

CB RICHARD ELLIS GROUP INC
Form 10-Q
May 10, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

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

For the Transition Period from to

Commission File Number 001 - 32205

CB RICHARD ELLIS GROUP, INC.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

94-3391143
(I.R.S. Employer Identification Number)

incorporation or organization)

11150 Santa Monica Boulevard, Suite 1600

Los Angeles, California
(Address of principal executive offices)

90025
(Zip Code)

(310) 405-8900
(Registrant's telephone number, including area code)

(Former name, former address and
former fiscal year if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The number of shares of Class A common stock outstanding at April 30, 2010 was 321,774,914.

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FORM 10-Q

March 31, 2010

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Table of Contents**CB RICHARD ELLIS GROUP, INC.****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except share data)**

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 680,295	\$ 741,557
Restricted cash	37,919	46,797
Receivables, less allowance for doubtful accounts of \$42,163 and \$41,397 at March 31, 2010 and December 31, 2009, respectively	720,226	775,929
Warehouse receivables	94,643	315,033
Income taxes receivable	154,507	163,032
Prepaid expenses	93,565	99,309
Deferred tax assets, net	75,563	75,330
Real estate and other assets held for sale	6,209	7,109
Other current assets	34,277	42,629
Total Current Assets	1,897,204	2,266,725
Property and equipment, net	165,565	178,975
Goodwill	1,295,498	1,306,372
Other intangible assets, net of accumulated amortization of \$143,853 and \$138,244 at March 31, 2010 and December 31, 2009, respectively	322,736	322,904
Investments in unconsolidated subsidiaries	127,559	135,596
Deferred tax assets, net	408	3,395
Real estate under development	149,691	160,164
Real estate held for investment	770,897	526,169
Available for sale securities	32,629	32,016
Other assets, net	105,228	107,090
Total Assets	\$ 4,867,415	\$ 5,039,406
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 429,440	\$ 458,510
Compensation and employee benefits payable	256,244	240,536
Accrued bonus and profit sharing	186,618	278,444
Short-term borrowings:		
Warehouse lines of credit	94,040	312,872
Revolving credit facility	20,147	21,050
Other	13,329	5,850
Total short-term borrowings	127,516	339,772
Current maturities of long-term debt	60,172	138,682
Notes payable on real estate	188,523	159,921
Liabilities related to real estate and other assets held for sale	1,208	1,267
Other current liabilities	13,686	11,909
Total Current Liabilities	1,263,407	1,629,041
Long-Term Debt:		
Senior secured term loans	1,569,043	1,545,490
11.625% senior subordinated notes, net of unamortized discount of \$13,217 and \$13,498 at March 31, 2010 and December 31, 2009, respectively	436,783	436,502
Other long-term debt	128	129

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Total Long-Term Debt	2,005,954	1,982,121
Pension liability	61,028	64,945
Non-current tax liabilities	73,805	73,462
Notes payable on real estate	561,645	390,181
Other liabilities	112,101	115,361
Total Liabilities	4,077,940	4,255,111
Commitments and contingencies		
Equity:		
CB Richard Ellis Group, Inc. Stockholders' Equity:		
Class A common stock; \$0.01 par value; 525,000,000 shares authorized; 321,820,235 and 321,767,407 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	3,218	3,218
Additional paid-in capital	766,989	755,989
Accumulated deficit	(21,635)	(15,008)
Accumulated other comprehensive loss	(136,433)	(115,077)
Total CB Richard Ellis Group, Inc. Stockholders' Equity	612,139	629,122
Non-controlling interests	177,336	155,173
Total Equity	789,475	784,295
Total Liabilities and Equity	\$ 4,867,415	\$ 5,039,406

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

Table of Contents**CB RICHARD ELLIS GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollars in thousands, except share data)**

	Three Months Ended	
	March 31,	
	2010	2009
Revenue	\$ 1,025,883	\$ 890,449
Costs and expenses:		
Cost of services	615,194	553,419
Operating, administrative and other	338,706	306,159
Depreciation and amortization	26,295	25,392
Total costs and expenses	980,195	884,970
Operating income	45,688	5,479
Equity loss from unconsolidated subsidiaries	(6,584)	(10,197)
Interest income	1,800	2,305
Interest expense	49,792	34,798
Write-off of financing costs		29,255
Loss before provision for (benefit of) income taxes	(8,888)	(66,466)
Provision for (benefit of) income taxes	7,299	(12,047)
Net loss	(16,187)	(54,419)
Less: Net loss attributable to non-controlling interests	(9,560)	(17,730)
Net loss attributable to CB Richard Ellis Group, Inc.	\$ (6,627)	\$ (36,689)
Basic loss per share attributable to CB Richard Ellis Group, Inc. shareholders	\$ (0.02)	\$ (0.14)
Weighted average shares outstanding for basic loss per share	312,879,640	261,999,151
Diluted loss per share attributable to CB Richard Ellis Group, Inc. shareholders	\$ (0.02)	\$ (0.14)
Weighted average shares outstanding for diluted loss per share	312,879,640	261,999,151

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

Table of Contents**CB RICHARD ELLIS GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Dollars in thousands)**

	Three Months Ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (16,187)	\$ (54,419)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,295	25,392
Amortization and write-off of financing costs	2,817	31,670
Write-down of impaired real estate and other assets		9,425
Gain on sale of loans, servicing rights and other assets	(7,347)	(1,611)
Equity loss from unconsolidated subsidiaries	6,584	10,197
Provision for (recovery of) doubtful accounts	3,564	(5,520)
Compensation expense related to stock options and non-vested stock awards	10,787	8,121
Distribution of earnings from unconsolidated subsidiaries	4,483	2,017
Tenant concessions received	1,773	579
Decrease in receivables	43,598	120,588
Decrease in deferred compensation assets		213,006
Decrease in prepaid expenses and other assets	14,450	7,803
Increase in real estate held for sale and under development	(4,112)	(7,780)
Decrease in accounts payable and accrued expenses	(20,990)	(68,952)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(69,391)	(46,714)
Increase (decrease) in income taxes payable	11,816	(10,953)
Increase (decrease) in other liabilities, including deferred compensation liabilities	274	(243,354)
Other operating activities, net	(1,323)	(969)
Net cash provided by (used in) operating activities	7,091	(11,474)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,898)	(2,604)
Acquisition of businesses including net assets acquired, intangibles and goodwill	(3,765)	(8,715)
Contributions to unconsolidated subsidiaries	(6,326)	(10,527)
Proceeds from the sale of servicing rights and other assets	3,346	5,389
Additions to real estate held for investment	(4,229)	(4,814)
Decrease in restricted cash	8,088	1,993
Other investing activities, net	936	(13)
Net cash used in investing activities	(4,848)	(19,291)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of senior secured term loans	(54,816)	(105,500)
Proceeds from revolving credit facility	3,740	419,078
Repayment of revolving credit facility	(4,040)	
Proceeds from notes payable on real estate held for investment	3,940	4,983
Repayment of notes payable on real estate held for investment	(10,142)	(392)
Proceeds from notes payable on real estate held for sale and under development	1,798	15,726
Repayment of notes payable on real estate held for sale and under development	(637)	(15,430)
Proceeds from (repayment of) short-term borrowings and other loans, net	7,498	(981)
Non-controlling interests contributions	2,980	2,914
Non-controlling interests distributions	(555)	(5)
Payment of financing costs	(4,357)	(16,705)
Other financing activities, net	367	(659)

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Net cash (used in) provided by financing activities	(54,224)	303,029
Effect of currency exchange rate changes on cash and cash equivalents	(9,281)	(7,624)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(61,262)	264,640
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	741,557	158,823
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 680,295	\$ 423,463
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest	\$ 29,602	\$ 28,809
Income tax refunds, net	\$ (5,094)	\$ (1,789)

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

Table of Contents**CB RICHARD ELLIS GROUP, INC.****CONSOLIDATED STATEMENT OF EQUITY****(Unaudited)****(Dollars in thousands)**

	CB Richard Ellis Group, Inc. Shareholders					Non-controlling interests	Total
	Class A common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss			
Balance at December 31, 2009	\$ 3,218	\$ 755,989	\$ (15,008)	\$ (115,077)	\$ 155,173	\$ 784,295	
Net loss			(6,627)		(9,560)	(16,187)	
Adoption of Accounting Standards Update 2009-17 (see Note 2)					29,534	29,534	
Compensation expense for stock options and non-vested stock awards		10,787				10,787	
Foreign currency translation loss				(23,766)	(360)	(24,126)	
Unrealized gains on interest rate swaps and interest rate caps, net of tax				122		122	
Contributions from non-controlling interests					2,980	2,980	
Distributions to non-controlling interests					(555)	(555)	
Other		213		2,288	124	2,625	
Balance at March 31, 2010	\$ 3,218	\$ 766,989	\$ (21,635)	\$ (136,433)	\$ 177,336	\$ 789,475	

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

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements of CB Richard Ellis Group, Inc. (which may be referred to in these financial statements as we, us, and our) have been prepared in accordance with the rules applicable to Form 10-Q and include all information and footnotes required for interim financial statement presentation, but do not include all disclosures required under accounting principles generally accepted in the United States (GAAP) for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments, except as otherwise noted) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and reported amounts of revenue and expenses. Such estimates include the value of real estate assets, accounts receivable, investments in unconsolidated subsidiaries and assumptions used in the calculation of income taxes, retirement and other post-employment benefits, among others. These estimates and assumptions are based on management's best judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatility in equity prices and foreign currency exchange rates, among other things, have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

In 2008 and most of 2009, worldwide commercial real estate fundamentals weakened significantly, highlighted by declining employment, highly constrained consumer and business spending and significant capital markets turmoil. High unemployment rates negatively impacted office markets as companies reduced their occupancy, placed excess space on the market for sublease and deferred occupancy decisions. Weak industrial production and reduced global trade adversely affected warehouse and distribution markets. The retail sector was significantly hampered by declining sales and retailers experiencing financial difficulty. Sales transactions declined sharply due to constrained liquidity in the capital markets as many lenders tightened lending standards for commercial real estate. Capitalization rates increased as potential buyers of commercial real estate re-evaluated commercial real estate versus other asset classes available for investment. Market fundamentals for the primary property types which we service, develop or own, weakened significantly. A return to positive economic growth in the United States (U.S.) in the second half of 2009 did not have a meaningful impact on commercial real estate fundamentals. Property values remained under pressure and occupancy and rental rates continued to decline. In early 2010, however, continuation of the nascent economic recovery and improvement in the credit markets, led to a pick up in sales and leasing velocity. The recoverability of our investments in unconsolidated subsidiaries and our investments in real estate has been impacted by the overall downturn in the global economy. The assumptions utilized in our recoverability analysis of these investments reflected our outlook for the commercial real estate industry and the impact on our business. This outlook incorporated our belief that market conditions had deteriorated and that these challenging conditions could persist for some time. If conditions in the broader economy, commercial real estate industry, specific markets or property types in which we operate worsen, we could have additional impairment charges.

The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2010. The consolidated financial statements and notes to consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009, which contains the latest available audited consolidated financial statements and notes thereto, which are as of and for the year ended December 31, 2009.

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2. Consolidated Variable Interest Entities

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-17, *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. This ASU incorporates Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)*, issued by the FASB in June 2009. The amendments in this ASU replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact such entity's economic performance and (i) the obligation to absorb losses of such entity or (ii) the right to receive benefits from such entity. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest entities, which enhances the information provided to users of financial statements. We adopted ASU 2009-17 effective January 1, 2010 and as a result, we began consolidating certain variable interest entities that were not previously consolidated by us.

A consolidated subsidiary (the Venture) sponsored investments by third-party investors in eight commercial properties through the formation of tenant-in-common limited liability companies and Delaware Statutory Trusts (collectively referred to as the Entities) that are owned by the third-party investors. The Venture also formed and is a member of a limited liability company for each property that serves as master tenant (Master Tenant). Each Master Tenant leases the property from the Entities through a master lease agreement. Pursuant to the master lease agreements, the Master Tenant has the power to direct the day to day asset management activities that most significantly impact the economic performance of the Entities. As a result, the Entities were deemed to be variable interest entities since the third-party investors holding the equity investment at risk in the Entities do not direct the day to day activities that most significantly impact the economic performance of the properties held by the Entities.

The Venture has made and may continue to make voluntary contributions to each of these properties to support their operations beyond the cash flow generated by the properties themselves. As of the most recent reconsideration date, such financial support has been significant enough that the Venture was deemed to be the primary beneficiary of each entity. During the three months ended March 31, 2010, the Venture funded \$0.3 million of financial support to the Entities.

The Entities were initially consolidated by the Venture upon adoption of ASU 2009-17 on January 1, 2010. The Entities' assets and associated mortgage notes payable aggregated \$251.0 million and \$221.5 million, respectively, and were recorded based on their fair value at adoption. We did not recognize a gain or loss on the initial consolidation of these Entities. The assets of the Entities are the sole collateral for the mortgage notes payable and other liabilities of the Entities and as such, the creditors and equity investors of these Entities have no recourse to our assets held outside of these Entities.

For the three months ended March 31, 2010, aggregate revenue and operating expenses relating to the operating activities of the Entities were \$6.1 million, and \$3.8 million, respectively, and are included in the accompanying consolidated statements of operation. The aggregate losses of the Entities for the three months ended March 31, 2010 were \$2.5 million and were all attributable to non-controlling interests.

Investments in real estate of \$249.5 million and mortgage notes payable of \$221.8 million (\$3.5 million of which is current) are included in real estate assets held for investment and notes payable on real estate,

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

respectively, in the accompanying consolidated balance sheets as of March 31, 2010. In addition, non-controlling interests of \$27.7 million in the accompanying consolidated balance sheets as of March 31, 2010 are attributable to the Entities.

3. New Accounting Pronouncements

In December 2009, the FASB issued ASU 2009-16, *Transfers and Servicing (ASC Topic 860) Accounting for Transfers of Financial Assets*. ASU 2009-16 revises previous authoritative guidance related to accounting for transfers of financial assets, and requires more disclosures about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. Among other things, ASU 2009-16 eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets and enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity's continuing involvement in transferred financial assets. We adopted ASU 2009-16 effective January 1, 2010 and it did not have a material effect on our consolidated financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which provides amendments to the FASB ASC Subtopic 820-10 that require new disclosures regarding (i) transfers in and out of Level 1 and Level 2 fair value measurements and (ii) activity in Level 3 fair value measurements. ASU 2010-06 also clarifies existing disclosures regarding (i) the level of asset and liability disaggregation and (ii) fair value measurement inputs and valuation techniques. As required, we adopted the new disclosures and clarifications of existing disclosure requirements, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the disclosure impact of adoption on our consolidated financial statements, but do not expect it to have a material impact.

4. Fair Value Measurements

The *Fair Value Measurements and Disclosures* Topic of the FASB ASC (Topic 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. The fair value measurements employed for our impairment evaluations were generally based on a discounted cash flow approach and/or review of comparable activities in the market place. Inputs used in these evaluations included risk-free rates of return, estimated risk premiums as well as other economic variables.

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

The following non-recurring fair value measurements were recorded during the three months ended March 31, 2010 and 2009 (dollars in thousands):

	Net Carrying Value as of March 31, 2010	Fair Value Measured and Recorded Using			Total Impairment Charges for the Three Months Ended March 31, 2010
		Level 1	Level 2	Level 3	
Investments in unconsolidated subsidiaries	\$ 38,172	\$	\$	\$ 38,172	\$ 6,947

	Net Carrying Value as of March 31, 2009	Fair Value Measured and Recorded Using			Total Impairment Charges for the Three Months Ended March 31, 2009
		Level 1	Level 2	Level 3	
Investments in unconsolidated subsidiaries	\$ 40,255	\$	\$	\$ 40,255	\$ 7,054
Real estate held for investment	\$ 30,950	\$	\$	\$ 30,950	2,991
Notes receivable	\$	\$	\$	\$	6,434
Total impairment charges					\$ 16,479

Investments in Unconsolidated Subsidiaries

During the three months ended March 31, 2010 and 2009, we recorded investment write-downs of \$6.9 million and \$7.1 million, respectively, within our Global Investment Management segment. Such write-downs were included in equity loss from unconsolidated subsidiaries in the accompanying consolidated statements of operations. Of these amounts, \$2.5 million and \$1.9 million, respectively, were attributable to non-controlling interests. During the three months ended March 31, 2010, \$5.9 million of the investment write-downs were driven by a decrease in the estimated holding period of certain assets held within our Global Investment Management portfolio and \$1.0 million was driven by a decline in value of an investment attributable to continued capital market turmoil. During the three months ended March 31, 2009, the write-downs were attributable to declines in value of several investments, primarily as a result of significant capital market turmoil, which adversely affected global commercial real estate fundamentals (as evidenced by low transaction volumes and illiquidity in the capital markets due to the tightened lending standards for commercial real estate). When we performed our impairment analysis, the assumptions utilized reflected our outlook for the commercial real estate industry and the impact on our business. This outlook incorporated our belief that market conditions deteriorated and that these challenging conditions could persist for some time.

Real Estate

During the fourth quarter of 2008, commercial real estate fundamentals in the U.S. weakened significantly, impacted by the overall downturn in the economy and market illiquidity. These conditions continued in the first quarter of 2009. When we performed our quarterly real estate impairment analysis during the first quarter of 2009, we identified two projects where the carrying value was not recoverable primarily due to a decrease in the estimated holding periods of the projects. As a result, during the three months ended March 31, 2009, we recorded impairment charges of \$3.0 million to reduce the carrying value of the impaired real estate projects to their estimated fair values. These charges are included in operating, administrative and other expenses in the accompanying consolidated statements of operations within our Development Services

segment. Of this amount, \$2.6 million was attributable to non-controlling interests.

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

If conditions in the broader economy, commercial real estate industry, specific markets or product types in which we operate worsen and/or markets remain illiquid, we may be required to evaluate additional projects or re-evaluate previously impaired projects for potential impairment. These evaluations could result in additional impairment charges, which may be material.

Notes Receivable

In the first quarter of 2009, we recorded a \$6.4 million impairment charge on two notes receivable secured by real estate as a result of the borrower defaulting on the notes. This impairment charge was included in operating, administrative and other expenses in the accompanying consolidated statement of operations within our Development Services segment. Of this amount, \$6.0 million was attributable to non-controlling interests. These defaults resulted from the borrowers' noncompliance with certain terms of the note agreements. As a result, we accepted assignment of the underlying real estate assets in lieu of foreclosing under our security deeds. The impairment charge we recorded represents the difference between the carrying amounts of the notes and the fair value of the real estate assets acquired. This transaction also resulted in a non-cash reclassification of \$16.7 million from notes receivable to real estate held for investment during the three months ended March 31, 2009.

We do not have any material assets or liabilities that are required to be recorded at fair value on a recurring basis.

Topic 820 also requires disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheets, as follows:

Cash and Cash Equivalents and Restricted Cash: These balances include cash and cash equivalents as well as restricted cash with maturities of less than three months. The carrying amount approximates fair value due to the short-term maturities of these instruments.

Receivables, less Allowance for Doubtful Accounts: Due to their short-term nature, fair value approximates carrying value.

Warehouse Receivables: Due to their short-term nature, fair value approximates carrying value. Fair value is determined based on the terms and conditions of funded mortgage loans and generally reflects the values of the warehouse lines of credit outstanding for our wholly-owned subsidiary, CBRE Capital Markets.

Available for Sale Securities: These investments are carried at their fair value.

Short-Term Borrowings: The majority of this balance represents our revolving credit facility and our warehouse lines of credit outstanding for CBRE Capital Markets. Due to the short-term nature and variable interest rates of these instruments, fair value approximates carrying value.

Senior Secured Term Loans: Based upon information from third-party banks, the estimated fair value of our senior secured term loans was approximately \$1.6 billion at March 31, 2010. Their actual carrying value totaled \$1.6 billion at March 31, 2010 (See Note 9).

11.625% Senior Subordinated Notes: Based on dealers' quotes, the estimated fair value of our 11.625% senior subordinated notes was \$496.9 million at March 31, 2010. Their actual carrying value totaled \$436.8 million at March 31, 2010.

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

Notes Payable on Real Estate: As of March 31, 2010, the carrying value of our notes payable on real estate was \$751.3 million (See Note 8). These borrowings mostly have floating interest rates at spreads over a market rate index. Given the credit crunch experienced during 2008 and continuing through the first quarter of 2010, it is likely that some portion of our notes payable on real estate have fair values lower than actual carrying values. However, given the volume of notes payable we have and the cost involved in estimating their fair value, we determined it was not practicable to do so. Additionally, only \$3.5 million of these notes payable are recourse to us as of March 31, 2010.

5. Investments in Unconsolidated Subsidiaries

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

	Three Months Ended	
	March 31,	
	2010	2009
Development Services:		
Revenue	\$ 20,936	\$ 14,405
Operating (loss) income	\$ (2,670)	\$ 1,564
Net loss	\$ (11,572)	\$ (2,200)
Global Investment Management:		
Revenue	\$ 166,234	\$ 143,709
Operating loss	\$ (262,999)	\$ (317,701)
Net loss	\$ (334,826)	\$ (359,718)
Other:		
Revenue	\$ 29,146	\$ 33,135
Operating income	\$ 2,746	\$ 3,532
Net income	\$ 2,858	\$ 3,624
Total:		
Revenue	\$ 216,316	\$ 191,249
Operating loss	\$ (262,923)	\$ (312,605)
Net loss	\$ (343,540)	\$ (358,294)

During the three months ended March 31, 2010 and 2009, we recorded write-downs of investments of \$6.9 million and \$7.1 million, respectively, within our Global Investment Management segment (See Note 4).

Our Global Investment Management segment involves investing our own capital in certain real estate investments with clients. We have provided investment management, property management, brokerage and other professional services in connection with these real estate investments on an arm's length basis and earned revenues from these unconsolidated subsidiaries. We have also provided development, property management and brokerage services to certain of our unconsolidated subsidiaries in our Development Services segment on an arm's length basis and earned revenues from these unconsolidated subsidiaries.

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****6. Real Estate and Other Assets Held for Sale and Related Liabilities**

Real estate and other assets held for sale include completed real estate projects or land for sale in their present condition that have met all of the held for sale criteria of the *Property, Plant and Equipment* Topic of the FASB ASC (Topic 360) and other assets directly related to such projects. Liabilities related to real estate and other assets held for sale have been included as a single line item in the accompanying consolidated balance sheets.

Real estate and other assets held for sale and related liabilities were as follows (dollars in thousands):

	March 31, 2010	December 31, 2009
Assets:		
Real estate held for sale (see Note 7)	\$ 6,204	\$ 7,101
Other current assets	5	8
Total real estate and other assets held for sale	6,209	7,109
Liabilities:		
Notes payable on real estate held for sale (see Note 8)	1,175	1,175
Accounts payable and accrued expenses	33	92
Total liabilities related to real estate and other assets held for sale	1,208	1,267
Net real estate and other assets held for sale	\$ 5,001	\$ 5,842

7. Real Estate

We provide build-to-suit services for our clients and also develop or purchase certain projects which we intend to sell to institutional investors upon project completion or redevelopment. Therefore, we have ownership of real estate until such projects are sold or otherwise disposed. Certain real estate assets owned by us secure the outstanding balances of underlying mortgage or construction loans. The majority of our real estate is included in our Development Services segment. Real estate owned by us consisted of the following (dollars in thousands):

	March 31, 2010	December 31, 2009
Real estate included in assets held for sale (see Note 6)	\$ 6,204	\$ 7,101
Real estate under development (non-current)	149,691	160,164
Real estate held for investment (1)	770,897	526,169
Total real estate (2)	\$ 926,792	\$ 693,434

- (1) Net of accumulated depreciation of \$30.4 million and \$26.7 million at March 31, 2010 and December 31, 2009, respectively.
(2) Includes balances for lease intangibles and tenant origination costs of \$20.2 million and \$5.2 million, respectively, at March 31, 2010 and \$20.4 million and \$5.9 million, respectively, at December 31, 2009. We record lease intangibles and tenant origination costs upon

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acquiring real estate projects with in-place leases. The balances are shown net of amortization, which is recorded as an increase to, or a reduction of, rental income for lease intangibles and as amortization expense for tenant origination costs.

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

In the first quarter of 2010, one of our consolidated real estate projects was sold to an affiliate of the project's lender at a foreclosure auction. The related real estate note payable was nonrecourse to us. As a result of this transaction, we recorded the following non-cash activity (dollars in thousands):

	Debit (Credit)
Assets:	
Real estate held for investment	\$ (16,221)
Restricted cash	(279)
Other current assets	(524)
Total assets	(17,024)
Liabilities:	
Notes payable on real estate, current	16,520
Accounts payable and accrued expenses	504
Total liabilities	\$ 17,024

During the three months ended March 31, 2009, we recorded impairment charges of \$3.0 million on our real estate held for investment within our Development Services segment (See Note 4).

8. Notes Payable on Real Estate

We had loans secured by real estate, which consisted of the following (dollars in thousands):

	March 31, 2010	December 31, 2009
Current portion of notes payable on real estate	\$ 188,523	\$ 159,921
Notes payable on real estate included in liabilities related to real estate and other assets held for sale (see Note 6)	1,175	1,175
Total notes payable on real estate, current portion	189,698	161,096
Notes payable on real estate, non-current portion	561,645	390,181
Total notes payable on real estate	\$ 751,343	\$ 551,277

At March 31, 2010 and December 31, 2009, \$3.5 million of the non-current portion of notes payable on real estate were recourse to us, beyond being recourse to the single-purpose entity that held the real estate asset and was the primary obligor on the note payable.

9. Debt

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Since 2001, we have maintained a credit agreement with Credit Suisse Group AG (CS) and other lenders to fund strategic acquisitions and to provide for our working capital needs. On March 24, 2009, we entered into a second amendment and restatement to our credit agreement (the Credit Agreement) with a syndicate of banks led by CS, as administrative and collateral agent, amending and restating our amended and restated credit agreement dated December 20, 2006. In connection with this amendment and restatement, we wrote off financing costs of \$29.3 million during the three months ended March 31, 2009, which included the write-off of \$18.1 million of

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

unamortized deferred financing costs and \$11.2 million of Credit Agreement amendment fees paid in March 2009. On August 24, 2009, we entered into a loan modification agreement to our Credit Agreement, which included the conversion of \$41.9 million of amounts outstanding under our revolving credit facility to term loans. On both February 5, 2010 and March 29, 2010, we entered into additional loan modification agreements to our Credit Agreement to further extend debt maturities and amortization schedules.

Subsequent to the March 29, 2010 loan modification, our Credit Agreement includes the following: (1) a \$558.1 million revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, with tranche 1 in the amount of \$225.1 million maturing on June 24, 2011 and tranche 2 in the amount of \$333.0 million maturing on June 24, 2013; (2) a \$579.8 million A term loan facility, which is further broken down as follows: i) a \$135.9 million tranche A term loan facility requiring quarterly principal payments beginning December 31, 2010 through September 30, 2011, with the balance payable on December 20, 2011; ii) a \$48.6 million tranche A-1 term loan facility payable on December 20, 2013; iii) a \$203.2 million tranche A-2 term loan facility, requiring quarterly principal payments of \$8.7 million beginning September 30, 2012 and continuing through March 31, 2013, with the balance payable on June 24, 2013; iv) a \$167.5 million tranche A-3 term loan facility payable on December 20, 2013; v) a \$24.1 million tranche A-3A term loan facility, requiring quarterly principal payments of \$0.06 million beginning June 30, 2010 and continuing through September 30, 2013, with the balance payable on December 20, 2013; and vi) a \$0.5 million tranche A-4 term loan facility payable on December 20, 2011, and (3) a \$1,053.0 million B term loan facility, which is further broken down as follows: i) a \$642.8 million tranche B term loan facility requiring quarterly principal payments of \$1.9 million through September 30, 2013, with the balance payable on December 20, 2013; ii) a \$295.2 million tranche B-1 term loan facility payable on December 20, 2015; and iii) a \$115.0 million tranche B-1A term loan facility payable on December 20, 2015. During the three months ended March 31, 2010, we repaid the following amounts: \$50.7 million of our tranche A term loan facility, which was applied to the required 2010 principal repayments; \$1.2 million of our tranche A-1 term loan facility, which was applied against the balance due at maturity; \$0.5 million of our tranche A-4 term loan facility, which repaid the entire outstanding balance; \$1.9 million of our tranche B term loan facility, which covered the required quarterly principal payments due March 31, 2010; and \$0.5 million of our tranche B-1 term loan facility, which covered a portion of the balance due at maturity. Some of these prepayments led to a reduction in the interest rate spreads governing our tranche A and A-1 term loan facilities as well as our revolving credit facility.

The revolving credit facility allows for borrowings outside of the U.S., with sub-facilities of \$5.0 million available to one of our Canadian subsidiaries, \$35.0 million in aggregate available to one of our Australian and one of our New Zealand subsidiaries and \$50.0 million available to one of our United Kingdom (U.K.) subsidiaries. Additionally, outstanding borrowings under these sub-facilities may be up to 5.0% higher as allowed under the currency fluctuation provision in the Credit Agreement. Borrowings under the revolving credit facility as of March 31, 2010 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 2.25% to 4.00% or the daily rate plus 1.25% to 3.00% for the tranche 1 facility, and on either the applicable fixed rate plus 2.50% to 4.75% or the daily rate plus 1.50% to 3.75% for the tranche 2 facility, in all cases as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of March 31, 2010 and December 31, 2009, we had \$20.1 million (\$12.3 million under tranche 1 and \$7.8 million under tranche 2) and \$21.1 million (\$13.1 million under tranche 1 and \$8.0 million under tranche 2), respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 4.6% and 5.3%, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. As of March 31, 2010, letters of credit totaling \$29.1 million were outstanding under the revolving credit facility. These letters of credit were primarily issued in the normal course of business as well as in connection with certain insurance programs and reduce the amount we may borrow under the revolving credit facility.

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Borrowings under the term loan facilities as of March 31, 2010 bear interest, based on our option, on the following: for the tranche A term loan facility, on either the applicable fixed rate plus 2.75% to 4.50% or the daily rate plus 1.75% to 3.50%; for the tranche A-1 term loan facility, on either the applicable fixed rate plus 3.50% to 4.50% or the daily rate plus 2.50% to 3.50%; for the tranche A-2 term loan facility, on either the applicable fixed rate plus 3.25% to 5.50% or the daily rate plus 2.25% to 4.50%; for the tranche A-3 and A-3A term loan facilities, on either the applicable fixed rate plus 4.00% to 5.00% or the daily rate plus 3.00% to 4.00%; for the tranche B term loan facility, on either the applicable fixed rate plus 4.00% to 5.00% or the daily rate plus 3.00% to 4.00%; and for the tranche B-1 and B-1A term loan facilities, on either the applicable fixed rate plus 4.50% to 5.50% or the daily rate plus 3.50% to 4.50%. For all term loan facilities, both the fixed rate and daily rate options are determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). The tranche A-1, A-2, A-3, B-1 and B-1A term loan facilities include a targeted outstanding amount (as defined in the Credit Agreement) provision that will increase the interest rate by 2% if the outstanding balance exceeds the targeted outstanding amount at the end of each quarter. As of March 31, 2010 and December 31, 2009, the outstanding balance did not exceed the targeted outstanding amount. As of March 31, 2010 and December 31, 2009, we had \$135.9 million and \$326.3 million of tranche A term loan facility principal outstanding, respectively, \$47.4 million and \$48.6 million of tranche A-1 term loan facility principal outstanding, respectively, \$203.2 million of tranche A-2 term loan facility principal outstanding, \$167.5 million of tranche A-3 term loan facility principal outstanding, \$640.9 million and \$642.8 million of tranche B term loan facility principal outstanding, respectively, and \$294.7 million and \$295.2 million of tranche B-1 term loan facility principal outstanding, respectively, which are included in the accompanying consolidated balance sheets. As of March 31, 2010, we also had \$24.1 million of tranche A-3A term loan facility principal outstanding and \$115.0 million of tranche B-1A term loan facility principal outstanding, which are also included in the accompanying consolidated balance sheets.

The Credit Agreement is jointly and severally guaranteed by us and substantially all of our domestic subsidiaries. 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, and by a security interest in substantially all of the personal property of the U.S. subsidiaries. Also, the Credit Agreement requires us to pay a fee based on the total amount of the revolving credit facility commitment.

Our Credit Agreement and the indenture governing our 11.625% senior subordinated 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 EBITDA (as defined in the Credit Agreement) to total interest expense of 2.00x through March 31, 2011 and 2.25x thereafter and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 4.25x through March 31, 2011 and 3.75x thereafter.

10. Commitments and Contingencies

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

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

We had outstanding letters of credit totaling \$38.6 million as of March 31, 2010, excluding letters of credit for which we have outstanding liabilities already accrued on our consolidated balance sheet related to our subsidiaries' outstanding reserves for claims under certain insurance programs. These letters of credit are primarily executed by us in the normal course of business as well as in connection with certain insurance programs. The letters of credit expire at varying dates through January 2011.

We had guarantees totaling \$14.3 million as of March 31, 2010, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet as well as operating leases. The \$14.3 million primarily consists of guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through March 2014.

In addition, as of March 31, 2010, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the normal course of our Development Services business. Each of these guarantees requires us to complete construction of the relevant project within a specified timeframe and/or within a specified budget, with us potentially being liable for costs to complete in excess of such timeframe or budget. However, we generally have guaranteed maximum price contracts with reputable general contractors with respect to projects for which we provide these guarantees. These contracts are intended to pass the risk to such contractors. While there can be no assurance, we do not expect to incur any material losses under these guarantees.

From time to time, we act as a general contractor with respect to construction projects. We do not consider these activities to be a material part of our business. In connection with these activities, we seek to subcontract construction work for certain projects to reputable subcontractors. Should construction defects arise relating to the underlying projects, we could potentially be liable to the client for the costs to repair such defects, although we would generally look to the subcontractor that performed the work to remedy the defect and also look to insurance policies that cover this work. While there can be no assurance, we do not expect to incur material losses with respect to construction defects.

In January 2008, CBRE Capital Markets entered into an agreement with Fannie Mae, under Fannie Mae's Delegated Underwriting and Servicing (DUS) Lender Program, to provide financing for apartments with five or more units. Under the DUS Program, CBRE Capital Markets originates, underwrites, closes and services loans without prior approval by Fannie Mae, and in selected cases, is subject to sharing up to one-third of any losses on loans issued under the DUS program. CBRE Capital Markets has funded loans subject to such loss sharing arrangements with unpaid principal balances of \$1.3 billion at March 31, 2010. Additionally, CBRE Capital Markets has funded loans under the DUS program that are not subject to loss sharing arrangements with unpaid principal balances of approximately \$435.3 million at March 31, 2010. CBRE Capital Markets, under its agreement with Fannie Mae, must post cash reserves under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of March 31, 2010 and December 31, 2009, CBRE Capital Markets had \$1.2 million of cash deposited under this reserve arrangement, and had provided approximately \$2.3 million and \$2.0 million, respectively, of loan loss accruals.

An important part of the strategy for our Global 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 March 31, 2010, we had aggregate commitments of \$30.0 million to fund future co-investments.

Additionally, an important part of our Development Services business strategy is to invest in unconsolidated real estate subsidiaries as a principal (in most cases co-investing with our clients). As of March 31, 2010, we had committed to fund \$27.6 million of additional capital to these unconsolidated subsidiaries.

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****11. Loss Per Share**

Basic loss per share attributable to CB Richard Ellis Group, Inc. is computed by dividing net loss attributable to CB Richard Ellis Group, Inc. shareholders by the weighted average number of common shares outstanding during each period. The computation of diluted loss per share attributable to CB Richard Ellis Group, Inc. generally further assumes the dilutive effect of potential common shares, which include stock options and certain contingently issuable shares. Contingently issuable shares consist of non-vested stock awards. For the three months ended March 31, 2010 and 2009, all stock options and contingently issuable shares were anti-dilutive, since we reported a net loss for these periods. As a result, basic and diluted loss per share was equivalent for these periods. The following is a calculation of loss per share attributable to CB Richard Ellis Group, Inc. (dollars in thousands, except share data):

	Three Months Ended March 31,	
	2010	2009
Computation of basic and diluted loss per share attributable to CB Richard Ellis Group, Inc. shareholders:		
Net loss attributable to CB Richard Ellis Group, Inc.	\$ (6,627)	\$ (36,689)
Weighted average shares outstanding for basic and diluted loss per share	312,879,640	261,999,151
Basic and diluted loss per share attributable to CB Richard Ellis Group, Inc. shareholders	\$ (0.02)	\$ (0.14)

Had we reported net income for the three months ended March 31, 2010 and 2009, options to purchase 4,497,203 and 4,807,380, respectively, shares of common stock would have been included in the computation of diluted earnings per share, while options to purchase 2,984,430 and 7,366,454, respectively, shares of common stock would have been excluded from the computation of diluted earnings per share as their inclusion would have had an anti-dilutive effect. Additionally, had we reported net income for the three months ended March 31, 2010 and 2009, 9,789,081 and 119,934, respectively, of contingently issuable shares would have been included in the computation of diluted earnings per share, while 947,439 and 4,535,161, respectively, of contingently issuable shares would have been excluded from the computation of diluted earnings per share as their inclusion would have had an anti-dilutive effect.

12. Comprehensive Loss

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

	Three Months Ended March 31,	
	2010	2009
Net loss	\$ (16,187)	\$ (54,419)
Other comprehensive loss:		
Foreign currency translation loss	(24,126)	(28,211)
Unrealized gains on interest rate swaps and interest rate caps, net	122	4,606
Other, net	2,288	360
Total other comprehensive loss	(21,716)	(23,245)

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Comprehensive loss	(37,903)	(77,664)
Comprehensive loss attributable to non-controlling interests	(9,920)	(19,552)
Comprehensive loss attributable to CB Richard Ellis Group, Inc.	\$ (27,983)	\$ (58,112)

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****13. Pensions**

We have two contributory defined benefit pension plans in the U.K., which we acquired in connection with previous acquisitions. Our subsidiaries based in the U.K. maintain the plans to provide retirement benefits to existing and former employees participating in these plans. During 2007, we reached agreements with the active members of these plans to freeze future pension plan benefits. In return, the active members became eligible to enroll in the CBRE Group Personal Pension Plan, a defined contribution plan in the U.K.

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

	Three Months Ended	
	March 31,	
	2010	2009
Interest cost	\$ 4,063	\$ 3,298
Expected return on plan assets	(3,771)	(2,863)
Amortization of unrecognized net loss	555	240
Net periodic pension cost	\$ 847	\$ 675

We contributed \$0.8 million to fund our pension plans during the three months ended March 31, 2010. We expect to contribute a total of \$3.6 million to fund our pension plans for the year ending December 31, 2010.

14. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

- (1) Condensed consolidating balance sheets as of March 31, 2010 and December 31, 2009; condensed consolidating statements of operations for the three months ended March 31, 2010 and 2009; and condensed consolidating statements of cash flows for the three months ended March 31, 2010 and 2009, of (a) CB Richard Ellis Group, Inc., as the parent, (b) CB Richard Ellis Services, Inc. (CBRE), as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CB Richard Ellis Group, Inc. on a consolidated basis; and
- (2) Elimination entries necessary to consolidate CB Richard Ellis Group, Inc., as the parent, with CBRE and its guarantor and nonguarantor subsidiaries.

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

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING BALANCE SHEET****AS OF MARCH 31, 2010****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	\$ 4	\$ 229,835	\$ 283,882	\$ 166,574	\$	\$ 680,295
Restricted cash			10,328	27,591		37,919
Receivables, net			298,641	421,585		720,226
Warehouse receivables (a)			94,643			94,643
Income taxes receivable	15,691	131,617		25,418	(18,219)	154,507
Prepaid expenses			40,876	52,689		93,565
Deferred tax assets, net			54,437	21,126		75,563
Real estate and other assets held for sale				6,209		6,209
Other current assets			22,949	11,328		34,277
Total Current Assets	15,695	361,452	805,756	732,520	(18,219)	1,897,204
Property and equipment, net			98,659	66,906		165,565
Goodwill			798,778	496,720		1,295,498
Other intangible assets, net			293,931	28,805		322,736
Investments in unconsolidated subsidiaries			66,457	61,102		127,559
Investments in consolidated subsidiaries	794,472	2,624,632	895,692		(4,314,796)	
Intercompany loan receivable			635,000	102,858	(737,858)	
Deferred tax assets, net				31,850	(31,442)	408
Real estate under development				149,691		149,691
Real estate held for investment			4,680	766,217		770,897
Available for sale securities			32,411	218		32,629
Other assets, net		27,723	37,283	40,222		105,228
Total Assets	\$ 810,167	\$ 3,013,807	\$ 3,668,647	\$ 2,477,109	\$ (5,102,315)	\$ 4,867,415
Current Liabilities:						
Accounts payable and accrued expenses	\$	\$ 18,302	\$ 112,493	\$ 298,645	\$	\$ 429,440
Compensation and employee benefits payable		626	140,959	114,659		256,244
Accrued bonus and profit sharing			68,499	118,119		186,618
Income taxes payable			18,219		(18,219)	
Short-term borrowings:						
Warehouse lines of credit (a)			94,040			94,040
Revolving credit facility		9,868		10,279		20,147
Other			329	13,000		13,329
Total short-term borrowings		9,868	94,369	23,279		127,516
Current maturities of long-term debt		59,751	230	191		60,172
Notes payable on real estate				188,523		188,523
Liabilities related to real estate and other assets held for sale				1,208		1,208
Other current liabilities	1,190		9,698	2,798		13,686

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Total Current Liabilities	1,190	88,547	444,467	747,422	(18,219)	1,263,407
Long-Term Debt:						
Senior secured term loans		1,569,043				1,569,043
11.625% senior subordinated notes, net		436,783				436,783
Other long-term debt				128		128
Intercompany loan payable	196,838	124,962	416,058		(737,858)	
Total Long-Term Debt	196,838	2,130,788	416,058	128	(737,858)	2,005,954
Deferred tax liabilities, net			31,442		(31,442)	
Pension liability				61,028		61,028
Non-current tax liabilities			73,805			73,805
Notes payable on real estate				561,645		561,645
Other liabilities			78,243	33,858		112,101
Total Liabilities	198,028	2,219,335	1,044,015	1,404,081	(787,519)	4,077,940
Commitments and contingencies						
Equity:						
CB Richard Ellis Group, Inc. Stockholders' Equity	612,139	794,472	2,624,632	895,692	(4,314,796)	612,139
Non-controlling interests				177,336		177,336
Total Equity	612,139	794,472	2,624,632	1,073,028	(4,314,796)	789,475
Total Liabilities and Equity	\$ 810,167	\$ 3,013,807	\$ 3,668,647	\$ 2,477,109	\$ (5,102,315)	\$ 4,867,415

- (a) Although CBRE Capital Markets is included among our domestic subsidiaries, which jointly and severally guarantee our 11.625% senior subordinated notes and our Credit Agreement, a substantial majority of warehouse receivables funded under the JP Morgan Chase Bank, N.A. (JP Morgan), the Fannie Mae As Soon As Pooled (ASAP) and Bank of America (BoFA) lines of credit are pledged to JP Morgan, Fannie Mae and BoFA, and accordingly, are not included as collateral for these notes or our other outstanding debt.

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING BALANCE SHEET****AS OF DECEMBER 31, 2009****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	\$ 4	\$ 242,586	\$ 283,251	\$ 215,716	\$	\$ 741,557
Restricted cash			13,786	33,011		46,797
Receivables, net		2	297,717	478,210		775,929
Warehouse receivables(a)			315,033			315,033
Income taxes receivable	14,062	171,549		23,046	(45,625)	163,032
Prepaid expenses			44,148	55,161		99,309
Deferred tax assets, net			54,183	21,147		75,330
Real estate and other assets held for sale				7,109		7,109
Available for sale securities			865			865
Other current assets		4,660	25,371	11,733		41,764
Total Current Assets	14,066	418,797	1,034,354	845,133	(45,625)	2,266,725
Property and equipment, net			106,488	72,487		178,975
Goodwill			797,142	509,230		1,306,372
Other intangible assets, net			293,886	29,018		322,904
Investments in unconsolidated subsidiaries			68,144	67,452		135,596
Investments in consolidated subsidiaries	811,588	2,535,355	903,699		(4,250,642)	
Intercompany loan receivable			635,000	47,271	(682,271)	
Deferred tax assets, net				34,162	(30,767)	3,395
Real estate under development				160,164		160,164
Real estate held for investment			4,680	521,489		526,169
Available for sale securities			31,796	220		32,016
Other assets, net		25,914	40,671	40,505		107,090
Total Assets	\$ 825,654	\$ 2,980,066	\$ 3,915,860	\$ 2,327,131	\$ (5,009,305)	\$ 5,039,406
Current Liabilities:						
Accounts payable and accrued expenses	\$	\$ 5,905	\$ 126,319	\$ 326,286	\$	\$ 458,510
Compensation and employee benefits payable		626	118,310	121,600		240,536
Accrued bonus and profit sharing			128,133	150,311		278,444
Income taxes payable			45,625		(45,625)	
Short-term borrowings:						
Warehouse lines of credit(a)			312,872			312,872
Revolving credit facility		10,501		10,549		21,050
Other			350	5,500		5,850
Total short-term borrowings		10,501	313,222	16,049		339,772
Current maturities of long-term debt		138,120	232	330		138,682
Notes payable on real estate				159,921		159,921
Liabilities related to real estate and other assets held for sale				1,267		1,267
Other current liabilities	1,190		8,946	1,773		11,909

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Total Current Liabilities	1,190	155,152	740,787	777,537	(45,625)	1,629,041
Long-Term Debt:						
Senior secured term loans		1,545,490				1,545,490
11.625% senior subordinated notes, net		436,502				436,502
Other long-term debt				129		129
Intercompany loan payable	195,342	31,334	455,595		(682,271)	
Total Long-Term Debt	195,342	2,013,326	455,595	129	(682,271)	1,982,121
Deferred tax liabilities, net			30,767		(30,767)	
Pension liability				64,945		64,945
Non-current tax liabilities			73,462			73,462
Notes payable on real estate				390,181		390,181
Other liabilities			79,894	35,467		115,361
Total Liabilities	196,532	2,168,478	1,380,505	1,268,259	(758,663)	4,255,111
Commitments and contingencies						
Equity:						
CB Richard Ellis Group, Inc. Stockholders Equity	629,122	811,588	2,535,355	903,699	(4,250,642)	629,122
Non-controlling interests				155,173		155,173
Total Equity	629,122	811,588	2,535,355	1,058,872	(4,250,642)	784,295
Total Liabilities and Equity	\$ 825,654	\$ 2,980,066	\$ 3,915,860	\$ 2,327,131	\$ (5,009,305)	\$ 5,039,406

- (a) Although CBRE Capital Markets is included among our domestic subsidiaries, which jointly and severally guarantee our 11.625% senior subordinated notes and our Credit Agreement, a substantial majority of warehouse receivables funded under the JP Morgan, BofA and the Fannie Mae ASAP lines of credit are pledged to JP Morgan, BofA and Fannie Mae, and accordingly, are not included as collateral for these notes or our other outstanding debt.

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2010****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 602,434	\$ 423,449	\$	\$ 1,025,883
Costs and expenses:						
Cost of services			367,146	248,048		615,194
Operating, administrative and other	10,376	363	175,192	152,775		338,706
Depreciation and amortization			14,217	12,078		26,295
Total costs and expenses	10,376	363	556,555	412,901		980,195
Operating (loss) income	(10,376)	(363)	45,879	10,548		45,688
Equity loss from unconsolidated subsidiaries			(3,591)	(2,993)		(6,584)
Interest income		58	860	1,072	(190)	1,800
Interest expense		40,136	122	9,724	(190)	49,792
Royalty and management service (income) expense			(5,001)	5,001		
(Loss) income from consolidated subsidiaries	(372)	24,006	(6,112)		(17,522)	
(Loss) income before (benefit of) provision for income taxes	(10,748)	(16,435)	41,915	(6,098)	(17,522)	(8,888)
(Benefit of) provision for income taxes	(4,121)	(16,063)	17,909	9,574		7,299
Net (loss) income	(6,627)	(372)	24,006	(15,672)	(17,522)	(16,187)
Less: Net loss attributable to non-controlling interests				(9,560)		(9,560)
Net (loss) income attributable to CB Richard Ellis Group, Inc.	\$ (6,627)	\$ (372)	\$ 24,006	\$ (6,112)	\$ (17,522)	\$ (6,627)

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2009****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 558,400	\$ 332,049	\$	\$ 890,449
Costs and expenses:						
Cost of services			352,090	201,329		553,419
Operating, administrative and other	7,473	4,425	160,435	133,826		306,159
Depreciation and amortization			13,833	11,559		25,392
Total costs and expenses	7,473	4,425	526,358	346,714		884,970
Operating (loss) income	(7,473)	(4,425)	32,042	(14,665)		5,479
Equity loss from unconsolidated subsidiaries			(4,032)	(6,165)		(10,197)
Interest income		26	874	1,451	(46)	2,305
Interest expense		27,471	134	7,239	(46)	34,798
Write-off of financing costs		29,255				29,255
Royalty and management service (income) expense			(1,071)	1,071		
(Loss) income from consolidated subsidiaries	(32,197)	4,542	(6,975)		34,630	
(Loss) income before (benefit of) provision for income taxes	(39,670)	(56,583)	22,846	(27,689)	34,630	(66,466)
(Benefit of) provision for income taxes	(2,981)	(24,386)	18,304	(2,984)		(12,047)
Net (loss) income	(36,689)	(32,197)	4,542	(24,705)	34,630	(54,419)
Less: Net loss attributable to non-controlling interests				(17,730)		(17,730)
Net (loss) income attributable to CB Richard Ellis Group, Inc.	\$ (36,689)	\$ (32,197)	\$ 4,542	\$ (6,975)	\$ 34,630	\$ (36,689)

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2010****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$ 2,929	\$ 35,254	\$ (24,277)	\$ (6,815)	\$ 7,091
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(1,206)	(1,692)	(2,898)
Acquisition of businesses including net assets acquired, intangibles and goodwill			(1,144)	(2,621)	(3,765)
Contributions to unconsolidated subsidiaries			(4,970)	(1,356)	(6,326)
Proceeds from the sale of servicing rights and other assets			3,337	9	3,346
Additions to real estate held for investment				(4,229)	(4,229)
Decrease in restricted cash			3,457	4,631	8,088
Other investing activities, net			(922)	1,858	936
Net cash used in investing activities			(1,448)	(3,400)	(4,848)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of senior secured term loans		(54,816)			(54,816)
Proceeds from revolving credit facility				3,740	3,740
Repayment of revolving credit facility				(4,040)	(4,040)
Proceeds from notes payable on real estate held for investment				3,940	3,940
Repayment of notes payable on real estate held for investment				(10,142)	(10,142)
Proceeds from notes payable on real estate held for sale and under development				1,798	1,798
Repayment of notes payable on real estate held for sale and under development				(637)	(637)
(Repayment of) proceeds from short-term borrowings and other loans, net			(2)	7,500	7,498
Non-controlling interests contributions				2,980	2,980
Non-controlling interests distributions				(555)	(555)
Payment of financing costs		(4,137)		(220)	(4,357)
(Increase) decrease in intercompany receivables, net	(3,434)	10,948	26,358	(33,872)	
Other financing activities, net	505			(138)	367
Net cash (used in) provided by financing activities	(2,929)	(48,005)	26,356	(29,646)	(54,224)
Effect of currency exchange rate changes on cash and cash equivalents				(9,281)	(9,281)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(12,751)	631	(49,142)	(61,262)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	4	242,586	283,251	215,716	741,557
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 4	\$ 229,835	\$ 283,882	\$ 166,574	\$ 680,295

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION:**

Cash paid (received) during the period for:					
Interest	\$	\$ 25,065	\$ 13	\$ 4,524	\$ 29,602
Income tax (refunds) payments, net	\$	\$	\$ (10,803)	\$ 5,709	\$ (5,094)

Table of Contents**CB RICHARD ELLIS GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2009****(Dollars in thousands)**

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$ 9,668	\$ (13,860)	\$ 622	\$ (7,904)	\$ (11,474)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures			(1,766)	(838)	(2,604)
Acquisition of businesses including net assets acquired, intangibles and goodwill			(1,778)	(6,937)	(8,715)
Contributions to unconsolidated subsidiaries			(3,699)	(6,828)	(10,527)
Proceeds from the sale of servicing rights and other assets			5,329	60	5,389
Additions to real estate held for investment				(4,814)	(4,814)
Decrease in restricted cash			1,052	941	1,993
Other investing activities, net			(18)	5	(13)
Net cash used in investing activities			(880)	(18,411)	(19,291)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of senior secured term loans		(105,500)			(105,500)
Proceeds from revolving credit facility		415,000		4,078	419,078
Proceeds from notes payable on real estate held for investment				4,983	4,983
Repayment of notes payable on real estate held for investment				(392)	(392)
Proceeds from notes payable on real estate held for sale and under development				15,726	15,726
Repayment of notes payable on real estate held for sale and under development				(15,430)	(15,430)
(Repayment of) proceeds from short-term borrowings and other loans, net			(1,076)	95	(981)
Non-controlling interests contributions				2,914	2,914
Non-controlling interests distributions				(5)	(5)
Payment of financing costs		(16,202)		(503)	(16,705)
(Increase) decrease in intercompany receivables, net	(9,443)	(142,216)	153,118	(1,459)	(659)
Other financing activities, net	(225)			(434)	(659)
Net cash (used in) provided by financing activities	(9,668)	151,082	152,042	9,573	303,029
Effect of currency exchange rate changes on cash and cash equivalents				(7,624)	(7,624)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		137,222	151,784	(24,366)	264,640
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	4	7,203	9,467	142,149	158,823
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 4	\$ 144,425	\$ 161,251	\$ 117,783	\$ 423,463

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION:**

Cash paid (received) during the period for:

Interest	\$	\$ 23,599	\$	\$ 5,210	\$ 28,809
Income tax (refunds) payments, net	\$	\$	\$ (3,799)	\$ 2,010	\$ (1,789)

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CB RICHARD ELLIS GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

15. Industry Segments

We report our operations through five segments. The segments are as follows: (1) Americas, (2) EMEA, (3) Asia Pacific, (4) Global Investment Management and (5) Development Services.

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 and selected parts of Latin 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. 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 direct and indirect investments in real estate in the U.S., Europe and Asia.

Our Development Services business consists of real estate development and investment activities primarily in the U.S., which we acquired in the Trammell Crow Company Acquisition on December 20, 2006.

Summarized financial information by segment is as follows