

CBRE GROUP, INC.
Form 10-Q
August 09, 2013
Table of Contents

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 June 30, 2013

.. **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

CBRE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

11150 Santa Monica Boulevard, Suite 1600

Los Angeles, California

(Address of principal executive offices)

94-3391143
(I.R.S. Employer

Identification Number)

90025

(Zip Code)

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

(310) 405-8900

Not applicable

(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 (§232.405 of this chapter) 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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 July 31, 2013 was 331,468,018.

Table of Contents

FORM 10-Q

June 30, 2013

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Consolidated Balance Sheets at June 30, 2013 (Unaudited) and December 31, 2012</u>	3
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012 (Unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2013 and 2012 (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012 (Unaudited)</u>	6
<u>Consolidated Statement of Equity for the six months ended June 30, 2013 (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	38
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	63
Item 4. <u>Controls and Procedures</u>	64
 PART II - OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	64
Item 1A. <u>Risk Factors</u>	64
Item 6. <u>Exhibits</u>	65
<u>Signatures</u>	68

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

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 485,495	\$ 1,089,297
Restricted cash	59,482	73,676
Receivables, less allowance for doubtful accounts of \$36,917 and \$35,492 at June 30, 2013 and December 31, 2012, respectively	1,222,364	1,262,823
Warehouse receivables	536,319	1,048,340
Trading securities	31,066	101,331
Income taxes receivable	64,355	17,847
Prepaid expenses	98,453	101,617
Deferred tax assets, net	201,874	205,746
Real estate and other assets held for sale	40,984	130,499
Available for sale securities	776	679
Other current assets	58,057	52,695
Total Current Assets	2,799,225	4,084,550
Property and equipment, net	369,697	379,176
Goodwill	1,842,070	1,889,602
Other intangible assets, net of accumulated amortization of \$306,500 and \$273,631 at June 30, 2013 and December 31, 2012, respectively	796,479	786,793
Investments in unconsolidated subsidiaries	209,205	206,798
Real estate under development	14,167	27,316
Real estate held for investment	112,037	235,045
Available for sale securities	57,752	57,121
Other assets, net	147,656	143,141
Total Assets	\$ 6,348,288	\$ 7,809,542
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 562,099	\$ 582,294
Compensation and employee benefits payable	419,663	440,191
Accrued bonus and profit sharing	323,783	540,144
Securities sold, not yet purchased	6,725	54,103
Short-term borrowings:		
Warehouse lines of credit	525,842	1,026,381
Revolving credit facility	140,308	72,964
Other	14,605	16
Total short-term borrowings	680,755	1,099,361
Current maturities of long-term debt	42,184	73,156
Notes payable on real estate	31,101	35,212
Liabilities related to real estate and other assets held for sale	24,883	104,627
Other current liabilities	41,903	43,205
Total Current Liabilities	2,133,096	2,972,293
Long-Term Debt:		
5.00% senior notes	800,000	
Senior secured term loans	665,438	1,557,069
6.625% senior notes	350,000	350,000

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

11.625% senior subordinated notes, net of unamortized discount of \$9,477 at December 31, 2012	440,523	
Other long-term debt	5,572	6,857
Total Long-Term Debt	1,821,010	2,354,449
Notes payable on real estate	94,445	189,258
Deferred tax liabilities, net	192,912	191,962
Non-current tax liabilities	83,985	81,875
Pension liability	58,031	63,528
Other liabilities	253,360	274,365
Total Liabilities	4,636,839	6,127,730
Commitments and contingencies		
Equity:		
CBRE Group, Inc. Stockholders' Equity:		
Class A common stock; \$0.01 par value; 525,000,000 shares authorized; 331,302,183 and 330,082,187 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	3,313	3,301
Additional paid-in capital	970,956	960,900
Accumulated earnings	847,502	740,054
Accumulated other comprehensive loss	(201,671)	(165,044)
Total CBRE Group, Inc. Stockholders' Equity	1,620,100	1,539,211
Non-controlling interests	91,349	142,601
Total Equity	1,711,449	1,681,812
Total Liabilities and Equity	\$ 6,348,288	\$ 7,809,542

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ 1,742,014	\$ 1,601,117	\$ 3,217,077	\$ 2,951,106
Costs and expenses:				
Cost of services	1,018,827	908,143	1,880,043	1,695,699
Operating, administrative and other	499,458	482,377	968,999	923,099
Depreciation and amortization	43,601	38,336	89,882	84,793
Total costs and expenses	1,561,886	1,428,856	2,938,924	2,703,591
Gain on disposition of real estate	7,496	439	10,645	1,248
Operating income	187,624	172,700	288,798	248,763
Equity income from unconsolidated subsidiaries	6,544	2,609	16,293	16,995
Other income (loss)	1,533	(2,104)	4,227	4,484
Interest income	1,490	1,585	3,518	3,888
Interest expense	37,532	44,411	79,927	88,392
Write-off of financing costs	42,715		56,295	
Income from continuing operations before provision for income taxes	116,944	130,379	176,614	185,738
Provision for income taxes	45,815	54,780	64,819	80,193
Income from continuing operations	71,129	75,599	111,795	105,545
Income from discontinued operations, net of income taxes	3,105		24,294	
Net income	74,234	75,599	136,089	105,545
Less: Net income (loss) attributable to non-controlling interests	4,332	(274)	28,641	2,697
Net income attributable to CBRE Group, Inc.	\$ 69,902	\$ 75,873	\$ 107,448	\$ 102,848
<i>Basic income per share attributable to CBRE Group, Inc. shareholders</i>				
Income from continuing operations attributable to CBRE Group, Inc.	\$ 0.21	\$ 0.24	\$ 0.32	\$ 0.32
Income from discontinued operations attributable to CBRE Group, Inc.			0.01	
Net income attributable to CBRE Group, Inc.	\$ 0.21	\$ 0.24	\$ 0.33	\$ 0.32
Weighted average shares outstanding for basic income per share	327,423,589	320,852,344	327,093,358	320,761,873
<i>Diluted income per share attributable to CBRE Group, Inc. shareholders</i>				
Income from continuing operations attributable to CBRE Group, Inc.	\$ 0.21	\$ 0.23	\$ 0.31	\$ 0.32
Income from discontinued operations attributable to CBRE Group, Inc.			0.01	
Net income attributable to CBRE Group, Inc.	\$ 0.21	\$ 0.23	\$ 0.32	\$ 0.32

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Weighted average shares outstanding for diluted income per share	331,631,185	326,081,681	331,218,705	325,910,274
------------------------------------------------------------------	-------------	-------------	-------------	-------------

Amounts attributable to CBRE Group, Inc. shareholders

Income from continuing operations, net of tax	\$ 69,277	\$ 75,873	\$ 105,367	\$ 102,848
Income from discontinued operations, net of tax	625		2,081	

Net income	\$ 69,902	\$ 75,873	\$ 107,448	\$ 102,848
------------	-----------	-----------	------------	------------

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

Table of Contents**CBRE GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)****(Dollars in thousands)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income	\$ 74,234	\$ 75,599	\$ 136,089	\$ 105,545
Other comprehensive loss:				
Foreign currency translation loss	(24,524)	(40,181)	(47,315)	(21,659)
Unrealized gains (losses) on interest rate swaps and interest rate caps, net	7,683	(5,614)	9,118	(4,360)
Unrealized losses on available for sale securities, net	(216)	(1,100)	(384)	(186)
Other, net	33	333	1,196	(167)
Total other comprehensive loss	(17,024)	(46,562)	(37,385)	(26,372)
Comprehensive income	57,210	29,037	98,704	79,173
Less: Comprehensive income (loss) attributable to non-controlling interests	3,533	(857)	27,883	2,310
Comprehensive income attributable to CBRE Group, Inc.	\$ 53,677	\$ 29,894	\$ 70,821	\$ 76,863

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

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

	Six Months Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 136,089	\$ 105,545
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	90,752	84,793
Amortization of financing costs	25,247	4,643
Amortization and write-off of debt discount	9,477	731
Gain on sale of loans, servicing rights and other assets	(50,623)	(43,776)
Net realized and unrealized gains from investments	(4,227)	(4,484)
Gain on disposition of real estate held for investment	(16,502)	
Equity income from unconsolidated subsidiaries	(16,293)	(16,995)
Provision for doubtful accounts	3,618	6,842
Compensation expense related to stock options and non-vested stock awards	22,299	22,606
Incremental tax benefit from stock options exercised	(7,925)	(861)
Distribution of earnings from unconsolidated subsidiaries	7,884	8,017
Tenant concessions received	9,474	8,428
Purchase of trading securities	(66,941)	(121,412)
Proceeds from sale of trading securities	142,643	125,412
Proceeds from securities sold, not yet purchased	40,548	86,059
Securities purchased to cover short sales	(91,969)	(73,250)
Decrease in receivables	12,216	17,010
Increase in prepaid expenses and other assets	(7,728)	(10,831)
Decrease (increase) in real estate held for sale and under development	133,676	(9,378)
Decrease in accounts payable and accrued expenses	(14,898)	(47,455)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(218,109)	(284,895)
Increase in income taxes receivable/payable	(40,282)	(62,527)
(Decrease) increase in other liabilities	(8,447)	5,721
Other operating activities, net	(5,308)	(1,602)
Net cash provided by (used in) operating activities	84,671	(201,659)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(39,552)	(38,705)
Acquisition of businesses, including net assets acquired, intangibles and goodwill, net of cash acquired	(35,786)	(183)
Contributions to unconsolidated subsidiaries	(23,666)	(48,518)
Distributions from unconsolidated subsidiaries	21,875	11,583
Net proceeds from disposition of real estate held for investment	109,189	
Additions to real estate held for investment	(1,800)	(2,562)
Proceeds from the sale of servicing rights and other assets	18,890	13,490
Decrease in restricted cash	10,176	2,909
Decrease in cash due to deconsolidation of CBRE Clarion U.S., L.P. (see Note 3)		(73,187)
Purchase of available for sale securities	(44,076)	(26,740)
Proceeds from the sale of available for sale securities	43,586	23,702
Other investing activities, net	6,194	4,664
Net cash provided by (used in) investing activities	65,030	(133,547)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior secured term loans	715,000	

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Repayment of senior secured term loans	(1,619,192)	(33,966)
Proceeds from revolving credit facility	338,127	23,222
Repayment of revolving credit facility	(266,236)	(15,230)
Proceeds from issuance of 5.00% senior notes	800,000	
Repayment of 11.625% senior subordinated notes	(450,000)	
Proceeds from notes payable on real estate held for investment	1,641	4,515
Repayment of notes payable on real estate held for investment	(72,369)	(9,727)
Proceeds from notes payable on real estate held for sale and under development	3,481	6,146
Repayment of notes payable on real estate held for sale and under development	(112,553)	(1,394)
Proceeds from short-term borrowings	14,743	4,683
Proceeds from exercise of stock options	3,986	3,137
Incremental tax benefit from stock options exercised	7,925	861
Non-controlling interests contributions	253	15,909
Non-controlling interests distributions	(74,543)	(24,080)
Payment of financing costs	(28,790)	(55)
Other financing activities, net	(1,462)	(58)
Net cash used in financing activities	(739,989)	(26,037)
Effect of currency exchange rate changes on cash and cash equivalents	(13,514)	(737)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(603,802)	(361,980)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,089,297	1,093,182
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 485,495	\$ 731,202
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 66,575	\$ 81,320
Income tax payments, net	\$ 111,293	\$ 143,350

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

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

	CBRE Group, Inc. Shareholders					Total
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss	Non- controlling interests	
Balance at December 31, 2012	\$ 3,301	\$ 960,900	\$ 740,054	\$ (165,044)	\$ 142,601	\$ 1,681,812
Net income			107,448		28,641	136,089
Stock options exercised (including tax benefit)	12	11,899				11,911
Compensation expense for stock options and non-vested stock awards		22,299				22,299
Foreign currency translation loss				(46,557)	(758)	(47,315)
Unrealized gains on interest rate swaps and interest rate caps, net				9,118		9,118
Unrealized losses on available for sale securities, net				(384)		(384)
Contributions from non-controlling interests					253	253
Distributions to non-controlling interests					(74,543)	(74,543)
Acquisition of non-controlling interests		(20,244)			(6,224)	(26,468)
Other		(3,898)		1,196	1,379	(1,323)
Balance at June 30, 2013	\$ 3,313	\$ 970,956	\$ 847,502	\$ (201,671)	\$ 91,349	\$ 1,711,449

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

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements of CBRE Group, Inc., a Delaware corporation (which may be referred to in these financial statements as the company, we, us and our), have been prepared in accordance with the rules applicable to Quarterly Reports on 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 goodwill, intangibles and other long-lived assets, 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. 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. Certain reclassifications have been made to the 2012 financial statements to conform with the 2013 presentation.

The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2013. The unaudited interim 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, 2012, which contains the latest available audited consolidated financial statements and notes thereto, which are as of and for the year ended December 31, 2012.

2. New Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. This ASU states that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. ASU 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013, with early adoption permitted. We do not believe the adoption of this update will have a material effect on our consolidated financial position or results of operations.

In July 2013, the FASB issued ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. This ASU permits the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. treasury rates and LIBOR. This ASU also removes the restriction on using different benchmark rates for similar hedges. This ASU applies to all entities that elect to apply hedge accounting of the benchmark interest rate. This ASU is effective prospectively for

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. We do not believe the adoption of this update will have a material effect on our consolidated financial position or results of operations.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This ASU states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows: To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, with early adoption permitted. This ASU should be applied prospectively to all unrecognized tax benefits that exist at the effective date, with retrospective application permitted. We do not believe the adoption of this update will have a material impact on our consolidated financial position.

3. Variable Interest Entities (VIEs)

A consolidated subsidiary (the Venture) in our Global Investment Management segment has sponsored investments by third-party investors in certain 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 has 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 VIEs 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 six months ended June 30, 2012, the Venture funded \$0.2 million of financial support to the Entities.

Operating results relating to the Entities for the three and six months ended June 30, 2013 and 2012 include the following (dollars in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenue	\$ 2,022	\$ 3,720	\$ 4,029	\$ 6,594
Operating, administrative and other expenses	\$ 1,036	\$ 2,359	\$ 2,046	\$ 4,025
Income from discontinued operations, net of income taxes	\$	\$	\$ 15,236	\$
Net (loss) income attributable to non-controlling interests	\$ (342)	\$ (1,170)	\$ 14,551	\$ (2,017)

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Investments in real estate of \$40.8 million and \$58.8 million and nonrecourse mortgage notes payable of \$41.5 million (\$0.9 million of which is current) and \$61.7 million (\$1.3 million of which is current) are included in real estate assets held for investment and notes payable on real estate, respectively, in the accompanying consolidated balance sheets as of June 30, 2013 and December 31, 2012, respectively. In addition, non-controlling deficits of \$0.8 million and \$2.7 million in the accompanying consolidated balance sheets as of June 30, 2013 and December 31, 2012, respectively, are attributable to the Entities.

We hold variable interests in certain VIEs in our Global Investment Management and Development Services segments which are not consolidated as it was determined that we are not the primary beneficiary. Our involvement with these entities is in the form of equity co-investments and fee arrangements.

In connection with our acquisition of Clarion Real Estate Securities (CRES) in 2011, we acquired CRES co-investments from ING Group N.V. in three funds (CRES Funds). In January 2012, one of the CRES Funds (CBRE Clarion U.S., L.P.) was converted to a registered mutual fund, the CBRE Clarion Long/Short Fund (the Fund). As a result of this triggering event, we determined that the Fund became a VIE and that we were not the primary beneficiary. Accordingly, in the first quarter of 2012, the Fund was deconsolidated from our consolidated financial statements and we recorded an investment in available for sale securities of \$14.3 million. No gain or loss was recognized in our consolidated statement of operations as a result of this deconsolidation. During the second quarter of 2013, we fully redeemed our investment in the Fund. We continue to act as the Fund's adviser, make investment decisions for the Fund and review, supervise and administer the Fund's investment program.

As of June 30, 2013 and December 31, 2012, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	June 30, 2013	December 31, 2012
Investments in unconsolidated subsidiaries	\$ 46,781	\$ 47,869
Other assets, current	3,361	3,185
Available for sale securities		17,281
Co-investment commitments	7,127	9,202
Maximum exposure to loss	\$ 57,269	\$ 77,537

4. Fair Value Measurements

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification (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.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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.

There were no significant transfers in and out of Level 1 and Level 2 during the three and six months ended June 30, 2013 and 2012.

The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and December 31, 2012 (dollars in thousands):

	As of June 30, 2013			Total
	Level 1	Level 2	Level 3	
<i>Assets</i>				
Available for sale securities:				
U.S. treasury securities	\$ 2,599	\$	\$	\$ 2,599
Debt securities issued by U.S. federal agencies		5,422		5,422
Corporate debt securities		17,900		17,900
Asset-backed securities		3,829		3,829
Collateralized mortgage obligations		4,338		4,338
Total debt securities	2,599	31,489		34,088
Equity securities	24,440			24,440
Total available for sale securities	27,039	31,489		58,528
Trading securities	31,066			31,066
Warehouse receivables		536,319		536,319
Total assets at fair value	\$ 58,105	\$ 567,808	\$	\$ 625,913
<i>Liabilities</i>				
Securities sold, not yet purchased	\$ 6,725	\$	\$	\$ 6,725
Interest rate swaps		32,895		32,895
Total liabilities at fair value	\$ 6,725	\$ 32,895	\$	\$ 39,620

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	As of December 31, 2012			Total
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	
<i>Assets</i>				
Available for sale securities:				
U.S. treasury securities	\$ 9,827	\$	\$	\$ 9,827
Debt securities issued by U.S. federal agencies		1,914		1,914
Corporate debt securities		8,347		8,347
Asset-backed securities		5,050		5,050
Collateralized mortgage obligations		2,771		2,771
Total debt securities	9,827	18,082		27,909
Equity securities	29,891			29,891
Total available for sale securities	39,718	18,082		57,800
Trading securities	101,331			101,331
Warehouse receivables		1,048,340		1,048,340
Total assets at fair value	\$ 141,049	\$ 1,066,422	\$	\$ 1,207,471
<i>Liabilities</i>				
Securities sold, not yet purchased	\$ 54,103	\$	\$	\$ 54,103
Interest rate swaps		48,022		48,022
Total liabilities at fair value	\$ 54,103	\$ 48,022	\$	\$ 102,125

Fair value measurements for our available for sale securities are obtained from independent pricing services which utilize observable market data that may include quoted market prices, dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

The trading securities and securities sold, not yet purchased are primarily in the U.S. and are generally valued at the last reported sales price on the day of valuation or, if no sales occurred on the valuation date, at the mean of the bid and asked prices on such date.

The fair values of the warehouse receivables are calculated based on already locked in security buy prices. At June 30, 2013 and December 31, 2012, all of the warehouse receivables included in the accompanying consolidated balance sheets were either under commitment to be purchased by Freddie Mac or had confirmed forward trade commitments for the issuance and purchase of Fannie Mae mortgage backed securities that will be secured by the underlying warehouse lines of credit. These assets are classified as Level 2 in the fair value hierarchy as all inputs are readily observable.

The valuation of interest rate swaps is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate forward curves. To comply with the provisions of Topic 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. In conjunction with our adoption of ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of June 30, 2013, we have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

There were no significant non-recurring fair value measurements recorded during the three and six months ended June 30, 2013 and 2012.

FASB ASC Topic 825, *Financial Instruments* requires disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheets. Our financial instruments are 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: These balances are carried at fair value based on market prices at the balance sheet date.

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

Securities Sold, not yet Purchased: These liabilities are carried at their fair value.

Short-Term Borrowings: The majority of this balance represents our warehouse lines of credit and our revolving credit facility outstanding for CBRE Capital Markets, Inc. (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 (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our senior secured term loans was approximately \$705.8 million and \$1.6 billion at June 30, 2013 and December 31, 2012, respectively. Their actual carrying value totaled \$705.1 million and \$1.6 billion at June 30, 2013 and December 31, 2012, respectively (see Note 9).

Interest Rate Swaps: These liabilities are carried at their fair value as calculated by using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative (see Note 9).

5.00% Senior Notes: Based on dealers' quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 5.00% senior notes was \$756.0 million at June 30, 2013. Their actual carrying value totaled \$800.0 million at June 30, 2013 (see Note 9).

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

6.625% Senior Notes: Based on dealers' quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 6.625% senior notes was \$371.0 million and \$385.0 million at June 30, 2013 and December 31, 2012, respectively. Their actual carrying value totaled \$350.0 million at both June 30, 2013 and December 31, 2012.

11.625% Senior Subordinated Notes: Based on dealers' quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair value of our 11.625% senior subordinated notes was \$488.8 million at December 31, 2012. Their actual carrying value totaled \$440.5 million at December 31, 2012. We redeemed these notes in full on June 15, 2013 (see Note 9).

Notes Payable on Real Estate: As of June 30, 2013 and December 31, 2012, the carrying value of our notes payable on real estate was \$148.8 million and \$326.0 million, respectively (see Note 8). These borrowings generally have floating interest rates at spreads over a market rate index. It is likely that some portion of our notes payable on real estate have fair values lower than actual carrying values. Given our volume of notes payable and the cost involved in estimating their fair value, we determined it was not practicable to do so. Additionally, only \$14.0 million and \$13.9 million of these notes payable were recourse to us as of June 30, 2013 and December 31, 2012, respectively.

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		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Global Investment Management:				
Revenue	\$ 170,986	\$ 200,895	\$ 394,534	\$ 371,615
Operating (loss) income	\$ (78,706)	\$ 3,587	\$ (94,136)	\$ (6,887)
Net (loss) income	\$ (4,082)	\$ (72,863)	\$ 17,309	\$ (29,657)
Development Services:				
Revenue	\$ 16,521	\$ 23,659	\$ 31,540	\$ 41,640
Operating (loss) income	\$ (4,298)	\$ 6,048	\$ 1,139	\$ 32,480
Net income (loss)	\$ 4,592	\$ (981)	\$ 7,352	\$ 19,971
Other:				
Revenue	\$ 32,072	\$ 38,456	\$ 68,837	\$ 69,977
Operating income	\$ 8,250	\$ 4,682	\$ 11,460	\$ 7,729
Net income	\$ 8,384	\$ 5,533	\$ 11,544	\$ 8,649
Total:				
Revenue	\$ 219,579	\$ 263,010	\$ 494,911	\$ 483,232
Operating (loss) income	\$ (74,754)	\$ 14,317	\$ (81,537)	\$ 33,322
Net income (loss)	\$ 8,894	\$ (68,311)	\$ 36,205	\$ (1,037)

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

CBRE 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):

	June 30, 2013	December 31, 2012
Assets:		
Real estate held for sale (see Note 7)	\$ 39,400	\$ 116,822
Other current assets	680	4,921
Property and equipment, net		329
Other assets	904	8,427
Total real estate and other assets held for sale	40,984	130,499
Liabilities:		
Notes payable on real estate held for sale (see Note 8)	23,291	101,542
Accounts payable and accrued expenses	474	2,444
Other current liabilities	363	190
Other liabilities	755	451
Total liabilities related to real estate and other assets held for sale	24,883	104,627
Net real estate and other assets held for sale	\$ 16,101	\$ 25,872

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 secure the outstanding balances of underlying mortgage or construction loans. Our real estate is reported in our Development Services and Global Investment Management segments and consisted of the following (dollars in thousands):

	June 30, 2013	December 31, 2012
Real estate included in assets held for sale (see Note 6)	\$ 39,400	\$ 116,822
Real estate under development (non-current)	14,167	27,316
Real estate held for investment (1)	112,037	235,045
Total real estate (2)	\$ 165,604	\$ 379,183

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

- (1) Net of accumulated depreciation of \$21.2 million and \$32.9 million at June 30, 2013 and December 31, 2012, respectively.
- (2) Includes balances for lease intangibles and tenant origination costs of \$5.6 million and \$0.1 million, respectively, at June 30, 2013 and \$8.0 million and \$1.5 million, respectively, at December 31, 2012. We record lease intangibles and tenant origination costs upon acquiring real estate projects with in-place leases.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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.

8. Notes Payable on Real Estate

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

	June 30, 2013	December 31, 2012
Current portion of notes payable on real estate	\$ 31,101	\$ 35,212
Notes payable on real estate included in liabilities related to real estate and other assets held for sale (see Note 6)	23,291	101,542
Total notes payable on real estate, current portion	54,392	136,754
Notes payable on real estate, non-current portion	94,445	189,258
Total notes payable on real estate	\$ 148,837	\$ 326,012

At June 30, 2013 and December 31, 2012, \$10.2 million and \$11.3 million, respectively, of the current portion of notes payable on real estate and \$3.8 million and \$2.6 million, respectively, 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

Since 2001, we have maintained credit facilities with Credit Suisse Group AG (CS) and other lenders to fund strategic acquisitions and to provide for our working capital needs. During the six months ended June 30, 2013, we completed a series of financing transactions, which included the repayment of \$1.6 billion of our senior secured term loans under our previous credit agreement. On March 28, 2013, we entered into a new credit agreement (the Credit Agreement) with a syndicate of banks led by CS, as administrative and collateral agent, to completely refinance our previous credit agreement.

As of June 30, 2013, our Credit Agreement provides for the following: (1) a \$1.2 billion revolving credit facility, including revolving credit loans, letters of credit and a swingline loan facility, maturing on March 31, 2018; (2) a \$500.0 million tranche A term loan facility (of which \$300.0 million was on an optional delayed-draw basis for up to 120 days from March 28, 2013, which we drew down in June 2013 to partially fund the redemption of the 11.625% senior subordinated notes) requiring quarterly principal payments, which began on June 30, 2013 and continue through maturity on March 28, 2018; and (3) a \$215.0 million tranche B term loan facility requiring quarterly principal payments, which began on June 30, 2013 and continue through December 31, 2020, with the balance payable at maturity on March 28, 2021.

The revolving credit facility allows for borrowings outside of the United States (U.S.), with a \$10.0 million sub-facility available to one of our Canadian subsidiaries, a \$35.0 million sub-facility available to one of our Australian subsidiaries and one of our New Zealand subsidiaries, and a \$150.0 million sub-facility available to one of our 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 June 30, 2013 bear interest at varying rates, based at our option, on either the applicable fixed rate plus 1.15% to 2.25% or the daily rate plus 0.125% to 1.25% as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement). As of June 30, 2013

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

and December 31, 2012, we had \$140.3 million and \$73.0 million, respectively, of revolving credit facility principal outstanding with related weighted average interest rates of 2.9% and 3.2%, respectively, which are included in short-term borrowings in the accompanying consolidated balance sheets. As of June 30, 2013, letters of credit totaling \$11.5 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.

Borrowings under the term loan facilities as of June 30, 2013 bear interest, based at our option, on the following: for the tranche A term loan facility, on either the applicable fixed rate plus 1.50% to 2.75% or the daily rate plus 0.50% to 1.75%, as determined by reference to our ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) and for the tranche B term loan facility, on either the applicable fixed rate plus 2.75% or the daily rate plus 1.75%. As of June 30, 2013, we had \$705.1 million of term loan facilities principal outstanding (including \$490.6 million of tranche A term loan facility and \$214.5 million of tranche B term loan facility), which are included in the accompanying consolidated balance sheets. As of December 31, 2012, we had \$1.6 billion of term loan facilities principal outstanding under our previous credit agreement (including \$271.2 million, \$275.2 million, \$293.3 million, \$394.0 million, and \$394.0 million, respectively, of tranche A, tranche A-1, tranche B, tranche C and tranche D term loan facilities principal outstanding), which are also included in the accompanying consolidated balance sheets.

In March 2011, we entered into five interest rate swap agreements, all with effective dates in October 2011, and immediately designated them as cash flow hedges in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. The purpose of these interest rate swap agreements is to hedge potential changes to our cash flows due to the variable interest nature of our senior secured term loan facilities. The total notional amount of these interest rate swap agreements is \$400.0 million, with \$200.0 million expiring in October 2017 and \$200.0 million expiring in September 2019. There was no significant hedge ineffectiveness for the three and six months ended June 30, 2013 and 2012. We recorded net gains of \$12.8 million and \$15.1 million, respectively, during the three and six months ended June 30, 2013 and net losses of \$9.2 million and \$7.1 million, respectively, during the three and six months ended June 30, 2012 to other comprehensive income/loss in relation to such interest rate swap agreements. As of June 30, 2013 and December 31, 2012, the fair values of these interest rate swap agreements were reflected as a \$32.9 million liability and a \$48.0 million liability, respectively, and were included in other long-term liabilities 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 65.0% of the capital stock of certain non-U.S. subsidiaries. Also, the Credit Agreement requires us to pay a fee based on the total amount of the revolving credit facility commitment.

On March 14, 2013, CBRE Services, Inc. (CBRE), our wholly-owned subsidiary, issued \$800.0 million in aggregate principal amount of 5.00% senior notes due March 15, 2023. The 5.00% notes are unsecured obligations of CBRE, senior to all of its current and future subordinated indebtedness, but effectively subordinated to all of its current and future secured indebtedness. The 5.00% notes are jointly and severally guaranteed on a senior basis by us and each subsidiary of CBRE that guarantees our Credit Agreement. Interest accrues at a rate of 5.00% per year and is payable semi-annually in arrears on March 15 and September 15, beginning on September 15, 2013. The 5.00% senior notes are redeemable at our option, in whole or in part, on or after March 15, 2018 at a redemption price of 102.5% of the principal amount on that date and at declining prices thereafter. At any time prior to March 15, 2016, we may redeem up to 35.0% of the original principal amount of the 5.00% senior notes using the net cash proceeds from certain public offerings. In addition, at any time prior to March 15, 2018, the 5.00% senior notes may be redeemed by us, in whole or in part, at a redemption

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

price equal to 100.0% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and an applicable premium (as defined in the indenture governing these notes), which is based on the excess of the present value of the March 15, 2018 redemption price plus all remaining interest payments through March 15, 2018, over the principal amount of the 5.00% senior notes on such redemption date. If a change of control triggering event (as defined in the indenture governing these notes) occurs, we are obligated to make an offer to purchase the then outstanding 5.00% senior notes at a redemption price of 101.0% of the principal amount, plus accrued and unpaid interest. The amount of the 5.00% senior notes included in the accompanying consolidated balance sheets was \$800.0 million at June 30, 2013.

Our Credit Agreement and the indentures governing our 5.00% senior notes and 6.625% 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 EBITDA (as defined in the Credit Agreement) to total interest expense of 2.00x and a maximum leverage ratio of total debt less available cash to EBITDA (as defined in the Credit Agreement) of 4.25x. Our coverage ratio of EBITDA to total interest expense was 6.99x for the trailing twelve months ended June 30, 2013 and our leverage ratio of total debt less available cash to EBITDA was 1.65x as of June 30, 2013.

On June 18, 2009, CBRE issued \$450.0 million in aggregate principal amount of 11.625% senior subordinated notes due June 15, 2017 for approximately \$435.9 million, net of discount. The 11.625% senior subordinated notes were unsecured senior subordinated obligations of CBRE and were jointly and severally guaranteed on a senior subordinated basis by us and our domestic subsidiaries that guarantee our Credit Agreement. Interest accrued at a rate of 11.625% per year and was payable semi-annually in arrears on June 15 and December 15. As permitted by the indenture governing these notes, on June 15, 2013, we redeemed all of the 11.625% senior subordinated notes. In connection with this early redemption, we paid a premium of \$26.2 million and wrote off \$16.1 million of unamortized deferred financing costs and unamortized discount. The amount of the 11.625% senior subordinated notes included in the accompanying consolidated balance sheets, net of unamortized discount, was \$440.5 million at December 31, 2012.

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 losses in excess of the amounts accrued arising from such lawsuits are remote, but that litigation is inherently uncertain and there is the potential for a material adverse effect on our financial statements if one or more matters are resolved in a particular period in an amount in excess of that anticipated by management.

We had outstanding letters of credit totaling \$13.0 million as of June 30, 2013, 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 as well as letters of credit related to operating leases. These letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through June 2014.

We had guarantees totaling \$23.2 million as of June 30, 2013, excluding guarantees related to pension liabilities, consolidated indebtedness and other obligations for which we have outstanding liabilities already accrued on our consolidated balance sheet, and operating leases. The \$23.2 million primarily consists of

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

guarantees related to our defined benefit pension plans in the United Kingdom (U.K.) (in excess of our outstanding pension liability of \$58.0 million as of June 30, 2013), which are continuous guarantees that will not expire until all amounts have been paid out for our pension liabilities. The remainder of the guarantees mainly represents guarantees of obligations of unconsolidated subsidiaries, which expire at varying dates through September 2015, as well as various guarantees of management contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of June 30, 2013, we had numerous completion and budget guarantees relating to development projects. These guarantees are made by us in the ordinary 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.

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, entered into an agreement with Federal National Mortgage Association (Fannie Mae), under Fannie Mae's Delegated Underwriting and Servicing Lender Program (DUS Program), to provide financing for multifamily housing with five or more units. Under the DUS Program, CBRE MCI 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 originated under the DUS Program. CBRE MCI has funded loans subject to such loss sharing arrangements with unpaid principal balances of \$6.9 billion at June 30, 2013. Additionally, CBRE MCI has funded loans under the DUS Program that are not subject to loss sharing arrangements with unpaid principal balances of approximately \$491.7 million at June 30, 2013. CBRE MCI, 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 June 30, 2013 and December 31, 2012, CBRE MCI had \$12.6 million and \$9.1 million, respectively, of cash deposited under this reserve arrangement, and had provided approximately \$12.2 million and \$10.6 million, respectively, of loan loss accruals. Fannie Mae's recourse under the DUS Program is limited to the assets of CBRE MCI, which totaled approximately \$327.8 million (including \$200.2 million of warehouse receivables, a substantial majority of which are pledged against warehouse lines of credit and are therefore not available to Fannie Mae) at June 30, 2013.

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 2.0% to 5.0% of the equity in a particular fund. As of June 30, 2013, we had aggregate commitments of \$27.8 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 June 30, 2013, we had committed to fund \$15.8 million of additional capital to these unconsolidated subsidiaries.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

11. Income Per Share Information

The following is a calculation of income per share (dollars in thousands, except share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Computation of basic income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	\$ 69,902	\$ 75,873	\$ 107,448	\$ 102,848
Weighted average shares outstanding for basic income per share	327,423,589	320,852,344	327,093,358	320,761,873
Basic income per share attributable to CBRE Group, Inc. shareholders	\$ 0.21	\$ 0.24	\$ 0.33	\$ 0.32

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Computation of diluted income per share attributable to CBRE Group, Inc. shareholders:				
Net income attributable to CBRE Group, Inc. shareholders	\$ 69,902	\$ 75,873	\$ 107,448	\$ 102,848
Weighted average shares outstanding for basic income per share	327,423,589	320,852,344	327,093,358	320,761,873
Dilutive effect of contingently issuable shares	3,477,564	3,520,310	3,238,525	3,376,807
Dilutive effect of stock options	730,032	1,709,027	886,822	1,771,594
Weighted average shares outstanding for diluted income per share	331,631,185	326,081,681	331,218,705	325,910,274
Diluted income per share attributable to CBRE Group, Inc. shareholders	\$ 0.21	\$ 0.23	\$ 0.32	\$ 0.32

For the three and six months ended June 30, 2012, 47,974 and 43,494 contingently issuable shares, respectively, were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect. For the three and six months ended June 30, 2013 and 2012, options to purchase 55,587 shares and 103,423 shares, respectively, of common stock were excluded from the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect.

12. 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.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest cost	\$ 3,767	\$ 3,898	\$ 7,655	\$ 7,758
Expected return on plan assets	(3,808)	(3,635)	(7,737)	(7,234)
Amortization of unrecognized net loss	601	587	1,220	1,168
Net periodic pension cost	\$ 560	\$ 850	\$ 1,138	\$ 1,692

We contributed \$1.3 million and \$2.6 million to fund our pension plans during the three and six months ended June 30, 2013, respectively. We expect to contribute a total of \$5.2 million to fund our pension plans for the year ending December 31, 2013.

13. Discontinued Operations

In the ordinary course of business, we dispose of real estate assets, or hold real estate assets for sale, that may be considered components of an entity in accordance with Topic 360. If we do not have, or expect to have, significant continuing involvement with the operation of these real estate assets after disposition, we are required to recognize operating profits or losses and gains or losses on disposition of these assets as discontinued operations in our consolidated statements of operations in the periods in which they occur. Real estate operations and dispositions accounted for as discontinued operations for the three and six months ended June 30, 2013 were reported in our Global Investment Management and Development Services segments as follows (dollars in thousands):

	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Revenue	\$ 4,971	\$ 8,934
Costs and expenses:		
Operating, administrative and other	2,920	4,899
Depreciation and amortization	614	870
Total costs and expenses	3,534	5,769
Gain on disposition of real estate	3,459	25,640
Operating income	4,896	28,805
Interest expense	1,366	3,147
Income from discontinued operations, before provision for income taxes	3,530	25,658
Provision for income taxes	425	1,364
Income from discontinued operations, net of income taxes	3,105	24,294

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Less: Income from discontinued operations attributable to non-controlling interests	2,480	22,213
Income from discontinued operations attributable to CBRE Group, Inc.	\$ 625	\$ 2,081

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

14. Segments

We report our operations through the following segments: (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 key markets in 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 North America, Europe and Asia.

Our Development Services business consists of real estate development and investment activities primarily in the U.S.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
Americas	\$ 1,113,601	\$ 1,014,193	\$ 2,039,573	\$ 1,859,519
EMEA	270,277	248,244	498,911	445,630
Asia Pacific	233,130	201,245	414,561	368,446
Global Investment Management	115,109	119,674	241,751	244,874
Development Services	9,897	17,761	22,281	32,637
	\$ 1,742,014	\$ 1,601,117	\$ 3,217,077	\$ 2,951,106

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
EBITDA				
Americas	\$ 163,306	\$ 149,318	\$ 269,657	\$ 250,555
EMEA	11,740	15,745	11,195	8,648
Asia Pacific	26,013	23,316	31,860	25,599
Global Investment Management	32,001	20,674	72,327	55,267
Development Services	7,420	2,762	15,195	12,269
	\$ 240,480	\$ 211,815	\$ 400,234	\$ 352,338

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

EBITDA represents earnings before net interest expense, write-off of financing costs, income taxes, depreciation and amortization. Our management believes EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of EBITDA generally

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such 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 operating performance of our various business segments and for other discretionary purposes, including as a significant component when measuring our operating performance under our employee incentive programs. Additionally, we believe EBITDA is useful to investors to assist them in getting a more complete picture of our results from operations.

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. 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.

Net interest expense has been expensed in the segment incurred. Provision for (benefit of) 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		Six Months Ended	
	June 30,	2012	June 30,	2012
	2013		2013	2012
Americas				
Net income attributable to CBRE Group, Inc.	\$ 51,075	\$ 60,664	\$ 80,613	\$ 94,231
Add:				
Depreciation and amortization	26,724	19,485	54,557	37,811
Interest expense	35,019	35,363	72,158	70,964
Write-off of financing costs	42,715		56,295	
Royalty and management service income	(9,187)	(7,241)	(19,410)	(13,858)
Provision for income taxes	27,503	41,964	42,156	63,717
Less:				
Interest income	10,543	917	16,712	2,310
EBITDA	\$ 163,306	\$ 149,318	\$ 269,657	\$ 250,555
EMEA				
Net (loss) income attributable to CBRE Group, Inc.	\$ (864)	\$ 8,313	\$ (6,664)	\$ (1,063)
Add:				
Depreciation and amortization	3,511	3,202	8,907	6,493
Interest expense	1,233	2,095	3,238	4,563
Royalty and management service expense	3,889	3,176	8,030	5,784
Provision for income taxes	3,975	3,544	1,941	2,134
Less:				
Interest income	4	4,585	4,257	9,263
EBITDA	\$ 11,740	\$ 15,745	\$ 11,195	\$ 8,648

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Asia Pacific				
Net income attributable to CBRE Group, Inc.	\$ 10,731	\$ 10,804	\$ 9,282	\$ 7,669
Add:				
Depreciation and amortization	3,001	2,814	5,883	5,553
Interest expense	1,083	1,203	1,755	2,064
Royalty and management service expense	4,114	4,034	8,777	7,996
Provision for income taxes	7,485	4,834	6,676	2,835
Less:				
Interest income	401	373	513	518
 EBITDA	 \$ 26,013	 \$ 23,316	 \$ 31,860	 \$ 25,599
Global Investment Management				
Net income (loss) attributable to CBRE Group, Inc.	\$ 6,495	\$ (1,925)	\$ 19,616	\$ 1,666
Add:				
Depreciation and amortization (1)	9,638	10,054	18,567	29,279
Interest expense (2)	9,451	7,460	19,941	13,819
Royalty and management service expense	1,184	31	2,603	78
Provision for income taxes	5,405	5,293	11,996	10,945
Less:				
Interest income	172	239	396	520
 EBITDA (3)	 \$ 32,001	 \$ 20,674	 \$ 72,327	 \$ 55,267
Development Services				
Net income (loss) attributable to CBRE Group, Inc.	\$ 2,465	\$ (1,983)	\$ 4,601	\$ 345
Add:				
Depreciation and amortization (4)	1,341	2,781	2,838	5,657
Interest expense (5)	1,819	2,939	4,552	5,911
Provision for (benefit of) income taxes (6)	1,872	(855)	3,414	562
Less:				
Interest income	77	120	210	206
 EBITDA (7)	 \$ 7,420	 \$ 2,762	 \$ 15,195	 \$ 12,269

- (1) Includes depreciation and amortization expense related to discontinued operations of \$0.4 million and \$0.5 million for the three and six months ended June 30, 2013, respectively.
- (2) Includes interest expense related to discontinued operations of \$0.5 million and \$1.0 million for the three and six months ended June 30, 2013, respectively.
- (3) Includes EBITDA related to discontinued operations of \$0.8 million and \$1.4 million for the three and six months ended June 30, 2013, respectively.
- (4) Includes depreciation and amortization expense related to discontinued operations of \$0.2 million and \$0.4 million for the three and six months ended June 30, 2013, respectively.

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

- (5) Includes interest expense related to discontinued operations of \$0.9 million and \$2.2 million for the three and six months ended June 30, 2013, respectively.
- (6) Includes provision for income taxes related to discontinued operations of \$0.4 million and \$1.3 million for the three and six months ended June 30, 2013, respectively.
- (7) Includes EBITDA related to discontinued operations of \$2.2 million and \$6.0 million for the three and six months ended June 30, 2013, respectively.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

15. Guarantor and Nonguarantor Financial Statements

The following condensed consolidating financial information includes:

(1) Condensed consolidating balance sheets as of June 30, 2013 and December 31, 2012; condensed consolidating statements of operations for the three and six months ended June 30, 2013 and 2012; condensed consolidating statements of comprehensive income (loss) for the three and six months ended June 30, 2013 and 2012; and condensed consolidating statements of cash flows for the six months ended June 30, 2013 and 2012, of (a) CBRE Group, Inc. as the parent, (b) CBRE as the subsidiary issuer, (c) the guarantor subsidiaries, (d) the nonguarantor subsidiaries and (e) CBRE Group, Inc. on a consolidated basis; and

(2) Elimination entries necessary to consolidate CBRE 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 intercompany balances and transactions.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 30, 2013

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 20,421	\$ 87,974	\$ 377,095	\$	\$ 485,495
Restricted cash		6,866	3,672	48,944		59,482
Receivables, net			490,128	732,236		1,222,364
Warehouse receivables (a)			335,160	201,159		536,319
Trading securities			114	30,952		31,066
Income taxes receivable	7,111	24,467		47,521	(14,744)	64,355
Prepaid expenses		781	50,654	47,018		98,453
Deferred tax assets, net			149,960	51,914		201,874
Real estate and other assets held for sale				40,984		40,984
Available for sale securities			776			776
Other current assets			43,919	14,138		58,057
Total Current Assets	7,116	52,535	1,162,357	1,591,961	(14,744)	2,799,225
Property and equipment, net			263,919	105,778		369,697
Goodwill			1,016,842	825,228		1,842,070
Other intangible assets, net			469,241	327,238		796,479
Investments in unconsolidated subsidiaries			131,950	77,255		209,205
Investments in consolidated subsidiaries	2,063,141	2,061,221	1,267,608		(5,391,970)	
Intercompany loan receivable		1,860,114	700,000		(2,560,114)	
Real estate under development			807	13,360		14,167
Real estate held for investment			1,502	110,535		112,037
Available for sale securities			52,789	4,963		57,752
Other assets, net		44,687	77,022	25,947		147,656
Total Assets	\$ 2,070,257	\$ 4,018,557	\$ 5,144,037	\$ 3,082,265	\$ (7,966,828)	\$ 6,348,288
Current Liabilities:						
Accounts payable and accrued expenses	\$	\$ 19,923	\$ 143,514	\$ 398,662	\$	\$ 562,099
Compensation and employee benefits payable		626	264,249	154,788		419,663
Accrued bonus and profit sharing			191,553	132,230		323,783
Securities sold, not yet purchased				6,725		6,725
Income taxes payable			14,744		(14,744)	
Short-term borrowings:						
Warehouse lines of credit (a)			327,348	198,494		525,842
Revolving credit facility		46,884		93,424		140,308
Other			16	14,589		14,605
Total short-term borrowings		46,884	327,364	306,507		680,755
Current maturities of long-term debt		39,650	2,505	29		42,184
Notes payable on real estate				31,101		31,101
				24,883		24,883

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Liabilities related to real estate and other assets held for sale

Other current liabilities		40,655		1,248		41,903
Total Current Liabilities	107,083	984,584		1,056,173	(14,744)	2,133,096
Long-Term Debt:						
5.00% senior notes	800,000					800,000
Senior secured term loans	665,438					665,438
6.625% senior notes	350,000					350,000
Other long-term debt		5,484		88		5,572
Intercompany loan payable	450,157	1,752,623		357,334	(2,560,114)	
Total Long-Term Debt	450,157	1,815,438	1,758,107	357,422	(2,560,114)	1,821,010
Notes payable on real estate				94,445		94,445
Deferred tax liabilities, net			122,241	70,671		192,912
Non-current tax liabilities			81,338	2,647		83,985
Pension liability				58,031		58,031
Other liabilities	32,895	136,546		83,919		253,360
Total Liabilities	450,157	1,955,416	3,082,816	1,723,308	(2,574,858)	4,636,839
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders Equity	1,620,100	2,063,141	2,061,221	1,267,608	(5,391,970)	1,620,100
Non-controlling interests				91,349		91,349
Total Equity	1,620,100	2,063,141	2,061,221	1,358,957	(5,391,970)	1,711,449
Total Liabilities and Equity	\$ 2,070,257	\$ 4,018,557	\$ 5,144,037	\$ 3,082,265	\$ (7,966,828)	\$ 6,348,288

- (a) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 5.00% senior notes, 6.625% senior notes and our Credit Agreement, a substantial majority of warehouse receivables funded under the JP Morgan Master Repurchase Agreement, Capital One, N.A. (Capital One), TD Bank, N.A. (TD Bank), JP Morgan Chase Bank, N.A. (JP Morgan), Fannie Mae As Soon As Pooled (ASAP) Program and Bank of America (BoFA) lines of credit are pledged to JP Morgan, Capital One, TD Bank, Fannie Mae and BoFA, and accordingly, are not included as collateral for these notes or our other outstanding debt.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2012

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Current Assets:						
Cash and cash equivalents	\$ 5	\$ 18,312	\$ 680,112	\$ 390,868	\$	\$ 1,089,297
Restricted cash		6,863	4,155	62,658		73,676
Receivables, net		5	465,226	797,592		1,262,823
Warehouse receivables (a)			602,425	445,915		1,048,340
Trading securities			113	101,218		101,331
Income taxes receivable	17,637	6,580		49,233	(55,603)	17,847
Prepaid expenses			47,071	54,546		101,617
Deferred tax assets, net			149,959	55,787		205,746
Real estate and other assets held for sale				130,499		130,499
Available for sale securities			679			679
Other current assets			30,674	22,021		52,695
Total Current Assets	17,642	31,760	1,980,414	2,110,337	(55,603)	4,084,550
Property and equipment, net			263,661	115,515		379,176
Goodwill			1,023,842	865,760		1,889,602
Other intangible assets, net			463,487	323,306		786,793
Investments in unconsolidated subsidiaries			119,402	87,396		206,798
Investments in consolidated subsidiaries	1,912,207	2,529,531	1,329,992		(5,771,730)	
Intercompany loan receivable		1,521,065	700,000		(2,221,065)	
Real estate under development			799	26,517		27,316
Real estate held for investment			4,006	231,039		235,045
Available for sale securities			53,980	3,141		57,121
Other assets, net		41,035	67,099	35,007		143,141
Total Assets	\$ 1,929,849	\$ 4,123,391	\$ 6,006,682	\$ 3,798,018	\$ (8,048,398)	\$ 7,809,542
Current Liabilities:						
Accounts payable and accrued expenses	\$	\$ 8,956	\$ 122,598	\$ 450,740	\$	\$ 582,294
Compensation and employee benefits payable		626	252,365	187,200		440,191
Accrued bonus and profit sharing			298,591	241,553		540,144
Securities sold, not yet purchased				54,103		54,103
Income taxes payable			55,603		(55,603)	
Short-term borrowings:						
Warehouse lines of credit (a)			588,813	437,568		1,026,381
Revolving credit facility		10,557		62,407		72,964
Other			16			16
Total short-term borrowings		10,557	588,829	499,975		1,099,361
Current maturities of long-term debt		46,000	2,439	24,717		73,156
Notes payable on real estate				35,212		35,212
				104,627		104,627

Edgar Filing: CBRE GROUP, INC. - Form 10-Q

Liabilities related to real estate and other assets held for sale

Other current liabilities		40,989		2,216		43,205
Total Current Liabilities	66,139	1,361,414	1,600,343	(55,603)	2,972,293	
Long-Term Debt:						
Senior secured term loans	1,306,500		250,569		1,557,069	
11.625% senior subordinated notes, net	440,523				440,523	
6.625% senior notes	350,000				350,000	
Other long-term debt		6,752	105		6,857	
Intercompany loan payable	390,638	1,779,055	51,372	(2,221,065)		
Total Long-Term Debt	390,638	2,097,023	1,785,807	302,046	(2,221,065)	2,354,449
Notes payable on real estate			189,258		189,258	
Deferred tax liabilities, net		119,896	72,066		191,962	
Non-current tax liabilities		77,451	4,424		81,875	
Pension liability			63,528		63,528	
Other liabilities	48,022	132,583	93,760		274,365	
Total Liabilities	390,638	2,211,184	3,477,151	2,325,425	(2,276,668)	6,127,730
Commitments and contingencies						
Equity:						
CBRE Group, Inc. Stockholders Equity	1,539,211	1,912,207	2,529,531	1,329,992	(5,771,730)	1,539,211
Non-controlling interests				142,601		142,601
Total Equity	1,539,211	1,912,207	2,529,531	1,472,593	(5,771,730)	1,681,812
Total Liabilities and Equity	\$ 1,929,849	\$ 4,123,391	\$ 6,006,682	\$ 3,798,018	\$ (8,048,398)	\$ 7,809,542

- (a) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 11.625% senior subordinated notes, our 6.625% senior notes and our Credit Agreement, a substantial majority of warehouse receivables funded under the JP Morgan Master Repurchase Agreement, BofA, Capital One, TD Bank, JP Morgan and Fannie Mae ASAP lines of credit are pledged to JP Morgan, BofA, Capital One, TD Bank and Fannie Mae, and accordingly, are not included as collateral for these notes or our other outstanding debt.

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**FOR THE THREE MONTHS ENDED JUNE 30, 2013**

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 1,040,813	\$ 701,201	\$	\$ 1,742,014
Costs and expenses:						
Cost of services			643,051	375,776		1,018,827
Operating, administrative and other	9,711	1,703	243,801	244,243		499,458
Depreciation and amortization			24,831	18,770		43,601
Total costs and expenses	9,711	1,703	911,683	638,789		1,561,886
Gain on disposition of real estate			7,473	23		7,496
Operating (loss) income	(9,711)	(1,703)	136,603	62,435		187,624
Equity income (loss) from unconsolidated subsidiaries			8,094	(1,550)		6,544
Other income (loss)			1,971	(438)		1,533
Interest income		32,981	514	973	(32,978)	1,490
Interest expense		34,661	28,159	7,690	(32,978)	37,532
Write-off of financing costs		42,715				42,715
Royalty and management service (income) expense			(11,348)	11,348		
Income from consolidated subsidiaries	75,994	104,909	19,964		(200,867)	
Income from continuing operations before (benefit of) provision for income taxes	66,283	58,811	150,335	42,382	(200,867)	116,944
(Benefit of) provision for income taxes	(3,619)	(17,183)	45,426	21,191		45,815
Income from continuing operations	69,902	75,994	104,909	21,191	(200,867)	71,129
Income from discontinued operations, net of income taxes				3,105		3,105
Net income	69,902	75,994	104,909	24,296	(200,867)	74,234
Less: Net income attributable to non-controlling interests				4,332		4,332
Net income attributable to CBRE Group, Inc.	\$ 69,902	\$ 75,994	\$ 104,909	\$ 19,964	\$ (200,867)	\$ 69,902

Table of Contents

CBRE GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**FOR THE THREE MONTHS ENDED JUNE 30, 2012**

(Dollars in thousands)

	Parent	CBRE	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Elimination	Consolidated Total
Revenue	\$	\$	\$ 925,624	\$ 675,493	\$	\$ 1,601,117
Costs and expenses:						
Cost of services			566,485	341,658		908,143
Operating, administrative and other	10,293	1,369	219,341	251,374		482,377
Depreciation and amortization			19,579	18,757		38,336
Total costs and expenses	10,293	1,369	805,405	611,789		1,428,856
Gain on disposition of real estate				439		439
Operating (loss) income	(10,293)	(1,369)	120,219	64,143		172,700
Equity income (loss) from unconsolidated subsidiaries			3,161	(552)		2,609
Other income (loss)			997	(3,101)		(2,104)
Interest income		23,585	726	1,384	(24,110)	1,585
Interest expense		35,943	22,797	9,781	(24,110)	44,411
Royalty and management service (income) expense			(8,551)	8,551		
Income from consolidated subsidiaries	82,334	90,950	25,695		(198,979)	