the sale of servicing rights and other assets			7,614	378	7,992
Increase in restricted cash			(3,466)	(56)	(3,522)
Other investing activities, net		48	266	175	489
Net cash provided by (used in) investing activities		129	(33,538)	(102,466)	(135,875)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from revolving credit facility		425,200		86,781	511,981
Repayment of revolving credit facility		(336,200)		(36,174)	(372,374)
Repayment of senior secured term loan		(265,250)			(265,250)
Repayment of 11 ¼% senior subordinated notes		(164,669)			(164,669)
Repayment of other short-term borrowings, net			(2,121)	(3,027)	(5,148)
Proceeds from exercise of stock options	7,576				7,576
Incremental tax benefit from stock options exercised	17,350				17,350
Minority interest contributions, net				10,292	10,292
Payment of deferred financing fees		(5,159)			(5,159)
Decrease (increase) in inter-company receivables, net	26,610	278,217	(331,619)	26,792	
Other financing activities, net	18			(670)	(652)
Net cash provided by (used in) financing activities	51,554	(67,861)	(333,740)	83,994	(266,053)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24	(87,211)	(263,108)	34,778	(315,517)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	6	106,449	305,956	36,878	449,289
Effect of currency exchange rate changes on cash and cash equivalents				4,501	4,501
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 30	$ 19,238	$ 42,848	$ 76,157	$ 138,273
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest	$	$ 37,850	$ 734	$ 158	$ 38,742
Income taxes, net of refunds	$ 147,208	$	$	$	$ 147,208

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CB RICHARD ELLIS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

15. Guarantor and Nonguarantor Financial Statements (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	$ 24,694	$ (29,229)	$ 100,057	$ 41,258	$ 136,780
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(17,340)	(7,448)	(24,788)
Acquisition of businesses including net assets acquired, intangibles and goodwill, net of cash acquired			(3,677)	(25,460)	(29,137)
Investment in properties held for sale				(65,774)	(65,774)
Capital distributions from (contributions to) investments in unconsolidated subsidiaries, net		2,721	(9,817)	576	(6,520)
Proceeds from sale of servicing rights and other assets			2,875	148	3,023
Proceeds from sale of property held for sale				28,289	28,289
Decrease (increase) in restricted cash			3,336	(184)	3,152
Other investing activities, net		48	1,234	562	1,844
Net cash provided by (used in) investing activities		2,769	(23,389)	(69,291)	(89,911)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from debt related to properties held for sale				53,543	53,543
Repayment of debt related to property held for sale				(23,310)	(23,310)
Repayment of 11¼% senior subordinated notes		(42,700)			(42,700)
Repayment of senior secured term loan		(8,850)			(8,850)
(Repayment of) proceeds from euro cash pool loan and other loans, net			(3,403)	1,884	(1,519)
Proceeds from exercise of stock options	6,584				6,584
Minority interest distributions, net				(1,090)	(1,090)
Payment of deferred financing fees		(318)			(318)
(Increase) decrease in inter-company receivables, net	(35,152)	122,984	(86,925)	(907)	
Other financing activities, net	389			(43)	346
Net cash (used in) provided by financing activities	(28,179)	71,116	(90,328)	30,077	(17,314)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,485)	44,656	(13,660)	2,044	29,555
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	3,496	2,806	216,463	34,131	256,896
Effect of currency exchange rate changes on cash and cash equivalents				(1,880)	(1,880)
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 11	$ 47,462	$ 202,803	$ 34,295	$ 284,571
SUPPLEMENTAL DATA:					
Cash paid during the period for:					
Interest	$	$ 32,222	$ 762	$ 82	$ 33,066
Income taxes, net of refunds	$ 37,224	$	$	$	$ 37,224

16. Industry Segments

We report our operations through the following four segments: (1) Americas, (2) Europe, Middle East and Africa (EMEA), (3) Asia Pacific and (4) Global Investment Management.

The Americas segment is our largest segment of operations and provides a comprehensive range of services throughout the U.S. and in the largest regions of Canada, Mexico and other selected parts of Latin

Explanation of Responses:

CB RICHARD ELLIS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

16. Industry Segments (Continued)

America. The primary services offered consist of the following: real estate services, mortgage loan origination and servicing, valuation services, asset services and corporate services.

Our EMEA and Asia Pacific segments provide services similar to the Americas business segment, excluding mortgage loan origination and servicing. The EMEA segment has operations primarily in Europe, while the Asia Pacific segment has operations primarily in Asia, Australia and New Zealand.

Our Global Investment Management business provides investment management services to clients seeking to generate returns and diversification through investments in real estate in the U.S., Europe and Asia.

Summarized financial information by segment is as follows (dollars in thousands):

	Three Months Ended September 30, 2006	2005	Nine Months Ended September 30, 2006	2005
Revenue				
Americas	$ 584,674	$ 516,665	$ 1,592,716	$ 1,387,657
EMEA	193,340	149,574	498,856	374,823
Asia Pacific	84,492	44,090	229,844	121,249
Global Investment Management	41,370	33,869	98,779	70,898
	$ 903,876	$ 744,198	$ 2,420,195	$ 1,954,627
Operating income (loss)				
Americas	$ 87,926	$ 64,509	$ 215,442	$ 167,097
EMEA	35,084	26,671	81,571	37,410
Asia Pacific	4,965	5,860	18,022	13,890
Global Investment Management	10,893	(1,156)	11,267	(4,960)
	138,868	95,884	326,302	213,437
Equity income from unconsolidated subsidiaries				
Americas	4,417	2,710	11,011	9,427
EMEA	874	1	1,528	
Asia Pacific	56	160	470	825
Global Investment Management	3,788	1,197	12,967	13,189
	9,135	4,068	25,976	23,441
Minority interest expense (income)				
Americas	227	258	470	651
EMEA	504	324	766	628
Asia Pacific	(1,333)	174	(118)	309
Global Investment Management	25	(316)	114	205
	(577)	440	1,232	1,793
Interest income	1,002	2,367	7,568	7,870
Interest expense	7,468	15,794	34,755	42,766
Loss on extinguishment of debt		624	22,255	7,386
Income before provision for income taxes	$ 142,114	$ 85,461	$ 301,604	$ 192,803

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Explanation of Responses:

17. New Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments,* (SFAS No. 155). SFAS No. 155 amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133. It also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are free standing derivatives or that are hybrid financial instruments that contain embedded derivatives requiring bifurcation. The statement will be effective for all financial instruments acquired or issued during fiscal years beginning after September 15, 2006. We do not expect the adoption of SFAS No. 155 to have a material effect on our consolidated financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets*, (SFAS No. 156). SFAS No. 156 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and liabilities. The statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract. It also requires all separately recognized servicing assets and liabilities to be initially measured at fair value. It provides an entity with the choice of either amortizing servicing assets and liabilities in proportion to and over the period of estimated net servicing income or net servicing loss or to measure servicing assets and liabilities at fair value and report changes in fair value in current period earnings. The statement will be effective as of the beginning of the fiscal year that begins after September 15, 2006. We do not expect the adoption of SFAS No. 156 to have a material effect on our consolidated financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, interest, penalties, accounting in interim periods, disclosure and classification of matters related to uncertainty in income taxes, and transitional requirements upon adoption of FIN 48. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of the adoption of FIN 48 on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which enhances existing guidance for measuring assets and liabilities using fair value. SFAS No. 157 provides a single definition of fair value, a framework for measuring fair value and expanded disclosures concerning fair value. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. This pronouncement is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of the adoption of SFAS No. 157 on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires an employer to recognize the funded status of each pension and other postretirement benefit plan as an asset or liability on their balance sheet with all unrecognized amounts to be recorded in other comprehensive income. As required, we will adopt the provisions of SFAS No. 158 related to the recognition of the funded status of our plans in our fiscal year ended December 31,

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2006. SFAS No. 158 also ultimately requires an employer to measure the funded status of a plan as of the date of the employer s fiscal year-end statement of financial position. As required, we will adopt the provisions of SFAS No. 158 relative to the measurement date in our fiscal year ending December 31, 2008. We are currently evaluating the impact the adoption of SFAS No. 158 will have on our consolidated financial position and results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB No. 108). SAB No. 108 was issued to address the diversity in practice in quantifying misstatements from prior years and assessing their effect on current year financial statements. We do not anticipate any impact on the preparation of our year-end 2006 financial statements from adopting the guidance of SAB No. 108.

18. Subsequent Events

On October 30, 2006, we together with A-2 Acquisition Corp., our wholly-owned subsidiary (Merger Sub), and Trammell Crow Company (Trammell Crow) entered into an Agreement and Plan of Merger (the Merger Agreement). Pursuant to the terms and conditions of the Merger Agreement, Merger Sub will merge with and into Trammell Crow, and Trammell Crow will continue as the surviving corporation and become our wholly-owned subsidiary (the Merger). At the time the Merger becomes effective, each outstanding share of common stock of Trammell Crow (other than cancelled shares, dissenting shares and shares held by our subsidiaries or subsidiaries of Trammell Crow) will be converted into the right to receive $49.51 in cash, without interest, less applicable withholding taxes.

In connection with the Merger Agreement, certain stockholders of Trammell Crow entered into voting agreements with us, pursuant to which such stockholders agreed to vote their shares in favor of the approval and adoption of the Merger Agreement and the approval of the Merger.

In connection with the execution of the Merger Agreement and to facilitate the Merger, we sought and received a Commitment Letter, dated as of October 30, 2006, from Credit Suisse and Credit Suisse Securities (USA) LLC, providing for senior secured term loan facilities (the Term Facilities) for an aggregate principal amount of up to $2.2 billion, allocated between a five-year $1.2 billion tranche A term loan facility and a 7-year $1.0 billion tranche B term loan facility. In addition, we will seek to amend our existing Credit Agreement to, among other things, allow the consummation of the Merger and the incurrence of the Term Facilities. If this proposed amendment is not obtained, the Commitment Letter provides for replacement revolving credit facilities in an aggregate principal amount of $600.0 million substantially on the same terms provided for in the existing Credit Agreement (collectively with the Term Facilities, the Credit Facilities). The Credit Facilities will contain customary representations, warranties and covenants, and the closing of the Credit Facilities will be subject to the satisfaction of customary closing conditions.

Pursuant to the terms of the Merger Agreement, on November 3, 2006 we caused CBRE to launch a tender offer and consent solicitation for all of our outstanding 9¾% senior notes due May 15, 2010. The closing of the tender offer will be conditioned on a majority of the principal amounts of the notes being tendered in order to effect the requested amendments to the indenture, and allowing for the Merger, but will not be conditioned on consummation of the Merger. Details with respect to the tender offer and consent solicitation will be set forth in the tender offer documents.

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

This Quarterly Report on Form 10-Q for CB Richard Ellis Group, Inc. for the three months ended September 30, 2006, represents an update to the more detailed and comprehensive disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2005. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on Form 10-K as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Overview

We are the world s largest commercial real estate services firm, based on 2005 revenue, with leading full-service operations in major metropolitan areas throughout the world. 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. As of December 31, 2005, excluding affiliates and partner offices, we operated in more than 220 offices worldwide with approximately 14,500 employees providing commercial real estate services under the CB Richard Ellis brand name. Our business is focused on several service competencies, including tenant representation, property/agency leasing, property sales, commercial mortgage origination and servicing, integrated capital markets (equity and debt) solutions, commercial property and corporate facility management, valuation, proprietary research and real estate investment management. We generate revenues both on a per project or transaction basis and from annual management fees. In both 2005 and 2006, we were the only commercial real estate services company included on the *Fortune 1000* list of the largest U.S. publicly-held companies.

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

Macroeconomic Conditions

Economic trends and government policies directly affect our operations as well as global and regional commercial real estate markets generally. These include: overall economic activity and employment growth, interest rate levels, the availability of credit to finance transactions and the impact of tax and regulatory policies. Periods of economic slowdown or recession, significantly rising interest rates, a declining employment level, a declining demand for real estate or the public perception that any of these events may occur, can negatively affect the performance of many of our business lines. Weak economic conditions could result in a general decrease in transaction activity and 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 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 brokerage business. If our real estate and mortgage brokerage 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.

For example, beginning in 2003 and continuing into 2006, economic conditions in the United States improved from the economic downturn in 2001 and 2002, which positively impacted the commercial real estate market generally. This caused an improvement in our Americas segment s revenue, particularly in transaction revenue and we expect this trend to continue in the near term. However, in the event of a slowdown in the U.S. economy, our revenue growth could be negatively impacted.

Adverse changes in economic conditions would also affect our compensation expense, which is structured to decrease in line with any decrease in revenues. Compensation is our largest expense and the sales and leasing professionals in our largest line of business, advisory services, generally are paid on a commission and bonus basis that correlates with our revenue performance. As a result, the negative effect on our operating margins during difficult market conditions is partially mitigated. In addition, in circumstances when economic conditions are particularly severe, our management can look to improve operational performance by reducing senior management bonuses, curtailing capital expenditures and other cutting of discretionary operating expenses. 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 Acquisitions

Our management historically has made significant use of strategic acquisitions to add new service competencies, to increase our scale within existing competencies and to expand our presence in various geographic regions around the world. For example, we enhanced our mortgage brokerage services through our 1996 acquisition of L.J. Melody & Company (now known as CBRE Melody) and we significantly increased the scale of our investment management business through our 1995 acquisition of Westmark Realty Advisors (now known as CB Richard Ellis Investors) and our 1997 acquisition of Koll Real Estate Services. Our 2003 acquisition of Insignia Financial Group, Inc. (Insignia), significantly increased the scale of our real estate advisory services and outsourcing services business lines in our Americas segment and also significantly increased our presence in the New York, London and Paris metropolitan areas.

On October 30, 2006, we entered into our largest acquisition to date as we, together with A-2 Acquisition Corp., our wholly-owned subsidiary (Merger Sub), and Trammell Crow Company (Trammell Crow) entered into an Agreement and Plan of Merger (the Merger Agreement). Pursuant to the terms and conditions of the Merger Agreement, Merger Sub will merge with and into Trammell Crow, and Trammell Crow will continue as the surviving corporation and become our wholly-owned subsidiary (the Merger). At the time the Merger becomes effective, each outstanding share of common stock of Trammell Crow (other than cancelled shares, dissenting shares and shares held by our subsidiaries or subsidiaries of Trammell Crow) will be converted into the right to receive $49.51 in cash, without interest, less applicable withholding taxes.

In connection with the Merger Agreement, certain stockholders of Trammell Crow entered into voting agreements with us, pursuant to which such stockholders agreed to vote their shares in favor of the approval and adoption of the Merger Agreement and the approval of the Merger.

Strategic in-fill acquisitions have also been an integral component of our growth plans. In 2005, we completed seven acquisitions for an aggregate purchase price of approximately $100.0 million, including our acquisition of CB Richard Ellis Gunne in Ireland and Dalgleish & Company in the United Kingdom, both within our Europe, Middle East, and Africa (EMEA) business segment. During the nine months ended September 30, 2006, we completed eighteen acquisitions for an aggregate purchase price of approximately $123.0 million. These included: the acquisition of an additional stake in our Japanese affiliate, IKOMA CB Richard Ellis KK, or IKOMA, within our Asia Pacific business segment, increasing our equity interest in IKOMA to 51%; the acquisition of our Wisconsin affiliate, The Polacheck Company, within our Americas business segment, which enhanced our brand and market position in the U.S. Midwest; and the acquisition of Holley Blake, which augmented our position in the industrial and logistics sectors in the United Kingdom. These acquisitions are a good example of our efforts to broaden our geographic coverage. Our acquirees were generally either quality regional firms or niche specialty firms that complement our existing platform or affiliates in which we already held an equity interest.

Although our management believes that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets, our management also believes that most acquisitions will initially have an adverse impact on our operating and net income, both as a result of transaction-related expenditures and the charges and costs of integrating the acquired business and its financial and accounting systems into our own. For example, through December 31, 2004, we incurred $200.9 million of transaction-related expenditures in connection with our acquisition of Insignia in 2003 (the Insignia Acquisition) and $87.6 million of transaction-related expenditures in connection with our acquisition of CB Richard Ellis Services in 2001. Transaction-related expenditures included severance costs, lease termination costs, transaction costs, deferred financing costs and merger-related costs, among others. We incurred our final transaction expenditures with respect to the Insignia Acquisition in the third quarter of 2004. In addition, through September 30, 2006, we have incurred $37.5 million of expenses in connection with the integration of Insignia s business lines, as well as accounting and other systems, into our own, $2.4 million of which were incurred during 2006. Additionally, during the nine months ended September 30, 2006, we also incurred $3.1 million of integration expenses associated with in-fill acquisitions completed in 2005 and 2006. We expect to incur total integration expenses of approximately $8.5 million during 2006, which include residual Insignia-related integration costs as well as similar costs related to our strategic in-fill acquisitions in 2005 and 2006.

International Operations

We have made significant acquisitions of non-U.S. companies and we may acquire additional foreign companies in the future. As we increase our foreign operations through either acquisitions or organic growth, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Our management team generally 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 and to hedge risks associated with the translation of foreign currencies into U.S. dollars. 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 related costs and evaluates the appropriate amount of resources to allocate towards business activities in foreign countries where such risks and costs are particularly significant.

Leverage

In connection with the execution of the Merger Agreement and to facilitate the Merger, we sought and received a Commitment Letter, dated as of October 30, 2006, from Credit Suisse and Credit Suisse Securities (USA) LLC, providing for senior secured term loan facilities (the Term Facilities) for an aggregate principal amount of up to $2.2 billion, allocated between a five-year $1.2 billion tranche A term loan facility and a 7-year $1.0 billion tranche B term loan facility. In addition, we will seek to amend our existing Credit Agreement to, among other things, allow the consummation of the Merger and the incurrence of the Term Facilities. If this proposed amendment is not obtained, the Commitment Letter provides for replacement revolving credit facilities in an aggregate principal amount of $600.0 million substantially on the same terms provided for in the existing Credit Agreement (collectively with the Term Facilities, the Credit Facilities). The Credit Facilities will contain customary representations, warranties and covenants, and the closing of the Credit Facilities will be subject to the satisfaction of customary closing conditions.

Pursuant to the terms of the Merger Agreement, on November 3, 2006 we caused CB Richard Ellis Services to launch a tender offer and consent solicitation for all of our outstanding 9¾% senior notes due May 15, 2010. The closing of the tender offer will be conditioned on a majority of the principal amounts of the notes being tendered in order to effect the requested amendments to the indenture, and allowing for the Merger, but will not be conditioned on consummation of the Merger. Details with respect to the tender offer and consent solicitation will be set forth in the tender offer documents.

We have debt service obligations due to the use of leverage to finance our growth. Although our management believes that the incurrence of long-term indebtedness has been important in the development of our business, including facilitating the Merger and the Insignia Acquisition, 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, in June 2006, we entered into a new $600.0 million revolving credit facility, which fully replaced our former credit agreement on more favorable terms. Additionally, on June 15, 2006, we redeemed the remaining $164.7 million in aggregate principal amount of our outstanding 11¼% senior subordinated notes. Despite the anticipated significant increase in our leverage as a result of the Merger, our management expects to look for opportunities to reduce our debt in the future.

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

Critical Accounting Policies

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 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. Critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements. A discussion of such critical accounting policies, which include goodwill and other intangible assets, revenue recognition, income taxes and our consolidation policy can be found in our Annual Report on Form 10-K for the year ended December 31, 2005. There have been no material changes to these policies as of this Quarterly Report on Form 10-Q for the three months ended September 30, 2006.

Basis of Presentation

Segment Reporting

We report our operations through the following four segments: (1) Americas, (2) EMEA, (3) Asia Pacific and (4) Global Investment Management. The Americas consists of operations located in the United States, Canada, Mexico and Latin America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand. The Global Investment Management business consists of investment management operations in the United States, Europe and Asia.

Results of Operations

The following table sets forth items derived from the consolidated statements of operations for the three and nine months ended September 30, 2006 and 2005 presented in dollars and as a percentage of revenue (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2006		2005		2006		2005	
Revenue	$ 903,876	100.0 %	$ 744,198	100.0 %	$ 2,420,195	100.0 %	$ 1,954,627	100.0 %
Costs and expenses:								
Cost of services	456,994	50.6	380,943	51.2	1,209,935	50.0	987,680	50.5
Operating, administrative and other	293,122	32.4	255,706	34.3	841,881	34.8	720,657	36.9
Depreciation and amortization	14,892	1.6	11,665	1.6	42,077	1.7	32,853	1.7
Operating income	138,868	15.4	95,884	12.9	326,302	13.5	213,437	10.9
Equity income from unconsolidated subsidiaries	9,135	1.1	4,068	0.6	25,976	1.1	23,441	1.2
Minority interest (income) expense	(577)	(0.1)	440	0.1	1,232	0.1	1,793	0.1
Interest income	1,002	0.1	2,367	0.3	7,568	0.3	7,870	0.4
Interest expense	7,468	1.0	15,794	2.1	34,755	1.4	42,766	2.2
Loss on extinguishment of debt			624	0.1	22,255	0.9	7,386	0.3
Income before provision for income taxes	142,114	15.7	85,461	11.5	301,604	12.5	192,803	9.9
Provision for income taxes	49,805	5.5	28,525	3.8	108,131	4.5	70,874	3.7
Net income	$ 92,309	10.2 %	$ 56,936	7.7 %	$ 193,473	8.0 %	$ 121,929	6.2 %
EBITDA	$ 163,472	18.1 %	$ 111,177	14.9 %	$ 393,123	16.2 %	$ 267,938	13.7 %

EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes 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, readers should use EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

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EBITDA is calculated as follows (dollars in thousands):

	Three Months Ended September 30, 2006	2005	Nine Months Ended September 30, 2006	2005
Net income	$ 92,309	$ 56,936	$ 193,473	$ 121,929
Add:				
Depreciation and amortization	14,892	11,665	42,077	32,853
Interest expense	7,468	15,794	34,755	42,766
Loss on extinguishment of debt		624	22,255	7,386
Provision for income taxes	49,805	28,525	108,131	70,874
Less:				
Interest income	1,002	2,367	7,568	7,870
EBITDA	$ 163,472	$ 111,177	$ 393,123	$ 267,938

Three Months Ended September 30, 2006 Compared to the Three Months Ended September 30, 2005

We reported consolidated net income of $92.3 million for the three months ended September 30, 2006 on revenue of $903.9 million as compared to consolidated net income of $56.9 million on revenue of $744.2 million for the three months ended September 30, 2005.

Our revenue on a consolidated basis increased by $159.7 million, or 21.5%, as compared to the three months ended September 30, 2005. Approximately two-thirds of the increase was due to organic growth, while the remainder was attributable to in-fill acquisitions completed during 2005 and 2006. The organic revenue growth was primarily driven by continued higher worldwide transaction revenue as well as increased appraisal/valuation, mortgage brokerage and property and facilities management fees. Additionally, carried interest revenue as well as higher fees generated in our Global Investment Management business contributed to the increase. Foreign currency translation had an $11.3 million positive impact on total revenue during the three months ended September 30, 2006.

Our cost of services on a consolidated basis increased by $76.1 million, or 20.0%, during the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. Our sales and leasing professionals generally are paid on a commission and bonus basis, which substantially correlates with our revenue performance. Accordingly, the overall increase was primarily driven by the increase in revenue. Also contributing to the increase was additional headcount, which primarily resulted from in-fill acquisitions. Foreign currency translation had a $4.8 million negative impact on cost of services during the three months ended September 30, 2006. Cost of services as a percentage of revenue decreased slightly from 51.2% for the three months ended September 30, 2005 to 50.6% for the three months ended September 30, 2006, primarily attributable to our mix of revenue, with a higher composition of revenue being non-commissionable or earned from markets with lower costs of services.

Our operating, administrative and other expenses on a consolidated basis were $293.1 million, an increase of $37.4 million, or 14.6%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. The increase was primarily driven by higher worldwide payroll-related costs, including bonuses, as well as increased marketing costs, all of which resulted from our improved operating performance as well as from the in-fill acquisitions previously mentioned. Foreign currency translation had a $4.2 million negative impact on total operating expenses during the three months ended September 30, 2006. Operating expenses as a percentage of revenue decreased from 34.3% for the three months ended September 30, 2005 to 32.4% for the three months ended September 30, 2006, reflecting the operating leverage inherent in our business structure.

Our depreciation and amortization expense on a consolidated basis increased by $3.2 million, or 27.7%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. This increase was primarily due to higher depreciation expense resulting from increased capital expenditures as well as fixed assets acquired in recent in-fill acquisitions. Also contributing to the increase was higher amortization expense related to intangibles acquired in recent in-fill acquisitions.

Our equity income from unconsolidated subsidiaries on a consolidated basis increased by $5.1 million, or 124.6%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. This was primarily due to higher net dispositions within selected funds in our Global Investment Management segment as well as increased equity income from the ownership of affiliated companies in our Americas business segment, which have benefited from improved performance.

Our consolidated interest expense decreased $8.3 million, or 52.7%, as compared to the three months ended September 30, 2005. The decline was primarily due to interest savings realized as a result of debt repayments made throughout 2005 and 2006.

Our loss on extinguishment of debt on a consolidated basis was $0.6 million for the three months ended September 30, 2005. This loss related to the write-off of unamortized deferred financing fees and unamortized discount, as well as premiums paid, all in connection with the repurchases of our 11¼% senior subordinated notes in the open market.

Our provision for income taxes on a consolidated basis was $49.8 million for the three months ended September 30, 2006 as compared to $28.5 million for the three months ended September 30, 2005. Our effective tax rate increased from 33.4% for the three months ended September 30, 2005 to 35.0% for the three months ended September 30, 2006. The increase in the provision for income taxes is attributable to the significant increase in pre-tax income over 2005. The increase in the effective tax rate is primarily due to lower non-taxable gains associated with our deferred compensation plan in the current year.

Nine Months Ended September 30, 2006 Compared to the Nine Months Ended September 30, 2005

We reported consolidated net income of $193.5 million for the nine months ended September 30, 2006 on revenue of $2.4 billion as compared to consolidated net income of $121.9 million on revenue of $2.0 billion for the nine months ended September 30, 2005.

Our revenue on a consolidated basis increased by $465.6 million, or 23.8%, as compared to the nine months ended September 30, 2005. Approximately two-thirds of the increase was due to organic growth, while the remainder was attributable to in-fill acquisitions completed during 2005 and 2006. The organic revenue growth was primarily driven by continued higher worldwide transaction revenue as well as increased appraisal/valuation, mortgage brokerage and property and facilities management fees. Additionally, carried interest revenue earned and higher fees generated in our Global Investment Management business contributed to the increase. Foreign currency translation had an $8.6 million negative impact on total revenue during the nine months ended September 30, 2006.

Our cost of services on a consolidated basis increased by $222.3 million, or 22.5%, during the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. As previously mentioned, our sales and leasing professionals generally are paid on a commission and bonus basis, which substantially correlates with our revenue performance. Accordingly, the overall increase was primarily driven by the increase in revenue. Also contributing to the increase was additional headcount, which primarily resulted from in-fill acquisitions. Foreign currency translation had a $4.7 million positive impact on cost of services during the nine months ended September 30, 2006. Cost of services as a percentage of revenue was relatively consistent between periods at 50.0% for the nine months ended September 30, 2006 versus 50.5% for the nine months ended September 30, 2005.

Our operating, administrative and other expenses on a consolidated basis were $841.9 million, an increase of $121.2 million, or 16.8%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. The increase was primarily driven by higher worldwide payroll-related costs, including bonuses and carried interest incentive compensation expense, as well as increased marketing costs, which resulted from our improved operating performance as well as from the in-fill acquisitions previously mentioned. Foreign currency translation had a $2.8 million positive impact on total operating expenses during the nine months ended September 30, 2006. Operating expenses as a percentage of revenue decreased from 36.9% for the nine months ended September 30, 2005 to 34.8% for the nine months ended September 30, 2006, reflecting the operating leverage inherent in our business structure.

Our depreciation and amortization expense on a consolidated basis increased by $9.2 million, or 28.1%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This increase was primarily driven by higher depreciation expense resulting from increased capital expenditures as well as fixed assets acquired in recent in-fill acquisitions. Also contributing to the increase was higher amortization expense related to intangibles acquired in recent in-fill acquisitions.

Our equity income from unconsolidated subsidiaries on a consolidated basis increased by $2.5 million, or 10.8%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This was primarily due to increased equity income recognized from the ownership of affiliated companies in our Americas and EMEA business segments, which have benefited from improved performance, partially offset by the impact of higher net dispositions within selected funds in our Global Investment Management segment in the prior year.

Our consolidated interest expense decreased $8.0 million, or 18.7%, as compared to the nine months ended September 30, 2005. The overall decline was primarily due to interest savings realized as a result of debt repayments made throughout 2005 and 2006, including the redemption of the remaining outstanding balance of our 11¼% senior subordinated notes in June 2006. The repayment of our 11¼% senior subordinated notes, combined with the replacement of our credit agreement on more favorable terms in June 2006, is expected to result in interest savings of approximately $12.5 million in 2006.

Our loss on extinguishment of debt on a consolidated basis was $22.3 million and $7.4 million for the nine months ended September 30, 2006 and 2005, respectively. These losses incurred were related to the write-off of unamortized deferred financing fees and unamortized discount, as well as premiums paid, all in connection with the repurchase of our 11¼% senior subordinated notes during the nine months ended September 30, 2006 and 2005. In addition, during the nine months ended September 30, 2006, we wrote off $8.2 million of unamortized deferred financing fees associated with our prior credit facility, which was replaced during the current year.

Our provision for income taxes on a consolidated basis was $108.1 million for the nine months ended September 30, 2006 as compared to $70.9 million for the nine months ended September 30, 2005. Our effective tax rate declined from 36.8% for the nine months ended September 30, 2005 to 35.9% for the nine months ended September 30, 2006. The increase in the provision for income taxes is attributable to the significant increase in pre-tax income over 2005. The decrease in the effective tax rate is primarily a result of the change in our mix of domestic and foreign earnings.

Segment Operations

The following table summarizes our revenue, costs and expenses and operating income (loss) by our Americas, EMEA, Asia Pacific and Global Investment Management business segments for the three and nine months ended September 30, 2006 and 2005 (dollars in thousands):

	Three Months Ended September 30,				**Nine Months Ended September 30,**			
	2006		**2005**		**2006**		**2005**	
Americas								
Revenue	$ 584,674	100.0 %	$ 516,665	100.0 %	$ 1,592,716	100.0 %	$ 1,387,657	100.0 %
Costs and expenses:								
Cost of services	317,958	54.4	294,693	57.0	853,793	53.6	757,945	54.6
Operating, administrative and other	169,647	29.1	149,375	28.9	498,457	31.3	440,144	31.7
Depreciation and amortization	9,143	1.6	8,088	1.6	25,024	1.6	22,471	1.7
Operating income	$ 87,926	14.9 %	$ 64,509	12.5 %	$ 215,442	13.5 %	$ 167,097	12.0 %
EBITDA	$ 101,259	17.3 %	$ 75,049	14.5 %	$ 251,007	15.8 %	$ 198,344	14.3 %
EMEA								
Revenue	$ 193,340	100.0 %	$ 149,574	100.0 %	$ 498,856	100.0 %	$ 374,823	100.0 %
Costs and expenses:								
Cost of services	93,798	48.5	64,499	43.1	232,698	46.6	169,204	45.1
Operating, administrative and other	61,211	31.7	55,861	37.4	173,023	34.7	160,852	42.9
Depreciation and amortization	3,247	1.7	2,543	1.7	11,564	2.3	7,357	2.0
Operating income	$ 35,084	18.1 %	$ 26,671	17.8 %	$ 81,571	16.4 %	$ 37,410	10.0 %
EBITDA	$ 38,701	20.0 %	$ 28,891	19.3 %	$ 93,897	18.8 %	$ 44,139	11.8 %
Asia Pacific								
Revenue	$ 84,492	100.0 %	$ 44,090	100.0 %	$ 229,844	100.0 %	$ 121,249	100.0 %
Costs and expenses:								
Cost of services	45,238	53.5	21,751	49.3	123,444	53.7	60,531	49.9
Operating, administrative and other	32,299	38.2	15,907	36.1	84,402	36.7	45,108	37.2
Depreciation and amortization	1,990	2.4	572	1.3	3,976	1.8	1,720	1.4
Operating income	$ 4,965	5.9 %	$ 5,860	13.3 %	$ 18,022	7.8 %	$ 13,890	11.5 %
EBITDA	$ 8,344	9.9 %	$ 6,418	14.6 %	$ 22,586	9.8 %	$ 16,126	13.3 %
Global Investment Management								
Revenue	$ 41,370	100.0 %	$ 33,869	100.0 %	$ 98,779	100.0 %	$ 70,898	100.0 %
Costs and expenses:								
Operating, administrative and other	29,965	72.4	34,563	102.0	85,999	87.1	74,553	105.2
Depreciation and amortization	512	1.3	462	1.4	1,513	1.5	1,305	1.8
Operating income (loss)	$ 10,893	26.3 %	$ (1,156)	(3.4)%	$ 11,267	11.4 %	$ (4,960)	(7.0)%
EBITDA	$ 15,168	36.7 %	$ 819	2.4 %	$ 25,633	25.9 %	$ 9,329	13.2 %

EBITDA represents earnings before net interest expense, loss on extinguishment of debt, income taxes, depreciation and amortization. Our management believes 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 GAAP, and when analyzing our operating performance, readers should use EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies.

Furthermore, EBITDA is not intended to be a measure of free cash flow for our management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments.

Net interest expense and loss on extinguishment of debt have been expensed in the segment incurred. Provision for income taxes has been allocated among our segments by using applicable U.S. and foreign effective tax rates. EBITDA for our segments is calculated as follows (dollars in thousands):

	Three Months Ended September 30, 2006	2005	Nine Months Ended September 30, 2006	2005
Americas				
Net income	$ 54,840	$ 37,428	$ 112,498	$ 88,560
Add:				
Depreciation and amortization	9,143	8,088	25,024	22,471
Interest expense	5,407	11,459	28,873	34,131
Loss on extinguishment of debt		624	22,255	7,386
Provision for income taxes	32,462	19,355	68,553	50,796
Less:				
Interest income	593	1,905	6,196	5,000
EBITDA	$ 101,259	$ 75,049	$ 251,007	$ 198,344
EMEA				
Net income	$ 26,043	$ 17,130	$ 57,555	$ 22,141
Add:				
Depreciation and amortization	3,247	2,543	11,564	7,357
Interest expense	762	2,377	1,621	3,605
Provision for income taxes	8,839	7,169	24,053	13,597
Less:				
Interest income	190	328	896	2,561
EBITDA	$ 38,701	$ 28,891	$ 93,897	$ 44,139
Asia Pacific				
Net income	$ 3,241	$ 3,324	$ 8,942	$ 8,671
Add:				
Depreciation and amortization	1,990	572	3,976	1,720
Interest expense	775	703	2,486	2,146
Provision for income taxes	2,411	1,855	7,346	3,723
Less:				
Interest income	73	36	164	134
EBITDA	$ 8,344	$ 6,418	$ 22,586	$ 16,126
Global Investment Management				
Net income (loss)	$ 8,185	$ (946)	$ 14,478	$ 2,557
Add:				
Depreciation and amortization	512	462	1,513	1,305
Interest expense	524	1,255	1,775	2,884
Provision for income taxes	6,093	146	8,179	2,758
Less:				
Interest income	146	98	312	175
EBITDA	$ 15,168	$ 819	$ 25,633	$ 9,329

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Three Months Ended September 30, 2006 Compared to the Three Months Ended September 30, 2005

Americas

Revenue increased by $68.0 million, or 13.2%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. This largely organic revenue increase was primarily driven by a continued improved leasing trend as well as higher mortgage brokerage, appraisal/valuation and property and facilities management fees, partially offset by a pullback in investment sales activity. Foreign currency translation had a $2.6 million positive impact on total revenue during the three months ended September 30, 2006.

Cost of services increased by $23.3 million, or 7.9%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005, primarily due to higher commission expense and bonus accruals as a result of the overall increase in revenue. Foreign currency translation had a $1.1 million negative impact on cost of services during the three months ended September 30, 2006. Cost of services as a percentage of revenue decreased from 57.0% for the three months ended September 30, 2005 to 54.4% for the three months ended September 30, 2006, primarily due to our mix of revenue, with a higher composition of revenue being non-commissionable.

Operating, administrative and other expenses increased $20.3 million, or 13.6%, mainly driven by higher payroll-related costs, including bonuses, as well as increased marketing costs, all of which primarily resulted from supporting our growing revenues. Foreign currency translation had a $1.4 million negative impact on total operating expenses during the three months ended September 30, 2006.

EMEA

Revenue increased by $43.8 million, or 29.3%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. Organic revenue growth accounted for just under half of this increase, with the remainder resulting from in-fill acquisitions completed in 2005 and 2006. The organic revenue increase was mainly driven by higher transaction revenue, primarily in the United Kingdom, Ireland and Spain as well as increased appraisal/valuation revenue, particularly in the United Kingdom. The increase related to in-fill acquisitions was primarily driven by our acquisitions in the United Kingdom of Dalgleish & Company during the latter half of 2005 and Holley Blake early in the third quarter of 2006. Foreign currency translation had an $8.9 million positive impact on total revenue during the three months ended September 30, 2006.

Cost of services increased $29.3 million, or 45.4%, mainly as a result of higher producer compensation expense, including bonuses, as well as increased commission expense, all of which were primarily driven by higher revenue and increased headcount. Foreign currency translation had a $4.3 million negative impact on cost of services during the three months ended September 30, 2006. Cost of services as a percentage of revenue increased to 48.5% for the three months ended September 30, 2006 in comparison to 43.1% for the three months ended September 30, 2005. The increase was primarily due to higher bonuses in the United Kingdom due to the improved results, increased headcount as well as the acquisition of CB Richard Ellis Gunne in Ireland, which we acquired on August 24, 2005.

Operating, administrative and other expenses increased by $5.4 million, or 9.6%, mainly due to higher payroll-related costs, including bonuses as well as increased marketing costs in the region, which were primarily due to improved results combined with the impact of in-fill acquisitions. Foreign currency translation had a $2.7 million negative impact on total operating expenses during the three months ended September 30, 2006.

Asia Pacific

Revenue increased by $40.4 million, or 91.6%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. Our acquisition of an additional stake in our

Japanese affiliate, IKOMA, in early January 2006, which took our equity interest in IKOMA to 51% and led to our consolidation of IKOMA s results, accounted for slightly more than half of the revenue increase with the remainder primarily coming from organic growth in Australia and Singapore. Foreign currency translation had a $0.9 million negative impact on total revenue during the three months ended September 30, 2006.

Cost of services increased by $23.5 million, or 108.0%, mainly due to higher commissions and additional headcount, both of which were largely attributable to our consolidation of IKOMA as well as increased activity in Australia. Cost of services as a percentage of revenue increased from 49.3% for the three months ended September 30, 2005 to 53.5% for the three months ended September 30, 2006, primarily driven by a higher transaction commission rate at IKOMA, which we expect to improve upon full integration. Foreign currency translation had a $0.6 million positive impact on cost of services for the three months ended September 30, 2006.

Operating, administrative and other expenses increased by $16.4 million, or 103.0%, primarily due to an increase in payroll-related costs, including bonuses, as well as higher occupancy costs, which largely resulted from our consolidation of IKOMA as well as other smaller in-fill acquisitions made in Australia. Foreign currency translation had a $0.4 million positive impact on total operating expenses during the three months ended September 30, 2006.

Global Investment Management

Revenue increased by $7.5 million, or 22.1%, for the three months ended September 30, 2006 as compared to the three months ended September 30, 2005. This increase was mainly due to carried interest revenue earned in the United States as a result of the liquidation of a fund as well as higher core asset management fees earned in the United Kingdom. These increases were partially offset by incentive fees earned in France in the prior year. Foreign currency translation had a $0.7 million positive impact on total revenues during the three months ended September 30, 2006.

Operating, administrative and other expenses decreased by $4.6 million, or 13.3%, primarily driven by lower carried interest incentive compensation expense recognized for dedicated executives and team leaders with participation interests in certain real estate investments under management. Foreign currency translation had a $0.5 million negative impact on total operating expenses during the three months ended September 30, 2006.

Nine Months Ended September 30, 2006 Compared to the Nine Months Ended September 30, 2005

Americas

Revenue increased by $205.1 million, or 14.8%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. This largely organic revenue increase was primarily driven by improved leasing activity, an increase in investment sales activity as well as higher appraisal/valuation and property and facilities management fees. Foreign currency translation had a $7.4 million positive impact on total revenue during the nine months ended September 30, 2006.

Cost of services increased by $95.8 million, or 12.6%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005, primarily due to higher commission expense and bonus accruals as a result of the overall increase in revenue. Foreign currency translation had a $3.1 million negative impact on cost of services during the nine months ended September 30, 2006. Cost of services as a percentage of revenue decreased from 54.6% for the nine months ended September 30, 2005 to 53.6% for the nine months ended September 30, 2006, primarily attributable to our mix of revenue with a higher composition of revenue being non-commissionable.

Operating, administrative and other expenses increased $58.3 million, or 13.2%, mainly driven by higher payroll-related costs including bonuses, as well as higher marketing costs, all of which primarily resulted from supporting our growing revenues. Foreign currency translation had a $4.0 million negative impact on total operating expenses during the nine months ended September 30, 2006.

EMEA

Revenue increased by $124.0 million, or 33.1%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. Organic revenue growth accounted for slightly more than half of this increase, with the remainder resulting from in-fill acquisitions completed in 2005 and in 2006. The organic revenue increase was primarily driven by higher transaction revenue, particularly in the United Kingdom, France and Germany, as well as increased appraisal/valuation revenue throughout the region. The overall increase related to in-fill acquisitions was primarily driven by our acquisition of CB Richard Ellis Gunne in Ireland and Dalgleish & Company in the United Kingdom during the latter half of 2005 as well as our acquisition of Holley Blake in the United Kingdom early in the third quarter of 2006. Foreign currency translation had a $6.4 million negative impact on total revenue during the nine months ended September 30, 2006.

Cost of services increased $63.5 million, or 37.5%, mainly as a result of higher producer compensation expense, including bonuses, as well as increased commission expense, all of which were primarily driven by higher revenue and increased headcount. Foreign currency translation had a $3.0 million positive impact on cost of services during the nine months ended September 30, 2006. Cost of services as a percentage of revenue increased from 45.1% for the nine months ended September 30, 2005 to 46.6% for the nine months ended September 30, 2006, primarily driven by our acquisition of CB Richard Ellis Gunne in Ireland.

Operating, administrative and other expenses increased by $12.2 million, or 7.6%, mainly due to higher payroll-related costs, including bonuses, as well as increased marketing costs in the region, which were primarily due to improved results combined with the impact of in-fill acquisitions. Foreign currency translation had a $3.5 million positive impact on total operating expenses during the nine months ended September 30, 2006.

Asia Pacific

Revenue increased by $108.6 million, or 89.6%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. Approximately two-thirds of the increase was due to acquisitions, primarily driven by our acquisition of an additional stake in our Japanese affiliate, IKOMA, in early January 2006, which took our equity interest in IKOMA to 51% and led to our consolidation of IKOMA s results, with the remainder attributable to organic growth. The organic revenue increase was primarily driven by higher transaction revenue in Australia. Foreign currency translation had a $7.8 million negative impact on total revenue during the nine months ended September 30, 2006.

Cost of services increased by $62.9 million, or 103.9%, mainly due to higher commissions and additional headcount, both of which were primarily attributable to our consolidation of IKOMA as well as increased activity in Australia. Cost of services as a percentage of revenue increased from 49.9% for the nine months ended September 30, 2005 to 53.7% for the nine months ended September 30, 2006, primarily driven by a higher transaction commission rate at IKOMA, which we expect to improve upon full integration. Foreign currency translation had a $4.8 million positive impact on cost of services for the nine months ended September 30, 2006.

Operating, administrative and other expenses increased by $39.3 million, or 87.1%, primarily due to an increase in payroll-related costs, including bonuses, as well as higher occupancy and marketing costs, which largely resulted from our consolidation of IKOMA as well as improved results in Australia. Foreign currency translation had a $2.9 million positive impact on total operating expenses during the nine months ended September 30, 2006.

Global Investment Management

Revenue increased by $27.9 million, or 39.3%, for the nine months ended September 30, 2006 as compared to the nine months ended September 30, 2005. The increase was mainly driven by carried interest revenue and higher core asset management fees earned in the United States as well as higher performance and core asset management fees earned in the United Kingdom. Foreign currency translation had a $1.8 million negative impact on total revenues during the nine months ended September 30, 2006.

Operating, administrative and other expenses increased by $11.4 million, or 15.4%, primarily due to an increase in carried interest incentive compensation expense of $2.5 million recognized for dedicated executives and team leaders with participation interests in certain real estate investments under management, as well as higher bonus expense resulting from improved results. During the nine months ended September 30, 2006, we recorded a total of $22.8 million of incentive compensation expense related to carried interest revenue, a small part of which pertained to revenue recognized during this period with the remainder (approximately $20.7 million) relating to future periods revenue. Revenue associated with these expenses cannot be recognized until certain financial hurdles are met. We expect that income we will recognize from funds liquidating in future quarters will more than offset the $20.8 million additional incentive compensation expense accrued during the nine months ended September 30, 2006. Foreign currency translation had a $0.4 million positive impact on total operating expenses during the nine months ended September 30, 2006.

Liquidity and Capital Resources

On October 30, 2006, we together with A-2 Acquisition Corp., our wholly-owned subsidiary (Merger Sub), and Trammell Crow Company (Trammell Crow) entered into an Agreement and Plan of Merger (the Merger Agreement). Pursuant to the terms and conditions of the Merger Agreement, Merger Sub will merge with and into Trammell Crow, and Trammell Crow will continue as the surviving corporation and become our wholly-owned subsidiary (the Merger). At the time the Merger becomes effective, each outstanding share of common stock of Trammell Crow (other than cancelled shares, dissenting shares and shares held by our subsidiaries or subsidiaries of Trammell Crow) will be converted into the right to receive $49.51 in cash, without interest, less applicable withholding taxes.

In connection with the Merger Agreement, certain stockholders of Trammell Crow entered into voting agreements with us, pursuant to which such stockholders agreed to vote their shares in favor of the approval and adoption of the Merger Agreement and the approval of the Merger.

In connection with the execution of the Merger Agreement and to facilitate the Merger, we sought and received a Commitment Letter, dated as of October 30, 2006, from Credit Suisse and Credit Suisse Securities (USA) LLC, providing for senior secured term loan facilities (the Term Facilities) for an aggregate principal amount of up to $2.2 billion, allocated between a five-year $1.2 billion tranche A term loan facility and a 7-year $1.0 billion tranche B term loan facility. In addition, we will seek to amend our existing Credit Agreement to, among other things, allow the consummation of the Merger and the incurrence of the Term Facilities. If this proposed amendment is not obtained, the Commitment Letter provides for replacement revolving credit facilities in an aggregate principal amount of $600.0 million substantially on the same terms provided for in the existing Credit Agreement (collectively with the Term Facilities, the Credit Facilities). The Credit Facilities will contain customary representations, warranties and covenants, and the closing of the Credit Facilities will be subject to the satisfaction of customary closing conditions.

Pursuant to the terms of the Merger Agreement, on November 3, 2006 we caused CB Richard Ellis Services to launch a tender offer and consent solicitation for all of our outstanding 93⁄4% senior notes due May 15, 2010. The closing of the tender offer will be conditioned on a majority of the principal amounts of the notes being tendered in order to effect the requested amendments to the indenture, and allowing for

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the Merger, but will not be conditioned on consummation of the Merger. Details with respect to the tender offer and consent solicitation will be set forth in the tender offer documents.

We believe that we can satisfy our working capital requirements and funding of investments with internally generated cash flow and, as necessary, borrowings under our revolving credit facility. Included in the capital requirements that we expect to fund during 2006 is approximately $44.6 million of anticipated net capital expenditures, including $4.0 million associated with recent in-fill acquisitions. During the nine months ended September 30, 2006, we funded approximately $31.3 million of these net capital expenditures. The capital expenditures for 2006 are primarily comprised of information technology costs, which are driven largely by computer replacements as well as costs associated with upgrading various servers and systems, and leasehold improvements.

During 2001 and 2003, we required substantial amounts of new equity and debt financing to fund our acquisitions of CB Richard Ellis Services and Insignia. Additionally, as previously mentioned, we will require a substantial amount of new debt financing to fund our acquisition of Trammell Crow. Absent extraordinary transactions such as these, we historically have not needed sources of financing other than our internally generated cash flow and our revolving credit facility to fund our working capital, capital expenditure and investment requirements. In the absence of such extraordinary transactions, our management anticipates that our cash flow from operations and revolving credit facility would be sufficient to meet our anticipated cash requirements for the foreseeable future, but at a minimum for the next twelve months.

As evidenced above, from time to time, we consider potential strategic acquisitions. Our management believes that any future significant acquisitions that we make most likely would require us to obtain additional debt or equity financing. In the past, we have been able to obtain such financing for material transactions on terms that our management believed to be reasonable. However, it is possible that we may not be able to find acquisition financing on favorable terms in the future if we decide to make any further 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 and anticipated principal amounts of our long-term indebtedness. Our management is unable to project with certainty whether our long-term cash flow from operations will be sufficient to repay our long-term debt when it comes due. If this cash flow is insufficient, then our management expects that we would need to refinance such indebtedness or otherwise amend its terms to extend the maturity dates. Our management cannot make any assurances that such refinancings or amendments, if necessary, would be available on attractive terms, if at all.

The other primary component of our long-term liquidity needs, other than those related to ordinary course obligations and commitments such as operating leases, are our obligations related to our deferred compensation plans and our U.K. pension plans. Pursuant to our deferred compensation plans, a select group of our management and other highly-compensated employees have been permitted to defer receipt of some or all of their compensation until future distribution dates and have the deferred amount credited towards specified investment alternatives. Except for deferrals into stock fund units that provide for future issuances of our common stock, the deferrals under the deferred compensation plans represent future cash payment obligations for us. We currently have invested in insurance and mutual funds for the purpose of funding our future cash deferred compensation obligations. In addition, upon each distribution under the plans, we receive a corresponding tax deduction for such compensation payment. Our U.K. subsidiaries maintain pension plans with respect to which a limited number of our U.K. employees are participants. Our historical policy has been to fund pension costs as actuarially determined and as required by applicable law and regulations. As of December 31, 2005, based upon actuarial calculations of future benefit obligations under these plans, they were in the aggregate approximately $57.4 million underfunded.

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Our management expects that any future obligations under our deferred compensation plans and pension plans that are not currently funded will be funded out of our future cash flow from operations.

Historical Cash Flows

Operating Activities

Net cash provided by operating activities totaled $86.4 million for the nine months ended September 30, 2006, a decrease of $50.4 million as compared to the nine months ended September 30, 2005. The decrease in net cash provided by operating activities was primarily due to higher tax and bonus payments in the current year, both of which mainly resulted from the improved operating performance experienced in 2005 versus 2004, as well as the accelerated timing of payments to vendors in the current year. Additionally contributing to the decrease were higher deposits in the United Kingdom, primarily made to replace a letter of credit requirement related to one of our leases, as well as an increase in prepaid compensation in the current year. Lastly, the new presentation of incremental tax benefits resulting from stock options exercised as financing inflows in the current year as a result of our adoption of Statement of Financial Accounting Standards, or SFAS, No. 123R versus operating inflows in the prior year also contributed to the increase. These increases in cash used in operating activities were partially offset by the improved operating performance experienced during the nine months ended September 30, 2006 in comparison to the nine months ended September 30, 2005 as well as deferred revenue recognized relative to a fund in our Global Investment Management segment.

Investing Activities

Net cash used in investing activities totaled $135.9 million for the nine months ended September 30, 2006, representing an increase of $46.0 million as compared to the nine months ended September 30, 2005. The increase was primarily due to the use of cash for in-fill acquisitions as well as higher capital expenditures in the current year. These increases were partially offset by the purchases of properties held for sale less proceeds received from the sale of one such property during the nine months ended September 30, 2005.

Financing Activities

Net cash used in financing activities totaled $266.1 million for the nine months ended September 30, 2006 as compared to $17.3 million for the nine months ended September 30, 2005. The increase in net cash used in financing activities was primarily driven by the repayment of the remaining outstanding balance of our 11 1⁄4% senior subordinated notes as well as the replacement of our senior secured term loan with a new revolving credit facility during the current year.

Initial and Secondary Public Offerings

On June 15, 2004, we completed the initial public offering of shares of our Class A common stock. In connection with the initial public offering, we issued and sold 23,180,292 shares of our Class A common stock and received aggregate net proceeds of approximately $135.0 million, after deducting underwriting discounts and commissions and offering expenses payable by us. Also in connection with the initial public offering, selling stockholders sold an aggregate of 48,819,708 shares of our Class A common stock and received net proceeds of approximately $290.6 million, after deducting underwriting discounts and commissions. On July 14, 2004, selling stockholders sold an additional 687,900 shares of our Class A common stock to cover over-allotments of shares by underwriters and received net proceeds of approximately $4.1 million, after deducting underwriting discounts and commissions. Lastly, on December 13, 2004 and November 15, 2005, we completed secondary public offerings that provided further liquidity for some of our stockholders. We did not receive any of the proceeds from the sale of shares by the selling stockholders on June 15, 2004, July 14, 2004, December 13, 2004 and November 15, 2005.

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As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as subsequent rules to the same extent enacted by the Securities and Exchange Commission and the New York Stock Exchange have required changes in corporate governance practices of public companies. These rules and regulations, including Section 404 of the Sarbanes-Oxley Act and the related rules and regulations, have increased our legal and financial compliance costs.

Indebtedness

Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness and other obligations. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase.

Most of our long-term indebtedness was incurred in connection with our acquisition of CB Richard Ellis Services in July 2001 and the Insignia Acquisition in July 2003. 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 advisory services and outsourcing services businesses as well as significantly increased our presence in the New York, London and Paris metropolitan areas.

Since 2001, we have maintained a credit agreement with Credit Suisse (CS) and other lenders to fund strategic acquisitions and to provide for our working capital needs. On June 26, 2006, we entered into a $600.0 million multi-currency senior secured revolving credit facility (the Credit Agreement) with a syndicate of banks led by CS, as administrative and collateral agent, which fully replaced our prior credit agreement. In connection with the replacement of our prior credit facility, we wrote off $8.2 million of unamortized deferred financing fees during the nine months ended September 30, 2006.

Our Credit Agreement includes the following: (1) a $600.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, all maturing on June 24, 2011 and (2) the ability to borrow an additional $200.0 million, subject to the satisfaction of customary conditions. The $600.0 million revolving credit facility allows for borrowings outside of the United States, with sub-facilities of $5.0 million available to one of our Canadian subsidiaries, $35.0 million available to one of our Australian and New Zealand subsidiaries and $50.0 million available to one of our U.K. subsidiaries.

Borrowings under the revolving credit facility bear interest at varying rates, based at our option, on either the applicable fixed rate plus 0.575% to 1.1125% or the daily rate plus 0% to 0.1125%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of September 30, 2006, we had $139.8 million of revolving credit facility principal outstanding, which is included in short-term borrowings in the accompanying consolidated balance sheets. As of September 30, 2006, letters of credit totaling $1.5 million were outstanding, which letters of credit primarily relate to our subsidiaries outstanding indebtedness as well as operating leases and reduce the amount we may borrow under the revolving credit facility.

Our previous credit agreement included the following: (1) a term loan facility of $295.0 million, which required quarterly principal payments of $2.95 million beginning December 31, 2004 through December 31, 2009 with the balance payable on March 31, 2010; and (2) a $150.0 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, all maturing on

March 31, 2009. Our previous credit agreement also permitted us to make additional borrowings under a term loan facility of up to $25.0 million, subject to the satisfaction of customary conditions.

Borrowings under the term loan facility bore interest at varying rates based, at our option, on either LIBOR plus 2.00% or the alternate base rate plus 1.00%. The alternate base rate was the higher of (1) CS s prime rate or (2) the Federal Funds Effective Rate plus one-half of one percent. The total amount outstanding under the term loan facility included in the senior secured term loan and current maturities of long-term debt balances in the accompanying consolidated balance sheets was $265.3 million as of December 31, 2005.

Borrowings under the previous revolving credit facility bore interest at varying rates based at our option, on either the applicable LIBOR plus 2.00% to 2.50% or the alternate base rate plus 1.00% to 1.50%, in both cases as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the previous credit agreement). There was no revolving credit facility principal outstanding as of December 31, 2005.

The prior credit facilities were, and the Credit Agreement continues to be, jointly and severally guaranteed by us and substantially all of our domestic subsidiaries. The prior credit facilities were secured by a pledge of substantially all of our domestic assets, while borrowings under our Credit Agreement are secured by a pledge of substantially all of the capital stock of our U.S. subsidiaries and 65% of the capital stock of certain non-U.S. subsidiaries. Additionally, the Credit Agreement requires us to pay a fee based on the total amount of the revolving credit facility commitment.

In connection with the execution of the Merger Agreement and to facilitate the Merger, we sought and received a Commitment Letter dated as of October 30, 2006, from Credit Suisse and Credit Suisse Securities (USA) LLC, providing for Term Facilities for an aggregate principal amount of up to $2.2 billion allocated between a five-year $1.2 billion tranche A term loan facility and a seven-year $1.0 billion tranche B term loan facility. In addition, we will seek to amend our existing Credit Agreement to, among other things, allow the consummation of the Merger and incurrence of the Term Facilities. If this proposed amendment is not obtained, the Commitment Letter provides for replacement revolving credit facilities in aggregate principal amount of $600.0 million, substantially on the same terms provided in the existing Credit Agreement.

In May 2003, in connection with the Insignia Acquisition, CBRE Escrow, Inc., a wholly owned subsidiary of CB Richard Ellis Services, issued $200.0 million in aggregate principal amount of 9¾% senior notes, which are due May 15, 2010. CBRE Escrow, Inc. merged with and into CB Richard Ellis Services, and CB Richard Ellis Services assumed all obligations with respect to the 9¾% senior notes in connection with the Insignia Acquisition. 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 were permitted to 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, which we elected to do. During July 2004, we used a portion of the net proceeds we received from our initial public offering to redeem $70.0 million in aggregate principal amount, or 35.0%, of our 9¾% senior notes, which also required the payment of a $6.8 million premium and accrued and unpaid interest through the date of redemption. In the event of a change of control (as defined in the indenture governing our 9¾% senior notes), we are obligated to make an offer to purchase the 9¾% senior notes at a redemption price

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of 101.0% of the principal amount, plus accrued and unpaid interest. As previously mentioned, pursuant to the terms of the Merger Agreement, on November 3, 2006, we caused CB Richard Ellis Services to launch a tender offer and consent solicitation for all of the outstanding 9¾% senior notes. The amount of the 9¾% senior notes included in the accompanying consolidated balance sheets was $130.0 million as of both September 30, 2006 and December 31, 2005.

In June 2001, in order to partially finance our acquisition of CB Richard Ellis Services, Blum CB Corp. issued $229.0 million in aggregate principal amount of 11¼% senior subordinated notes due June 15, 2011 for approximately $225.6 million, net of discount. CB Richard Ellis Services assumed all obligations with respect to the 11¼% senior subordinated notes in connection with the merger of Blum CB Corp. with and into CB Richard Ellis Services on July 20, 2001. The 11¼% senior subordinated notes were unsecured senior subordinated obligations of CB Richard Ellis Services and were jointly and severally guaranteed on a senior subordinated basis by us and substantially all of our domestic subsidiaries. The 11¼% senior subordinated notes required semi-annual payments of interest in arrears on June 15 and December 15 and were 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. During the year ended December 31, 2004, we repurchased $21.6 million in aggregate principal amount of our 11¼% senior subordinated notes in the open market. We paid $3.1 million of premiums and wrote off $0.9 million of unamortized deferred financing costs and unamortized discount in connection with these open market purchases. During the year ended December 31, 2005, we repurchased an additional $42.7 million in aggregate principal amount of our 11¼% senior subordinated notes in the open market. We paid an aggregate of $5.9 million of premiums and wrote off $1.5 million of unamortized deferred financing costs and unamortized discount in connection with these open market purchases. As permitted by the indenture governing these notes, on June 15, 2006, we redeemed the remaining $164.7 million in aggregate principal amount of our outstanding 11¼% senior subordinated notes at 105.625% of par. In connection with this early redemption, we paid a $9.3 million premium and wrote off $4.8 million of unamortized deferred financing costs and unamortized discount. The amount of the 11¼% senior subordinated notes included in the accompanying consolidated balance sheets, net of unamortized discount, was $163.0 million as of December 31, 2005.

Our Credit Agreement and the indenture governing our 9¾% senior notes 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, create or permit liens on assets, engage in transactions with affiliates, enter into sale/leaseback transactions, issue subsidiary equity and enter into consolidations or mergers. Our Credit Agreement also currently requires us to maintain a minimum coverage ratio of interest and certain fixed charges and a maximum leverage and senior secured leverage ratio of EBITDA (as defined in the Credit Agreement) to funded debt.

From time to time, Moody s Investor Service and Standard & Poor s Ratings Service rate our 9¾% senior notes. On April 4, 2006, Moody s Investor Service upgraded its rating of our 9¾% senior notes from Ba3 to Ba1 and stated its rating outlook was stable. On May 1, 2006, Standard & Poor s Rating Service raised our credit rating from BB- to BB+ on our 9¾% senior notes and stated its ratings outlook was stable. On October 31, 2006, Moody s Investor Service affirmed our senior debt ratings with a stable outlook following the announcement of the Merger, while Standard & Poor s placed our credit ratings on Credit Watch with negative implications pending a full assessment of the Merger before determining a final ratings outcome. Neither the Moody s nor the Standard & Poor s ratings impact our ability to borrow under our Credit Agreement. However, these ratings 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, CBRE Melody, has credit agreements with Washington Mutual Bank, FA, or WaMu, and JP Morgan Chase Bank, N.A., or JP Morgan, for the purpose of funding mortgage

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Explanation of Responses:

loans that will be resold. The credit agreement with WaMu was previously with Residential Funding Corporation, or RFC. On December 1, 2004, we and RFC entered into a Fifth Amended and Restated Warehousing Credit and Security Agreement which provided for a warehouse line of credit of up to $250.0 million, bore interest at one-month LIBOR plus 1.0% and expired on September 1, 2005. This agreement provided for the ability to terminate the warehousing commitment as of any date on or after March 1, 2005, upon not less than thirty days advance written notice. On March 1, 2005, we and RFC signed a consent letter, which approved the assignment to and assumption of the Fifth Amended and Restated Credit and Security Agreement by WaMu. During the latter half of 2005 and continuing into 2006, we executed several amendments extending the warehouse line of credit with WaMu, the last of which extended the agreement until July 1, 2006.

Effective July 1, 2006, CBRE Melody entered into a $200.0 million multifamily mortgage loan repurchase agreement, or Repo Agreement, with WaMu. The Repo Agreement replaced the warehouse line of credit with WaMu, which expired on July 1, 2006. The Repo Agreement continues indefinitely unless or until thirty days written notice is delivered, prior to the termination date, by either CBRE Melody or WaMu. Under the Repo Agreement, CBRE Melody will originate multifamily loans and sell such loans to one or more investors, including Fannie Mae, Freddie Mac, Ginnie Mae or any of several private institutional investors. WaMu has agreed to purchase certain qualifying mortgage loans after such loans have been originated, but prior to sale to one of the aforementioned investors, on a servicing retained basis, subject to CBRE Melody s obligation to repurchase the mortgage loan.

On November 15, 2005, CBRE Melody entered into a secured credit agreement with JP Morgan to establish a warehouse line of credit. This agreement provides for a $250.0 million senior secured revolving line of credit, bears interest at the daily Chase London LIBOR rate plus 0.75% and expires on November 14, 2006. We expect that prior to November 14, 2006, CBRE Melody will be able to reach a satisfactory amendment to extend the term of the agreement with JP Morgan for one year.

During the nine months ended September 30, 2006, we had a maximum of $399.8 million of warehouse lines of credit principal outstanding. As of September 30, 2006 and December 31, 2005, we had $92.9 million and $256.0 million of warehouse lines of credit principal outstanding, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. Additionally, we had $92.9 million and $256.0 million of mortgage loans held for sale (warehouse receivables), which represented mortgage loans funded through the lines of credit that, while committed to be purchased, had not yet been purchased as of September 30, 2006 and December 31, 2005, respectively, and which are also included in the accompanying consolidated balance sheets.

On July 31, 2006, CBRE Melody entered into a $60.0 million revolving credit note with JP Morgan, for the purpose of purchasing qualified investment securities, which include but are not limited to U.S. Treasury and Agency securities. The proceeds of this note will not be made generally available to CBRE Melody, but will instead be deposited in an investment account maintained by JP Morgan and will be used and applied solely to purchase qualified investment securities. Borrowings under the revolving credit note will bear interest at 0.50%. All outstanding principal on this note and all accrued interest unpaid shall be finally due and payable on demand, or if no demand is made, then on or before July 31, 2007. As of September 30, 2006, there were no amounts outstanding under this revolving credit note.

In connection with our acquisition of Westmark Realty Advisors in 1995 (now known as CB Richard Ellis Investors), we issued approximately $20.0 million in aggregate principal amount of senior notes. 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. On January 1, 2005, the interest rate on all of the Westmark senior notes was adjusted to equal the interest rate in effect with respect to amounts outstanding under our previous credit agreement. On May 31, 2005, with the exception of one note holder, we entered into an amendment to eliminate a letter of credit requirement and adjust the interest rate to equal the interest rate

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in effect with respect to amounts outstanding under our previous credit agreement plus twelve basis points. This interest rate is now equal to the interest rate in effect with amounts outstanding under our Credit Agreement plus twelve basis points. The amount of the Westmark senior notes included in short-term borrowings in the accompanying consolidated balance sheets was $11.2 million and $11.6 million as of September 30, 2006 and December 31, 2005, respectively.

Insignia, which we acquired in July 2003, issued loan notes as partial consideration for previous acquisitions of businesses in the United Kingdom. The acquisition loan notes are payable to the sellers of the previously acquired U.K. businesses and are secured by restricted cash deposits in approximately the same amount. The acquisition loan notes are redeemable semi-annually at the discretion of the note holder and have a final maturity date of April 2010. As of September 30, 2006 and December 31, 2005, $3.2 million and $4.6 million, respectively, of the acquisition loan notes were outstanding and are included in short-term borrowings in the accompanying consolidated balance sheets.

In January 2006, we acquired an additional stake in our Japanese affiliate, IKOMA, which increased our total equity interest in IKOMA to 51%. As a result, we are now consolidating IKOMA s financial statements, which include debt. IKOMA utilizes short-term borrowings to assist in funding its working capital requirements. As of September 30, 2006, IKOMA had $6.8 million of debt outstanding, which is 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 HSBC Bank plus 2.5%. As of September 30, 2006, and December 31, 2005, there were no amounts outstanding under this facility.

Deferred Compensation Plan Obligations

We currently have two deferred compensation plans, one of which has been frozen and is no longer accepting deferrals, which we refer to as the Old DCP, and one of which became effective on August 1, 2004 and began accepting deferrals on August 13, 2004, which we refer to as the New DCP. Because a substantial majority of the deferrals under both the Old DCP and the New DCP have a distribution date based upon the end of the relevant participant s employment with us, we have an ongoing obligation to make distributions to these participants as they leave our employment. In addition, participants currently may receive unscheduled in-service withdrawals subject to a 7.5% penalty. As the level of employee departures or in-service distributions is not predictable, the timing of these obligations also is not predictable. Accordingly, we may face significant unexpected cash funding obligations in the future if a larger number of our employees take in-service distributions or leave our employment sooner than we expect. The deferred compensation liability in the accompanying consolidated balance sheets was $207.4 million and $188.9 million at September 30, 2006 and December 31, 2005, respectively.

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 was $44.8 million and $41.2 million at September 30, 2006 and December 31, 2005, respectively. We expect to contribute a total of $7.6 million to fund our pension plan for the year ending December 31, 2006, of which $5.8 million was funded as of September 30, 2006.

Other Obligations and Commitments

We had an outstanding letter of credit totaling $0.4 million as of September 30, 2006, excluding letters of credit related to our subsidiaries outstanding indebtedness and operating leases. The $0.4 million outstanding letter of credit is a Fannie Mae letter of credit executed by CBRE Melody and expires on December 10, 2006. However, we are required to renew this letter of credit until our obligation to cover our portion of certain potential credit losses is satisfied.

We had guarantees totaling $3.0 million as of September 30, 2006, which include various guarantees of management contracts in our operations overseas as well as a guarantee to Fannie Mae for $0.4 million. The guarantee obligation related to the agreement with Fannie Mae will expire in December 2007. The other guarantees will expire at the end of each of the respective management agreements.

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 September 30, 2006, we had committed $69.3 million to fund future co-investments, of which $14.4 million is expected to be funded during 2006. In addition to required future capital contributions, some of the co-investment entities may request additional capital from us and our subsidiaries holding investments in those assets and the failure to provide these contributions could have adverse consequences to our interests in these investments.

Seasonality

A significant portion of our revenue is seasonal, which can affect an investor s 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.

Derivatives and Hedging Activities

In the normal course of business, we sometimes utilize derivative financial instruments in the form of foreign currency exchange forward and option contracts to mitigate foreign currency exchange exposure resulting from inter-company loans, expected cash flow and earnings. We do not engage in any speculative activities with respect to foreign currency. On April 17, 2006, we entered into foreign currency exchange forward contracts with an aggregate notional amount of approximately $23.9 million, which expire on various dates through December 29, 2006. On April 19, 2006, we entered into two option agreements to purchase an aggregate notional amount of 44.0 million British pounds sterling and 46.0 million euros, both of which expire on December 27, 2006. On August 21, 2006, we entered into an option agreement to sell a notional amount of 44.0 million British pounds sterling to offset the option purchased on April 19, 2006 and entered into a foreign currency exchange forward contract with a notional amount of 44.0 million British pounds sterling, which expires on December 29, 2006. There was no significant net impact on our earnings resulting from gains and/or losses on foreign currency exchange forward and option contracts for the three and nine months ended September 30, 2006.

We also enter into loan commitments that relate to the origination or acquisition of commercial mortgage loans that will be held for resale. SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* requires that these commitments be recorded at their relative fair values as derivatives. The net impact on our financial position for the three and nine months ended September 30, 2006 resulting from these derivative contracts was not significant.

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New Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board, or FASB, issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments,* or SFAS No. 155. SFAS No. 155 amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133. It also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are free standing derivatives or that are hybrid financial instruments that contain embedded derivatives requiring bifurcation. The statement will be effective for all financial instruments acquired or issued during fiscal years beginning after September 15, 2006. We do not expect the adoption of SFAS No. 155 to have a material effect on our consolidated financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets,* or SFAS No. 156. SFAS No. 156 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* with respect to the accounting for separately recognized servicing assets and liabilities. The statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract. It also requires all separately recognized servicing assets and liabilities to be initially measured at fair value. It provides an entity with the choice of either amortizing servicing assets and liabilities in proportion to and over the period of estimated net servicing income or net servicing loss or to measure servicing assets and liabilities at fair value and report changes in fair value in current period earnings. The statement will be effective as of the beginning of the first fiscal year that begins after September 15, 2006. We do not expect the adoption of SFAS No. 156 to have a material effect on our consolidated financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, interest, penalties, accounting in interim periods, disclosure and classification of matters related to uncertainty in income taxes, and transitional requirements upon adoption of FIN 48. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of the adoption of FIN 48 on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements,* or SFAS No. 157, which enhances existing guidance for measuring assets and liabilities using fair value. SFAS No. 157 provides a single definition of fair value, a framework for measuring fair value and expanded disclosures concerning fair value. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. This pronouncement is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of the adoption of SFAS No. 157 on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R),* or SFAS No. 158. SFAS No. 158 requires an employer to recognize the funded status of each pension and other postretirement benefit plan as an asset or liability on their balance sheet with all unrecognized amounts to be recorded in other comprehensive income. As required, we will adopt the provisions of SFAS No. 158 related to the recognition of the funded status of our plans in our fiscal year ended December 31, 2006. SFAS No. 158 also ultimately requires an employer to measure the funded status of a plan as of the date of the employer s fiscal year-end statement of financial position. As required, we will adopt the provisions of SFAS No. 158 relative to the measurement date in our fiscal year ending December 31, 2008. We are currently evaluating the impact that the adoption of SFAS No. 158 will have on our consolidated financial position and results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,* or SAB No. 108. SAB No. 108 was issued to address the diversity in practice in quantifying misstatements from prior years and assessing their effect on current year financial statements. We do not anticipate any impact on the preparation of our year-end 2006 financial statements from adopting the guidance of SAB No. 108.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Exchange Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words anticipate, believe, could, should, propose, continue, estimate intend, may, plan, predict, project, will and similar terms and phrases are used in this Quarterly Report on Form 10-Q to identify forward-looking statements. 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, but are not only those, that may cause actual results to differ materially from the forward-looking statements:

- our ability to close the acquisition of Trammell Crow;
- integration issues arising out of the acquisition of Trammell Crow and other companies we may acquire;
- costs relating to the acquisition of Trammell Crow and other businesses we may acquire;
- changes in general economic and business conditions;
- the failure of properties managed by us to perform as anticipated;
- our ability to compete globally, or in specific geographic markets or business segments that are material to us;
- changes in social, political and economic conditions in the foreign countries in which we operate;
- foreign currency fluctuations;
- an economic downturn in the California commercial real estate market;
- significant variability in our results of operations among quarters;

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- our leverage and debt service obligations and ability to incur additional indebtedness, other than in connection with the financing transactions entered into in connection with our acquisition of Trammell Crow;

- our ability to generate a sufficient amount of cash to satisfy working capital requirements and 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 ability of our Global Investment Management segment to realize values in investment funds to offset incentive compensation expense related thereto;

- changes in the key components of revenue growth for large commercial real estate services companies, including consolidation of client accounts and increasing levels of institutional ownership of commercial real estate;

- reliance of companies on outsourcing for their commercial real estate needs;

- our ability to leverage our global services platform to maximize and sustain long-term cash flow;

- our ability to maximize cross-selling opportunities;

- trends in use of large, full-service real estate providers;

- diversification of our client base;

- improvements in operating efficiency;

- protection of our global brand;

- trends in pricing for commercial real estate services;

- the ability of CBRE Melody to periodically amend, or replace, on satisfactory terms the agreements for its indebtedness;

- the effect of implementation of new tax and accounting rules and standards; and

- the other factors described in our Annual Report on Form 10-K, included under the heading Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies, and Quantitative and Qualitative Disclosures About Market Risk.

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. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the

Securities and Exchange Commission.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in this section should be read in connection with the information on market risk related to changes in interest rates and non-U.S. currency exchange rates in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2005. 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.

During the nine months ended September 30, 2006, approximately 36.1% of our business was transacted in local currencies of foreign countries, the majority of which includes the Euro, the British pound sterling, the Canadian dollar, the Hong Kong dollar, the Japanese yen, 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 currencies only at levels necessary for operating purposes. In the normal course of business, we also sometimes utilize derivative financial instruments in the form of foreign currency exchange contracts to mitigate foreign currency exchange exposure resulting from inter-company loans, expected cash flow and earnings. We do not engage in any speculative activities with respect to foreign currency. On April 17, 2006, we entered into foreign currency exchange forward contracts with an aggregate notional amount of approximately $23.9 million, which expire on various dates through December 29, 2006. On April 19, 2006, we entered into two option agreements to purchase an aggregate notional amount of 44.0 million British pounds sterling and 46.0 million euros, both of which expire on December 27, 2006. On August 21, 2006, we entered into an option agreement to sell a notional amount of 44.0 million British pounds sterling to offset the option purchased on April 19, 2006 and we entered into a foreign currency exchange forward contract with a notional amount of 44.0 million British pounds sterling, which expires on December 29, 2006. There was no significant net impact on our earnings resulting from gains and/or losses on foreign currency exchange forward contracts and option contracts for the three and nine months ended September 30, 2006.

On June 15, 2006, we redeemed the remaining $164.7 million in aggregate principal amount of our outstanding 11¼% senior subordinated notes. In connection with this early redemption, we paid a premium of $9.3 million and wrote off $4.8 million of unamortized deferred financing costs and unamortized discount. Additionally, in June 2006, we entered into a new $600.0 million revolving credit facility, which fully replaced our former credit agreement on more favorable terms. In connection with the replacement of our prior credit facility, we wrote off $8.2 million of unamortized deferred financing fees. The redemption of the remaining outstanding balance of our 11¼% senior subordinated notes combined with the replacement of our prior credit agreement on more favorable terms will result in interest savings of approximately $12.5 million in 2006.

We utilize sensitivity analyses to assess the potential effect of our variable rate debt. If interest rates were to increase by 65 basis points, which would comprise approximately 10% of the weighted average interest rates of our outstanding variable rate debt at September 30, 2006, the net impact would be a decrease of $1.2 million on income before provision for income taxes and cash provided by operating activities for the nine months ended September 30, 2006.

Based on dealers quotes at September 30, 2006, the estimated fair value of our 9¾% senior notes was $138.8 million. Estimated fair values for the remaining long-term debt instruments are not presented because we believe that they are not materially different from book value, primarily because the substantial majority of this debt is based on variable rates that approximate terms that we believe could be obtained at September 30, 2006.

ITEM 4. CONTROLS AND PROCEDURES

We have formally adopted a policy for disclosure controls and procedures that provides guidance on the evaluation of disclosure controls and procedures and is designed to ensure that all corporate disclosure

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is complete and accurate in all material respects and that all information required to be disclosed in the periodic reports submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods and in the manner specified in the Securities and Exchange Commission s rules and forms. As of the end of the period covered by this report, we carried out our evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. A Public Disclosure Committee consisting of the Principal Accounting Officer, General Counsel, Chief Communications Officer, senior officers of each significant business line and other select employees assisted the Chief Executive Officer and the Chief Financial Officer in this evaluation. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the quarterly period covered by this report.

No changes in our internal control over financial reporting occurred during the fiscal quarter ended September 30, 2006 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 that may result from the disposition of these lawsuits will not have a material effect on our consolidated financial position or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors as previously disclosed in our Form 10-K for the annual period ending December 31, 2005.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Form of Restated Certificate of Incorporation of CB Richard Ellis Group, Inc. filed on June 15, 2004 (incorporated by reference to Exhibit 3.3 of the CB Richard Ellis Group Inc. Amendment No. 4 to Registration Statement on Form S-1 filed with the SEC (No. 333-112867) on June 7, 2004)
3.2	Form of Restated By-laws of CB Richard Ellis Group, Inc. (incorporated by reference to Exhibit 3.5 of the CB Richard Ellis Group Inc. Amendment No. 4 to Registration Statement on Form S-1 filed with the SEC (No. 333-112867) on June 7, 2004)
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 (incorporated by reference to Exhibit 4.2(b) of the CB Richard Ellis Group, Inc. Amendment No. 2 to Registration Statement on Form S-1 filed with the SEC (No. 333-112867) on April 30, 2004)
4.2(c)	Second Amendment and Waiver to Securityholders Agreement, dated as of November 24, 2004, by and among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and certain of the other parties to the Securityholders Agreement (incorporated by reference to Exhibit 4.2(c) of the CB Richard Ellis Group, Inc. Amendment No. 1 to Registration Statement on Form S-1 filed with the SEC (No. 333-120445) on November 24, 2004)
4.2(d)	Third Amendment and Waiver to Securityholders Agreement, dated as of August 1, 2005, by and among CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc. and the other parties thereto (incorporated by reference to Exhibit 4.1 of the CB Richard Ellis Group, Inc. Form 8-K filed with the SEC on August 2, 2005)
10.1(g)	Amendment No. 1, dated September 6, 2006, to the Amended and Restated 2004 Stock Incentive Plan of CB Richard Ellis Group, Inc. (incorporated by reference to Exhibit 10.1 of the CB Richard Ellis Group, Inc. Form 8-K filed with the SEC on September 12, 2006)
11	Statement concerning Computation of Per Share Earnings (filed as Note 11 of the Consolidated Financial Statements)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002*
32	Certifications by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002*

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* Filed herewith

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SIGNATURES

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

	CB RICHARD ELLIS GROUP, INC.
Date: November 9, 2006	/s/ KENNETH J. KAY
	Kenneth J. Kay
	Chief Financial Officer (principal financial officer)
Date: November 9, 2006	/s/ GIL BOROK
	Gil Borok
	Global Controller (principal accounting officer)

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