

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2017

OR

**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**

**CBRE GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**400 South Hope Street, 25th Floor  
Los Angeles, California**

(Address of principal executive offices)

**(213) 613-3333**

(Registrant's telephone number, including area code)

**94-3391143**

(I.R.S. Employer  
Identification Number)

**90071**  
(Zip Code)

**Not applicable**  
(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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, 2017 was 337,874,535.

FORM 10-Q

March 31, 2017

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2017 (Unaudited)	December 31, 2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 533,281	\$ 762,576
Restricted cash	59,046	68,836
Receivables, less allowance for doubtful accounts of \$40,286 and \$39,469 at March 31, 2017 and December 31, 2016, respectively	2,499,115	2,605,602
Warehouse receivables	685,133	1,276,047
Income taxes receivable	55,438	45,626
Prepaid expenses	212,336	184,107
Other current assets	201,111	179,656
Total Current Assets	4,245,460	5,122,450
Property and equipment, net	551,633	560,756
Goodwill	3,019,585	2,981,392
Other intangible assets, net of accumulated amortization of \$825,419 and \$771,673 at March 31, 2017 and December 31, 2016, respectively	1,403,262	1,411,039
Investments in unconsolidated subsidiaries	242,486	232,238
Deferred tax assets, net	94,653	105,324
Other assets, net	370,033	366,388
Total Assets	<u>\$ 9,927,112</u>	<u>\$ 10,779,587</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,320,584	\$ 1,446,438
Compensation and employee benefits payable	719,967	772,922
Accrued bonus and profit sharing	467,717	890,321
Income taxes payable	109,894	58,351
Short-term borrowings:		
Warehouse lines of credit (which fund loans that U.S. Government Sponsored Entities have committed to purchase)	671,453	1,254,653
Revolving credit facility	120,000	-
Other	16	16
Total short-term borrowings	791,469	1,254,669
Current maturities of long-term debt	12	11
Other current liabilities	63,537	102,717
Total Current Liabilities	3,473,180	4,525,429
Long-term debt, net of current maturities	2,549,258	2,548,126
Deferred tax liabilities, net	78,142	70,719
Non-current tax liabilities	40,770	54,042
Other liabilities	527,523	524,026
Total Liabilities	6,668,873	7,722,342
Commitments and contingencies	—	—
Equity:		
CBRE Group, Inc. Stockholders' Equity:		
Class A common stock; \$0.01 par value; 525,000,000 shares authorized; 337,874,535 and 337,279,449 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	3,379	3,373
Additional paid-in capital	1,159,294	1,145,226
Accumulated earnings	2,786,503	2,656,906
Accumulated other comprehensive loss	(737,231)	(791,018)
Total CBRE Group, Inc. Stockholders' Equity	3,211,945	3,014,487
Non-controlling interests	46,294	42,758
Total Equity	3,258,239	3,057,245
Total Liabilities and Equity	<u>\$ 9,927,112</u>	<u>\$ 10,779,587</u>

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

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

	Three Months Ended March 31,	
	2017	2016
Revenue	\$ 2,981,204	\$ 2,846,734
Costs and expenses:		
Cost of services	2,087,079	2,013,613
Operating, administrative and other	606,231	643,366
Depreciation and amortization	94,037	86,994
Total costs and expenses	2,787,347	2,743,973
Gain on disposition of real estate	1,385	4,819
Operating income	195,242	107,580
Equity income from unconsolidated subsidiaries	15,018	57,301
Other income	4,115	3,215
Interest income	2,411	1,459
Interest expense	34,010	34,790
Income before provision for income taxes	182,776	134,765
Provision for income taxes	51,273	50,125
Net income	131,503	84,640
Less: Net income attributable to non-controlling interests	1,906	2,473
Net income attributable to CBRE Group, Inc.	\$ 129,597	\$ 82,167
Basic income per share:		
Net income per share attributable to CBRE Group, Inc.	\$ 0.38	\$ 0.25
Weighted average shares outstanding for basic income per share	336,907,836	333,992,935
Diluted income per share:		
Net income per share attributable to CBRE Group, Inc.	\$ 0.38	\$ 0.24
Weighted average shares outstanding for diluted income per share	339,690,579	337,506,232

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

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

	Three Months Ended	
	March 31,	
	2017	2016
Net income	\$ 131,503	\$ 84,640
Other comprehensive income:		
Foreign currency translation gain	51,089	16,594
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	1,508	1,743
Unrealized gains (losses) on interest rate swaps, net of tax	294	(2,909 )
Unrealized holding gains (losses) on available for sale securities, net of tax	923	(929 )
Other, net	(6 )	(57 )
Total other comprehensive income	53,808	14,442
Comprehensive income	185,311	99,082
Less: Comprehensive income attributable to non-controlling interests	1,927	2,595
Comprehensive income attributable to CBRE Group, Inc.	\$ 183,384	\$ 96,487

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

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

	Three Months Ended March 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 131,503	\$ 84,640
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	94,037	86,994
Amortization of financing costs	2,439	2,648
Gain on sale of loans, servicing rights and other assets	(37,939)	(29,010)
Net realized and unrealized gain from investments	(4,115)	(3,215)
Equity income from unconsolidated subsidiaries	(15,018)	(57,301)
(Recovery of) provision for doubtful accounts	(928)	3,420
Compensation expense for equity awards	15,411	12,594
Distribution of earnings from unconsolidated subsidiaries	3,206	11,017
Tenant concessions received	3,776	1,755
Purchase of trading securities	(22,986)	(20,815)
Proceeds from sale of trading securities	15,270	22,688
Decrease in receivables	146,191	145,976
Increase in prepaid expenses and other assets	(50,164)	(29,731)
Decrease in accounts payable and accrued expenses	(133,231)	(148,316)
Decrease in compensation and employee benefits payable and accrued bonus and profit sharing	(491,251)	(385,314)
Decrease (increase) in income taxes receivable/payable	13,193	(34,159)
(Decrease) increase in other liabilities	(7,876)	8,195
Other operating activities, net	(3,548)	(706)
Net cash used in operating activities	<u>(342,030)</u>	<u>(328,640)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(23,735)	(33,468)
Acquisition of businesses (other than Global Workplace Solutions (GWS)), including net assets acquired, intangibles and goodwill	(21,204)	(3,298)
Acquisition of GWS, including net assets acquired, intangibles and goodwill	-	(21,900)
Contributions to unconsolidated subsidiaries	(14,567)	(10,923)
Distributions from unconsolidated subsidiaries	15,995	55,571
Proceeds from the sale of servicing rights and other assets	11,365	5,603
Decrease in restricted cash	10,463	9,771
Purchase of available for sale securities	(7,289)	(7,716)
Proceeds from the sale of available for sale securities	7,220	9,969
Other investing activities, net	1,227	(2,303)
Net cash (used in) provided by investing activities	<u>(20,525)</u>	<u>1,306</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of senior term loans	-	(5,625)
Proceeds from revolving credit facility	266,000	565,000
Repayment of revolving credit facility	(146,000)	(285,000)
Repayment of notes payable on real estate held for investment	(435)	-
Proceeds from notes payable on real estate held for sale and under development	1,711	12,427
Repayment of notes payable on real estate held for sale and under development	(2,744)	(4,102)
Units repurchased for payment of taxes on equity awards	(1,900)	(4,252)
Non-controlling interest contributions	1,574	27
Non-controlling interest distributions	(744)	(1,138)
Payment of financing costs	-	(4,787)
Other financing activities, net	308	(236)
Net cash provided by financing activities	<u>117,770</u>	<u>272,314</u>
Effect of currency exchange rate changes on cash and cash equivalents	15,490	3,846
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(229,295)</u>	<u>(51,174)</u>
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	<u>762,576</u>	<u>540,403</u>
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<u>\$ 533,281</u>	<u>\$ 489,229</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 52,027	\$ 54,205
Income taxes, net	<u>\$ 37,333</u>	<u>\$ 82,978</u>

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

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

	CBRE Group, Inc. Shareholders					Non- controlling interests	Total
	Class A common stock	Additional paid-in capital	Accumulated earnings	Accumulated other comprehensive loss			
Balance at December 31, 2016	\$ 3,373	\$ 1,145,226	\$ 2,656,906	\$ (791,018)	\$ 42,758	\$ 3,057,245	
Net income	—	—	129,597	—	1,906	131,503	
Compensation expense for equity awards	—	15,411	—	—	—	15,411	
Units repurchased for payment of taxes on equity awards	—	(1,900)	—	—	—	(1,900)	
Foreign currency translation gain	—	—	—	51,068	21	51,089	
Amounts reclassified from accumulated other comprehensive loss to interest expense, net of tax	—	—	—	1,508	—	1,508	
Unrealized gains on interest rate swaps, net of tax	—	—	—	294	—	294	
Unrealized holding gains on available for sale securities, net of tax	—	—	—	923	—	923	
Contributions from non-controlling interests	—	—	—	—	1,574	1,574	
Distributions to non-controlling interests	—	—	—	—	(744)	(744)	
Other	6	557	—	(6)	779	1,336	
Balance at March 31, 2017	<u>\$ 3,379</u>	<u>\$ 1,159,294</u>	<u>\$ 2,786,503</u>	<u>\$ (737,231)</u>	<u>\$ 46,294</u>	<u>\$ 3,258,239</u>	

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

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation**

Readers of this Quarterly Report on Form 10-Q (Quarterly Report) should refer to the audited financial statements and notes to 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”), for the year ended December 31, 2016, which are included in our 2016 Annual Report on Form 10-K (2016 Annual Report), filed with the United States Securities and Exchange Commission (SEC) and also available on our website ([www.cbre.com](http://www.cbre.com)), since we have omitted from this Quarterly Report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to Note 2, Significant Accounting Policies, in the notes to consolidated financial statements in our 2016 Annual Report for further discussion of our significant accounting policies and estimates.

The accompanying consolidated financial statements 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 our opinion, 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 us 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 our best judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including consideration of the current economic environment, and adjust 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.

The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2017.

**2. New Accounting Pronouncements**

***Recently Adopted Accounting Pronouncements***

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-05, “*Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships.*” This ASU clarifies that a change in one of the parties to a derivative contract (through novation) that is part of a hedge accounting relationship does not, by itself, require designation of that relationship, as long as all other hedge accounting criteria continue to be met. This ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2016, with early adoption permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, “*Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting.*” This ASU eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. ASU 2016-07 should be applied prospectively upon its effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. This ASU is effective for all entities for interim and annual periods in fiscal years beginning after December 15, 2016, with early application permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.



**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

In October 2016, the FASB issued ASU 2016-17, “*Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control.*” This ASU changes the evaluation of whether a reporting entity is the primary beneficiary of a variable interest entity by changing how a reporting entity that is a single decision maker of a variable interest entity treats indirect interests in the entity held through related parties that are under common control with the reporting entity. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.

In December 2016, the FASB issued ASU 2016-19, “*Technical Corrections and Improvements.*” This ASU amends a number of Topics in the FASB Accounting Standards Codification (ASC). The ASU is part of an ongoing FASB project to facilitate Codification updates for non-substantive technical corrections, clarifications, and improvements that are not expected to have a significant effect on accounting practice or create a significant administrative cost to most entities. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption permitted. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-01, “*Business Combinations (Topic 805): Clarifying the Definition of a Business.*” This ASU clarifies the definition of a business, affecting all companies and other reporting organizations that must determine whether they have acquired or sold a business. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. We elected to early adopt the provisions of ASU 2017-01 during the first quarter of 2017. The adoption of this ASU did not have a material impact on our consolidated financial statements and related disclosures.

***Recent Accounting Pronouncements Pending Adoption***

The FASB has recently issued five ASUs related to revenue recognition (“new revenue recognition guidance”), all of which will become effective for the company on January 1, 2018. The ASUs issued are: (1) in May 2014, ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606);*” (2) in March 2016, ASU 2016-08, “*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net);*” (3) in April 2016, ASU 2016-10, “*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing;*” (4) in May 2016, ASU 2016-12, “*Revenue from Contracts with Customers (Topic 606): Narrow-scope Improvements and Practical Expedients;*” and (5) in December 2016, ASU 2016-20, “*Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers.*” ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and will replace most existing revenue recognition guidance under GAAP. This ASU permits the use of either the retrospective or cumulative effect transition method. ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. ASU 2016-10 clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in ASU 2014-09. ASU 2016-12 clarifies guidance in certain narrow areas and adds some practical expedients. ASU 2016-20 also clarifies guidance in certain narrow areas and adds optional exemptions to certain disclosure requirements.

We plan to adopt the new revenue recognition guidance in the first quarter of 2018 and are evaluating the application of a transition method. We continue to evaluate the impact that adoption of these updates will have on our consolidated financial statements and related disclosures. Based on our initial assessment, the impact of the application of the new revenue recognition guidance will likely result in an acceleration of some revenues that are based, in part, on future contingent events. For example, some brokerage revenues from leasing commissions in various countries where we operate will get recognized earlier. Under current GAAP, a portion of these commissions are deferred until a future contingency is resolved (e.g. tenant move-in or payment of first month’s rent). Under the new revenue guidance, CBRE’s performance obligation will be typically satisfied at lease signing and therefore the portion of the commission that is contingent on a future event will likely be recognized earlier if deemed not subject to significant reversal. We are currently evaluating the impact of principal versus agent guidance in relation to third-party costs which are billed to clients in association with facilities management services and the impact on our consolidated financial statements.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*” This ASU will significantly change the income statement impact of equity investments and the recognition of changes in fair value of financial liabilities when the fair value option is elected. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is not permitted, except for the provisions related to the recognition of changes in fair value of financial liabilities when the fair value option is elected. We do not believe the adoption of ASU 2016-01 will have a material impact on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842).*” This ASU requires lessees to recognize most leases on the balance sheet as liabilities, with corresponding right-of-use assets. For income statement recognition purposes, leases will be classified as either a finance or operating lease in a manner similar to the requirements under the current lease accounting literature, but without relying upon the bright-line tests. This ASU is effective for annual periods in fiscal years beginning after December 15, 2018 and mandates a modified retrospective transition method for all entities. We plan to adopt ASU 2016-02 in the first quarter of 2019 and are currently evaluating the magnitude of its impact on our consolidated financial statements by reviewing our existing lease contracts and service contracts that may include embedded leases.

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*” This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.*” This ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2016-15 will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-16, “*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.*” This ASU requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. At this point in time, we do not believe the adoption of ASU 2016-16 will have a material impact on our consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash.*” This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. We do not believe the adoption of ASU 2016-18 will have a material impact on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, “*Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*” This ASU eliminates Step 2 from the goodwill impairment test. This ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. This ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2017-04 will have on our goodwill assessment process, but do not believe the adoption of ASU 2017-04 will have a material impact on our consolidated financial statements and related disclosures.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

In February 2017, the FASB issued ASU 2017-05, “*Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.*” This ASU clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset and also defines the term in substance nonfinancial asset. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. We are evaluating the effect that ASU 2017-05 will have on our consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017-08, “*Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities.*” This ASU requires the premium to be amortized to the earliest call date. This ASU does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are evaluating the effect that ASU 2017-08 will have on our consolidated financial statements and related disclosures.

**3. Variable Interest Entities (VIEs)**

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.

As of March 31, 2017 and December 31, 2016, our maximum exposure to loss related to the VIEs which are not consolidated was as follows (dollars in thousands):

	March 31, 2017	December 31, 2016
Investments in unconsolidated subsidiaries	\$ 31,651	\$ 31,041
Other current assets	3,403	3,314
Co-investment commitments	164	168
Maximum exposure to loss	<u>\$ 35,218</u>	<u>\$ 34,523</u>

**4. Fair Value Measurements**

The “*Fair Value Measurements and Disclosures*” topic (Topic 820) of the FASB ASC 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.

There were no significant transfers in or out of Level 1 and Level 2 during the three months ended March 31, 2017 and 2016. There have been no significant changes to the valuation techniques and inputs used to develop the recurring fair value measurements from those disclosed in our 2016 Annual Report.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

The following tables present the fair value of assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016 (dollars in thousands):

	As of March 31, 2017			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available for sale securities:				
Debt securities:				
U.S. treasury securities	\$ 8,973	\$ —	\$ —	\$ 8,973
Debt securities issued by U.S. federal agencies	—	4,830	—	4,830
Corporate debt securities	—	17,407	—	17,407
Asset-backed securities	—	1,842	—	1,842
Collateralized mortgage obligations	—	983	—	983
Total debt securities	8,973	25,062	—	34,035
Equity securities	24,540	—	—	24,540
Total available for sale securities	33,513	25,062	—	58,575
Trading securities	64,423	—	—	64,423
Warehouse receivables	—	685,133	—	685,133
Foreign currency exchange forward contracts	—	1,352	—	1,352
Total assets at fair value	<u>\$ 97,936</u>	<u>\$ 711,547</u>	<u>\$ —</u>	<u>\$ 809,483</u>
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ 10,341	\$ —	\$ 10,341
Securities sold, not yet purchased	4,111	—	—	4,111
Total liabilities at fair value	<u>\$ 4,111</u>	<u>\$ 10,341</u>	<u>\$ —</u>	<u>\$ 14,452</u>

	As of December 31, 2016			
	Fair Value Measured and Recorded Using			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available for sale securities:				
Debt securities:				
U.S. treasury securities	\$ 8,485	\$ —	\$ —	\$ 8,485
Debt securities issued by U.S. federal agencies	—	5,046	—	5,046
Corporate debt securities	—	17,094	—	17,094
Asset-backed securities	—	2,695	—	2,695
Collateralized mortgage obligations	—	1,010	—	1,010
Total debt securities	8,485	25,845	—	34,330
Equity securities	22,744	—	—	22,744
Total available for sale securities	31,229	25,845	—	57,074
Trading securities	52,629	—	—	52,629
Warehouse receivables	—	1,276,047	—	1,276,047
Foreign currency exchange forward contracts	—	1,471	—	1,471
Total assets at fair value	<u>\$ 83,858</u>	<u>\$ 1,303,363</u>	<u>\$ —</u>	<u>\$ 1,387,221</u>
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ 13,162	\$ —	\$ 13,162
Securities sold, not yet purchased	3,591	—	—	3,591
Total liabilities at fair value	<u>\$ 3,591</u>	<u>\$ 13,162</u>	<u>\$ —</u>	<u>\$ 16,753</u>

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 2017 and 2016

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.
- *Foreign Currency Exchange Forward Contracts*– These assets and 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.
- *Securities Sold, not yet Purchased* – These liabilities are carried at their fair value.
- *Short-Term Borrowings*– The majority of this balance represents outstanding amounts under our warehouse lines of credit of our wholly-owned subsidiary, CBRE Capital Markets, Inc. (CBRE Capital Markets), and our revolving credit facility. Due to the short-term nature and variable interest rates of these instruments, fair value approximates carrying value (see Note 6).
- *Senior 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 term loans was approximately \$751.4 million at both March 31, 2017 and December 31, 2016. Their actual carrying value, net of unamortized debt issuance costs, totaled \$744.9 million and \$744.3 million at March 31, 2017 and December 31, 2016, respectively (see Note 6).
- *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.
- *Senior Notes* – Based on dealers’ quotes (which falls within Level 2 of the fair value hierarchy), the estimated fair values of our 5.00% senior notes, 4.875% senior notes and 5.25% senior notes were \$835.5 million, \$626.8 million and \$452.5 million, respectively, at March 31, 2017 and \$827.6 million, \$607.0 million and \$439.3 million, respectively, at December 31, 2016. The actual carrying value of our 5.00% senior notes, 4.875% senior notes and 5.25% senior notes, net of unamortized debt issuance costs, totaled \$790.7 million, \$591.4 million and \$422.2 million, respectively, at March 31, 2017 and \$790.4 million, \$591.2 million and \$422.2 million, respectively, at December 31, 2016.

**5. Investments in Unconsolidated Subsidiaries**

Investments in unconsolidated subsidiaries are accounted for under the equity method of accounting. Our investment ownership percentages in equity method investments vary, generally ranging up to 5.0% in our Global Investment Management segment, up to 10.0% in our Development Services segment, and up to 50.0% in our other business segments.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

Combined condensed financial information for the entities actually accounted for using the equity method is as follows (dollars in thousands):

	Three Months Ended	
	March 31,	
	2017	2016
<b>Global Investment Management</b>		
Revenue	\$ 267,151	\$ 232,603
Operating income	\$ 15,478	\$ 623
Net income (loss)	\$ 4,090	\$ (21,875)
<b>Development Services</b>		
Revenue	\$ 21,526	\$ 12,658
Operating income	\$ 20,561	\$ 120,910
Net income	\$ 16,097	\$ 118,461
<b>Other</b>		
Revenue	\$ 25,858	\$ 28,251
Operating income	\$ 2,179	\$ 6,182
Net income	\$ 2,148	\$ 6,194
<b>Total</b>		
Revenue	\$ 314,535	\$ 273,512
Operating income	\$ 38,218	\$ 127,715
Net income	\$ 22,335	\$ 102,780

**6. Long-Term Debt and Short-Term Borrowings**

*Long-Term Debt*

Long-term debt consists of the following (dollars in thousands):

	March 31, 2017	December 31, 2016
Senior term loans, with interest ranging from 1.77% to 2.38%, due quarterly through 2022	\$ 751,875	\$ 751,875
5.00% senior notes due in 2023	800,000	800,000
4.875% senior notes due in 2026, net of unamortized discount	596,001	595,912
5.25% senior notes due in 2025, net of unamortized premium	426,454	426,500
Other	14	14
Total long-term debt	2,574,344	2,574,301
Less: current maturities of long-term debt	(12)	(11)
Less: unamortized debt issuance costs	(25,074)	(26,164)
Total long-term debt, net of current maturities	<u>\$ 2,549,258</u>	<u>\$ 2,548,126</u>

On January 9, 2015, CBRE Services, Inc. (CBRE Services), our wholly-owned subsidiary, entered into an amended and restated credit agreement (2015 Credit Agreement) with a syndicate of banks jointly led by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Credit Suisse AG. On March 21, 2016, CBRE Services executed an amendment to the 2015 Credit Agreement that, among other things, extended the maturity on the revolving credit facility to March 2021 and increased the borrowing capacity under the revolving credit facility by \$200.0 million.

Our 2015 Credit Agreement is an unsecured credit facility that is jointly and severally guaranteed by us and substantially all of our material domestic subsidiaries. As of March 31, 2017, the 2015 Credit Agreement provided

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

for the following: (1) a \$2.8 billion revolving credit facility, which includes the capacity to obtain letters of credit and swingline loans and matures on March 21, 2021; (2) a \$500.0 million tranche A term loan facility requiring quarterly principal payments, which began on June 30, 2015 and continue through maturity on January 9, 2020; (3) a \$270.0 million tranche B-1 term loan facility requiring quarterly principal payments, which began on December 31, 2015 and continue through maturity on September 3, 2020; and (4) a \$130.0 million tranche B-2 term loan facility requiring quarterly principal payments, which began on December 31, 2015 and continue through maturity on September 3, 2022.

Our 2015 Credit Agreement contains 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 2015 Credit Agreement also requires us to maintain a minimum coverage ratio of EBITDA (as defined in the 2015 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 2015 Credit Agreement) of 4.25x as of the end of each fiscal quarter. On this basis, our coverage ratio of EBITDA to total interest expense was 13.08x for the trailing twelve months ended March 31, 2017, and our leverage ratio of total debt less available cash to EBITDA was 1.35x as of March 31, 2017.

The indentures governing our 5.00% senior notes, 4.875% senior notes and 5.25% senior notes contain restrictive covenants that, among other things, limit our ability to create or permit liens on assets securing indebtedness, entering into sale/leaseback transactions and entering into consolidations or mergers.

***Short-Term Borrowings***

*Revolving Credit Facility*

As of March 31, 2017, we had \$120.0 million of revolving credit facility principal outstanding under our 2015 Credit Agreement with a weighted average annual interest rate of 4.0% and which was included in short-term borrowings in the accompanying consolidated balance sheets. As of March 31, 2017, letters of credit totaling \$2.0 million were outstanding under our revolving credit facility. These letters of credit, which reduce the amount we may borrow under our revolving credit facility, were primarily issued in the ordinary course of business. As of December 31, 2016, no amounts were outstanding under our revolving credit facility other than letters of credit totaling \$2.0 million.

*Warehouse Lines of Credit*

CBRE Capital Markets has warehouse lines of credit with third-party lenders for the purpose of funding mortgage loans that will be resold, and a funding arrangement with Federal National Mortgage Association (Fannie Mae) for the purpose of selling a percentage of certain closed multifamily loans to Fannie Mae. These warehouse lines are recourse only to CBRE Capital Markets and are secured by our related warehouse receivables.

During the three months ended March 31, 2017, we had a maximum of \$1.3 billion of warehouse lines of credit principal outstanding. As of March 31, 2017 and December 31, 2016, we had \$671.5 million and \$1.3 billion, respectively, of warehouse lines of credit principal outstanding, which are included in short-term borrowings in the accompanying consolidated balance sheets. Additionally, we had \$685.1 million and \$1.3 billion of mortgage loans held for sale (warehouse receivables) as of March 31, 2017 and December 31, 2016, respectively, included in the accompanying consolidated balance sheets, which substantially represented mortgage loans funded through the lines of credit that were either under commitment to be purchased by Federal Home Loan Mortgage Corporation (Freddie Mac) or had confirmed forward trade commitments for the issuance and purchase of Fannie Mae or Government National Mortgage Association (Ginnie Mae) mortgage backed securities that will be secured by the underlying loans.

**7. 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. We believe that any losses in excess of the amounts accrued therefor as liabilities on our financial

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

statements are unlikely to be significant, but 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 materially in excess of what we anticipated.

In January 2008, CBRE Multifamily Capital, Inc. (CBRE MCI), a wholly-owned subsidiary of CBRE Capital Markets, entered into an agreement with 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 \$17.4 billion at March 31, 2017. CBRE MCI, under its agreement with Fannie Mae, must post cash reserves or other acceptable collateral under formulas established by Fannie Mae to provide for sufficient capital in the event losses occur. As of March 31, 2017 and December 31, 2016, CBRE MCI had a \$48.0 million and a \$45.0 million, respectively, letter of credit under this reserve arrangement, and had provided approximately \$29.6 million and \$28.2 million, respectively, of loan loss accruals. Fannie Mae's recourse under the DUS Program is limited to the assets of CBRE MCI, which assets totaled approximately \$552.9 million (including \$334.6 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 March 31, 2017.

CBRE Capital Markets participates in Freddie Mac's Multifamily Small Balance Loan (SBL) Program. Under the SBL program, CBRE Capital Markets has certain repurchase and loss reimbursement obligations. These obligations are for the period from origination of the loan to the securitization date. CBRE Capital Markets must post a cash reserve or other acceptable collateral to provide for sufficient capital in the event the obligations are triggered. As of March 31, 2017, CBRE Capital Markets had posted a \$5.0 million letter of credit under this reserve arrangement.

We had outstanding letters of credit totaling \$59.0 million as of March 31, 2017, 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. CBRE MCI's letters of credit totaling \$53.0 million as of March 31, 2017 referred to in the preceding paragraphs represented the majority of the \$59.0 million outstanding letters of credit as of such date. The remaining letters of credit are primarily executed by us in the ordinary course of business and expire at varying dates through April 2018.

We had guarantees totaling \$56.2 million as of March 31, 2017, 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 excluding guarantees related to operating leases. The \$56.2 million primarily represents guarantees executed by us in the ordinary course of business, including various guarantees of management and vendor contracts in our operations overseas, which expire at the end of each of the respective agreements.

In addition, as of March 31, 2017, we had issued numerous non-recourse carveout, completion and budget guarantees relating to development projects for the benefit of third parties. These guarantees are commonplace in our industry and are made by us in the ordinary course of our Development Services business. Non-recourse carveout guarantees generally require that our project-entity borrower not commit specified improper acts, with us potentially liable for all or a portion of such entity's indebtedness or other damages suffered by the lender if those acts occur. Completion and budget guarantees generally require 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 use "guaranteed maximum price" contracts with reputable, bondable 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.



**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

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 generally total up to 2.0% of the equity in a particular fund. As of March 31, 2017, we had aggregate commitments of \$24.2 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, 2017, we had committed to fund \$23.4 million of additional capital to these unconsolidated subsidiaries.

**8. Income Per Share Information**

The calculations of basic and diluted income per share attributable to CBRE Group, Inc. shareholders are as follows (dollars in thousands, except share data):

	Three Months Ended	
	March 31,	
	2017	2016
<b>Basic Income Per Share</b>		
Net income attributable to CBRE Group, Inc. shareholders	\$ 129,597	\$ 82,167
Weighted average shares outstanding for basic income per share	336,907,836	333,992,935
Basic income per share attributable to CBRE Group, Inc. shareholders	<u>\$ 0.38</u>	<u>\$ 0.25</u>
<b>Diluted Income Per Share</b>		
Net income attributable to CBRE Group, Inc. shareholders	\$ 129,597	\$ 82,167
Weighted average shares outstanding for basic income per share	336,907,836	333,992,935
Dilutive effect of contingently issuable shares	2,774,785	3,469,041
Dilutive effect of stock options	<u>7,958</u>	<u>44,256</u>
Weighted average shares outstanding for diluted income per share	<u>339,690,579</u>	<u>337,506,232</u>
Diluted income per share attributable to CBRE Group, Inc. shareholders	<u>\$ 0.38</u>	<u>\$ 0.24</u>

For the three months ended March 31, 2017 and 2016, 1,170,967 and 1,562,323, respectively, of contingently issuable shares were excluded from the computation of diluted income per share because their inclusion would have had an anti-dilutive effect.

**9. Segments**

We report our operations through the following segments: (1) Americas; (2) Europe, Middle East and Africa (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: property sales, property leasing, mortgage services, appraisal and valuation, property management and occupier outsourcing services.

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

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

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 Pacific.

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	
	March 31,	
	2017	2016 (1)
<b>Revenue</b>		
Americas	\$ 1,692,646	\$ 1,587,875
EMEA	844,188	840,347
Asia Pacific	341,145	311,359
Global Investment Management	89,566	90,380
Development Services	13,659	16,773
Total revenue	<u>\$ 2,981,204</u>	<u>\$ 2,846,734</u>
<b>Adjusted EBITDA</b>		
Americas	\$ 220,400	\$ 187,214
EMEA	33,864	27,811
Asia Pacific	20,281	12,868
Global Investment Management	25,859	22,915
Development Services	2,804	31,875
Total Adjusted EBITDA	<u>\$ 303,208</u>	<u>\$ 282,683</u>

- (1) In 2017, we changed the presentation of the operating results of one of our emerging businesses among our regional services reporting segments. Prior year amounts have been reclassified to conform with the current-year presentation. This change had no impact on our consolidated results.

Adjusted EBITDA is the measure reported to the chief operating decision maker for purposes of making decisions about allocating resources to each segment and assessing performance of each segment. EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. Amounts shown for adjusted EBITDA further remove (from EBITDA) the impact of certain cash and non-cash charges related to acquisitions, cost-elimination expenses and certain carried interest incentive compensation (reversal) expense to align with the timing of associated revenue.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

Adjusted EBITDA is calculated as follows (dollars in thousands):

	Three Months Ended	
	March 31,	
	2017	2016 (1)
Net income attributable to CBRE Group, Inc.	\$ 129,597	\$ 82,167
Add:		
Depreciation and amortization	94,037	86,994
Interest expense	34,010	34,790
Provision for income taxes	51,273	50,125
Less:		
Interest income	2,411	1,459
EBITDA	306,506	252,617
Adjustments:		
Integration and other costs related to acquisitions	11,943	17,173
Cost-elimination expenses (2)	-	12,403
Carried interest incentive compensation (reversal) expense to align with the timing of associated revenue	(15,241)	490
Adjusted EBITDA	\$ 303,208	\$ 282,683

- (1) In 2017, we changed the presentation of the operating results of one of our emerging businesses among our regional services reporting segments. Prior year amounts have been reclassified to conform with the current-year presentation. This change had no impact on our consolidated results.
- (2) Represents cost-elimination expenses relating to a program initiated in the fourth quarter of 2015 and completed in the third quarter of 2016 (our cost-elimination project) to reduce the company's global cost structure after several years of significant revenue and related cost growth. Cost-elimination expenses incurred during the three months ended March 31, 2016 consisted of \$11.8 million of severance costs related to headcount reductions in connection with the program and \$0.6 million of third-party contract termination costs.

**10. Guarantor and Nonguarantor Financial Statements**

The following condensed consolidating financial information includes condensed consolidating balance sheets as of March 31, 2017 and December 31, 2016 and condensed consolidating statements of operations, condensed consolidating statements of comprehensive income and condensed consolidating statements of cash flows for the three months ended March 31, 2017 and 2016 of:

- CBRE Group, Inc., as the parent; CBRE Services, as the subsidiary issuer; the guarantor subsidiaries; the nonguarantor subsidiaries;
- Elimination entries necessary to consolidate CBRE Group, Inc., as the parent, with CBRE Services and its guarantor and nonguarantor subsidiaries; and
- CBRE Group, Inc., on a consolidated basis.

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

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF MARCH 31, 2017**  
**(Dollars in thousands)**

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 7	\$ 8,678	\$ 40,252	\$ 484,344	\$ —	\$ 533,281
Restricted cash	—	—	4,968	54,078	—	59,046
Receivables, net	—	—	996,102	1,503,013	—	2,499,115
Warehouse receivables (1)	—	—	350,501	334,632	—	685,133
Income taxes receivable	—	1,375	11,630	43,808	(1,375)	55,438
Prepaid expenses	—	—	84,874	127,462	—	212,336
Other current assets	—	1,302	73,776	126,033	—	201,111
Total Current Assets	7	11,355	1,562,103	2,673,370	(1,375)	4,245,460
Property and equipment, net	—	—	384,136	167,497	—	551,633
Goodwill	—	—	1,682,177	1,337,408	—	3,019,585
Other intangible assets, net	—	—	778,857	624,405	—	1,403,262
Investments in unconsolidated subsidiaries	—	—	196,497	45,989	—	242,486
Investments in consolidated subsidiaries	4,427,377	4,429,140	2,421,387	—	(11,277,904)	—
Intercompany loan receivable	—	2,653,458	700,000	—	(3,353,458)	—
Deferred tax assets, net	—	—	52,861	94,653	(52,861)	94,653
Other assets, net	—	20,921	243,284	105,828	—	370,033
Total Assets	<u>\$ 4,427,384</u>	<u>\$ 7,114,874</u>	<u>\$ 8,021,302</u>	<u>\$ 5,049,150</u>	<u>\$ (14,685,598)</u>	<u>\$ 9,927,112</u>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities:</b>						
Accounts payable and accrued expenses	\$ —	\$ 7,275	\$ 381,816	\$ 931,493	\$ —	\$ 1,320,584
Compensation and employee benefits payable	—	626	345,922	373,419	—	719,967
Accrued bonus and profit sharing	—	—	210,041	257,676	—	467,717
Income taxes payable	109	—	79,086	32,074	(1,375)	109,894
Short-term borrowings:						
Warehouse lines of credit (which fund loans that U.S. Government Sponsored Entities have committed to purchase) (1)	—	—	344,831	326,622	—	671,453
Revolving credit facility	—	120,000	—	—	—	120,000
Other	—	—	16	—	—	16
Total short-term borrowings	—	120,000	344,847	326,622	—	791,469
Current maturities of long-term debt	—	—	—	12	—	12
Other current liabilities	—	1,833	41,942	19,762	—	63,537
Total Current Liabilities	109	129,734	1,403,654	1,941,058	(1,375)	3,473,180
Long-Term Debt, net:						
Long-term debt, net	—	2,549,256	—	2	—	2,549,258
Intercompany loan payable	1,215,330	—	1,886,440	251,688	(3,353,458)	—
Total Long-Term Debt, net	1,215,330	2,549,256	1,886,440	251,690	(3,353,458)	2,549,258
Deferred tax liabilities, net	—	—	—	131,003	(52,861)	78,142
Non-current tax liabilities	—	—	38,673	2,097	—	40,770
Other liabilities	—	8,507	263,395	255,621	—	527,523
Total Liabilities	1,215,439	2,687,497	3,592,162	2,581,469	(3,407,694)	6,668,873
Commitments and contingencies	—	—	—	—	—	—
Equity:						
CBRE Group, Inc. Stockholders' Equity	3,211,945	4,427,377	4,429,140	2,421,387	(11,277,904)	3,211,945
Non-controlling interests	—	—	—	46,294	—	46,294
Total Equity	3,211,945	4,427,377	4,429,140	2,467,681	(11,277,904)	3,258,239
Total Liabilities and Equity	<u>\$ 4,427,384</u>	<u>\$ 7,114,874</u>	<u>\$ 8,021,302</u>	<u>\$ 5,049,150</u>	<u>\$ (14,685,598)</u>	<u>\$ 9,927,112</u>

(1) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 5.00% senior notes, 4.875% senior notes, 5.25% senior notes and our 2015 Credit Agreement, a substantial majority of warehouse receivables funded under JP Morgan Chase Bank, N.A. (JP Morgan), Bank of America (BoFA), TD Bank, N.A. (TD Bank), Fannie Mae ASAP and Capital One, N.A. (Capital One) lines of credit are pledged to JP Morgan, BofA, TD Bank, Fannie Mae and Capital One.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 31, 2016**  
**(Dollars in thousands)**

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 7	\$ 16,889	\$ 264,121	\$ 481,559	\$ —	\$ 762,576
Restricted cash	—	—	6,967	61,869	—	68,836
Receivables, net	—	—	943,028	1,662,574	—	2,605,602
Warehouse receivables (1)	—	—	687,454	588,593	—	1,276,047
Income taxes receivable	1,915	17,364	8,170	37,456	(19,279)	45,626
Prepaid expenses	—	—	78,296	105,811	—	184,107
Other current assets	—	1,421	64,576	113,659	—	179,656
Total Current Assets	<u>1,922</u>	<u>35,674</u>	<u>2,052,612</u>	<u>3,051,521</u>	<u>(19,279)</u>	<u>5,122,450</u>
Property and equipment, net	—	—	395,749	165,007	—	560,756
Goodwill	—	—	1,669,683	1,311,709	—	2,981,392
Other intangible assets, net	—	—	793,525	617,514	—	1,411,039
Investments in unconsolidated subsidiaries	—	—	189,455	42,783	—	232,238
Investments in consolidated subsidiaries	4,226,629	4,076,265	2,314,549	—	(10,617,443)	—
Intercompany loan receivable	—	2,684,421	700,000	—	(3,384,421)	—
Deferred tax assets, net	—	—	72,325	90,334	(57,335)	105,324
Other assets, net	—	22,229	240,707	103,452	—	366,388
Total Assets	<u>\$ 4,228,551</u>	<u>\$ 6,818,589</u>	<u>\$ 8,428,605</u>	<u>\$ 5,382,320</u>	<u>\$ (14,078,478)</u>	<u>\$ 10,779,587</u>
<b>LIABILITIES AND EQUITY</b>						
Current Liabilities:						
Accounts payable and accrued expenses	\$ —	\$ 30,049	\$ 409,470	\$ 1,006,919	\$ —	\$ 1,446,438
Compensation and employee benefits payable	—	626	402,719	369,577	—	772,922
Accrued bonus and profit sharing	—	—	506,715	383,606	—	890,321
Income taxes payable	—	—	40,946	36,684	(19,279)	58,351
Short-term borrowings:	—	—	—	—	—	—
Warehouse lines of credit (which fund loans that U.S. Government Sponsored Entities have committed to purchase) (1)	—	—	680,473	574,180	—	1,254,653
Other	—	—	16	—	—	16
Total short-term borrowings	—	—	680,489	574,180	—	1,254,669
Current maturities of long-term debt	—	—	—	11	—	11
Other current liabilities	—	—	81,590	21,127	—	102,717
Total Current Liabilities	—	30,675	2,121,929	2,392,104	(19,279)	4,525,429
Long-Term Debt, net:	—	—	—	—	—	—
Long-term debt, net	—	2,548,123	—	3	—	2,548,126
Intercompany loan payable	1,214,064	—	1,916,675	253,682	(3,384,421)	—
Total Long-Term Debt, net	1,214,064	2,548,123	1,916,675	253,685	(3,384,421)	2,548,126
Deferred tax liabilities, net	—	—	—	128,054	(57,335)	70,719
Non-current tax liabilities	—	—	53,422	620	—	54,042
Other liabilities	—	13,162	260,314	250,550	—	524,026
Total Liabilities	1,214,064	2,591,960	4,352,340	3,025,013	(3,461,035)	7,722,342
Commitments and contingencies	—	—	—	—	—	—
Equity:	—	—	—	—	—	—
CBRE Group, Inc. Stockholders' Equity	3,014,487	4,226,629	4,076,265	2,314,549	(10,617,443)	3,014,487
Non-controlling interests	—	—	—	42,758	—	42,758
Total Equity	<u>3,014,487</u>	<u>4,226,629</u>	<u>4,076,265</u>	<u>2,357,307</u>	<u>(10,617,443)</u>	<u>3,057,245</u>
Total Liabilities and Equity	<u>\$ 4,228,551</u>	<u>\$ 6,818,589</u>	<u>\$ 8,428,605</u>	<u>\$ 5,382,320</u>	<u>\$ (14,078,478)</u>	<u>\$ 10,779,587</u>

- (1) Although CBRE Capital Markets is included among our domestic subsidiaries that jointly and severally guarantee our 5.00% senior notes, 4.875% senior notes, 5.25% senior notes and our 2015 Credit Agreement, a substantial majority of warehouse receivables funded under BofA, Fannie Mae ASAP, JP Morgan, Capital One and TD Bank lines of credit are pledged to BofA, Fannie Mae, JP Morgan, Capital One and TD Bank.

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017**  
(Dollars in thousands)

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Revenue	\$ —	\$ —	\$ 1,563,066	\$ 1,418,138	\$ —	\$ 2,981,204
Costs and expenses:						
Cost of services	—	—	1,070,384	1,016,695	—	2,087,079
Operating, administrative and other	(284)	349	315,756	290,410	—	606,231
Depreciation and amortization	—	—	56,730	37,307	—	94,037
Total costs and expenses	(284)	349	1,442,870	1,344,412	—	2,787,347
Gain on disposition of real estate	—	—	226	1,159	—	1,385
Operating income (loss)	284	(349)	120,422	74,885	—	195,242
Equity income from unconsolidated subsidiaries	—	—	14,370	648	—	15,018
Other income	—	—	414	3,701	—	4,115
Interest income	—	29,901	1,647	764	(29,901)	2,411
Interest expense	—	33,146	22,148	8,617	(29,901)	34,010
Royalty and management service (income) expense	—	—	(5,802)	5,802	—	—
Income from consolidated subsidiaries	129,422	131,641	41,989	—	(303,052)	—
Income before provision for (benefit of) income taxes	129,706	128,047	162,496	65,579	(303,052)	182,776
Provision for (benefit of) income taxes	109	(1,375)	30,855	21,684	—	51,273
Net income	129,597	129,422	131,641	43,895	(303,052)	131,503
Less: Net income attributable to non-controlling interests	—	—	—	1,906	—	1,906
Net income attributable to CBRE Group, Inc.	<u>\$ 129,597</u>	<u>\$ 129,422</u>	<u>\$ 131,641</u>	<u>\$ 41,989</u>	<u>\$ (303,052)</u>	<u>\$ 129,597</u>

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
(Dollars in thousands)

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Revenue	\$ —	\$ —	\$ 1,497,499	\$ 1,349,235	\$ —	\$ 2,846,734
Costs and expenses:						
Cost of services	—	—	1,024,563	989,050	—	2,013,613
Operating, administrative and other	1,426	7,524	342,870	291,546	—	643,366
Depreciation and amortization	—	—	54,731	32,263	—	86,994
Total costs and expenses	1,426	7,524	1,422,164	1,312,859	—	2,743,973
Gain on disposition of real estate	—	—	3,659	1,160	—	4,819
Operating (loss) income	(1,426)	(7,524)	78,994	37,536	—	107,580
Equity income from unconsolidated subsidiaries	—	—	56,265	1,036	—	57,301
Other (loss) income	—	—	(432)	3,647	—	3,215
Interest income	—	32,473	917	542	(32,473)	1,459
Interest expense	—	33,627	24,583	9,053	(32,473)	34,790
Royalty and management service (income) expense	—	—	(7,428)	7,428	—	—
Income from consolidated subsidiaries	83,047	88,400	3,532	—	(174,979)	—
Income before (benefit of) provision for income taxes	81,621	79,722	122,121	26,280	(174,979)	134,765
(Benefit of) provision for income taxes	(546)	(3,325)	33,721	20,275	—	50,125
Net income	82,167	83,047	88,400	6,005	(174,979)	84,640
Less: Net income attributable to non-controlling interests	—	—	—	2,473	—	2,473
Net income attributable to CBRE Group, Inc.	<u>\$ 82,167</u>	<u>\$ 83,047</u>	<u>\$ 88,400</u>	<u>\$ 3,532</u>	<u>\$ (174,979)</u>	<u>\$ 82,167</u>

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017**  
(Dollars in thousands)

	<u>Parent</u>	<u>CBRE Services</u>	<u>Guarantor Subsidiaries</u>	<u>Nonguarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Net income	\$ 129,597	\$ 129,422	\$ 131,641	\$ 43,895	\$ (303,052)	\$ 131,503
Other comprehensive (loss) income:						
Foreign currency translation gain	—	—	—	51,089	—	51,089
Amounts reclassified from accumulated other comprehensive loss to interest expense, net	—	1,508	—	—	—	1,508
Unrealized gains on interest rate swaps, net	—	294	—	—	—	294
Unrealized holding gains on available for sale securities, net	—	—	829	94	—	923
Other, net	(5)	—	(1)	—	—	(6)
Total other comprehensive (loss) income	(5)	1,802	828	51,183	—	53,808
Comprehensive income	129,592	131,224	132,469	95,078	(303,052)	185,311
Less: Comprehensive income attributable to non-controlling interests	—	—	—	1,927	—	1,927
Comprehensive income attributable to CBRE Group, Inc.	<u>\$ 129,592</u>	<u>\$ 131,224</u>	<u>\$ 132,469</u>	<u>\$ 93,151</u>	<u>\$ (303,052)</u>	<u>\$ 183,384</u>



**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
(Dollars in thousands)

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net income	\$ 82,167	\$ 83,047	\$ 88,400	\$ 6,005	\$ (174,979)	\$ 84,640
Other comprehensive (loss) income:						
Foreign currency translation gain	—	—	—	16,594	—	16,594
Amounts reclassified from accumulated other comprehensive loss to interest expense, net	—	1,743	—	—	—	1,743
Unrealized losses on interest rate swaps, net	—	(2,909)	—	—	—	(2,909)
Unrealized holding (losses) gains on available for sale securities, net	—	—	(1,089)	160	—	(929)
Other, net	—	—	(57)	—	—	(57)
Total other comprehensive (loss) income	—	(1,166)	(1,146)	16,754	—	14,442
Comprehensive income	82,167	81,881	87,254	22,759	(174,979)	99,082
Less: Comprehensive income attributable to non-controlling interests	—	—	—	2,595	—	2,595
Comprehensive income attributable to CBRE Group, Inc.	<u>\$ 82,167</u>	<u>\$ 81,881</u>	<u>\$ 87,254</u>	<u>\$ 20,164</u>	<u>\$ (174,979)</u>	<u>\$ 96,487</u>

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017**  
(Dollars in thousands)

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>OPERATING ACTIVITIES:</b>	\$ 17,610	\$ (6,445)	\$ (326,667)	\$ (26,528)	\$ (342,030)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Capital expenditures	—	—	(17,095)	(6,640)	(23,735)
Acquisition of businesses, including net assets acquired, intangibles and goodwill	—	—	(20,578)	(626)	(21,204)
Contributions to unconsolidated subsidiaries	—	—	(11,086)	(3,481)	(14,567)
Distributions from unconsolidated subsidiaries	—	—	15,796	199	15,995
Proceeds from the sale of servicing rights and other assets	—	—	6,009	5,356	11,365
Decrease in restricted cash	—	—	1,999	8,464	10,463
Purchase of available for sale securities	—	—	(7,289)	—	(7,289)
Proceeds from the sale of available for sale securities	—	—	7,220	—	7,220
Other investing activities, net	—	—	1,275	(48)	1,227
Net cash (used in) provided by investing activities	—	—	(23,749)	3,224	(20,525)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from revolving credit facility	—	266,000	—	—	266,000
Repayment of revolving credit facility	—	(146,000)	—	—	(146,000)
Repayment of notes payable on real estate held for investment	—	—	—	(435)	(435)
Proceeds from notes payable on real estate held for sale and under development	—	—	—	1,711	1,711
Repayment of notes payable on real estate held for sale and under development	—	—	—	(2,744)	(2,744)
Units repurchased for payment of taxes on equity awards	(1,900)	—	—	—	(1,900)
Non-controlling interest contributions	—	—	—	1,574	1,574
Non-controlling interest distributions	—	—	—	(744)	(744)
(Increase) decrease in intercompany receivables, net	(16,020)	(121,766)	126,547	11,239	—
Other financing activities, net	310	—	—	(2)	308
Net cash (used in) provided by financing activities	(17,610)	(1,766)	126,547	10,599	117,770
Effect of currency exchange rate changes on cash and cash equivalents	—	—	—	15,490	15,490
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	—	(8,211)	(223,869)	2,785	(229,295)
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	7	16,889	264,121	481,559	762,576
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<u>\$ 7</u>	<u>\$ 8,678</u>	<u>\$ 40,252</u>	<u>\$ 484,344</u>	<u>\$ 533,281</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>					
Cash paid during the period for:					
Interest	<u>\$ —</u>	<u>\$ 51,987</u>	<u>\$ —</u>	<u>\$ 40</u>	<u>\$ 52,027</u>
Income taxes, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,176</u>	<u>\$ 32,157</u>	<u>\$ 37,333</u>

**CBRE GROUP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**  
**(Dollars in thousands)**

	Parent	CBRE Services	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Consolidated Total
<b>CASH FLOWS PROVIDED BY (USED IN)</b>					
<b>OPERATING ACTIVITIES:</b>	\$ 38,715	\$ (14,370)	\$ (350,009)	\$ (2,976)	\$ (328,640)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Capital expenditures	—	—	(23,730)	(9,738)	(33,468)
Acquisition of GWS, including net assets acquired, intangibles and goodwill	—	—	(21,900)	—	(21,900)
Acquisition of businesses (other than GWS), including net assets acquired, intangibles and goodwill	—	—	(1,143)	(2,155)	(3,298)
Contributions to unconsolidated subsidiaries	—	—	(10,832)	(91)	(10,923)
Distributions from unconsolidated subsidiaries	—	—	54,420	1,151	55,571
Proceeds from the sale of servicing rights and other assets	—	—	3,739	1,864	5,603
Decrease in restricted cash	—	—	3,254	6,517	9,771
Purchase of available for sale securities	—	—	(7,716)	—	(7,716)
Proceeds from the sale of available for sale securities	—	—	9,969	—	9,969
Other investing activities, net	—	—	(2,303)	—	(2,303)
Net cash provided by (used in) investing activities	—	—	3,758	(2,452)	1,306
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Repayment of senior term loans	—	(5,625)	—	—	(5,625)
Proceeds from revolving credit facility	—	565,000	—	—	565,000
Repayment of revolving credit facility	—	(285,000)	—	—	(285,000)
Proceeds from notes payable on real estate held for sale and under development	—	—	—	12,427	12,427
Repayment of notes payable on real estate held for sale and under development	—	—	—	(4,102)	(4,102)
Units repurchased for payment of taxes on equity awards	(4,252)	—	—	—	(4,252)
Non-controlling interest contributions	—	—	—	27	27
Non-controlling interest distributions	—	—	—	(1,138)	(1,138)
Payment of financing costs	—	(4,677)	—	(110)	(4,787)
(Increase) decrease in intercompany receivables, net	(34,640)	(260,391)	251,072	43,959	—
Other financing activities, net	177	—	—	(413)	(236)
Net cash (used in) provided by financing activities	(38,715)	9,307	251,072	50,650	272,314
Effect of currency exchange rate changes on cash and cash equivalents	—	—	—	3,846	3,846
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>—</b>	<b>(5,063)</b>	<b>(95,179)</b>	<b>49,068</b>	<b>(51,174)</b>
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	<b>5</b>	<b>8,479</b>	<b>147,410</b>	<b>384,509</b>	<b>540,403</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<b>\$ 5</b>	<b>\$ 3,416</b>	<b>\$ 52,231</b>	<b>\$ 433,577</b>	<b>\$ 489,229</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>					
Cash paid during the period for:					
Interest	\$ —	\$ 53,924	\$ —	\$ 281	\$ 54,205
Income taxes, net	\$ —	\$ —	\$ 63,648	\$ 19,330	\$ 82,978

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

This Quarterly Report on Form 10-Q (Quarterly Report) for CBRE Group, Inc. for the three months ended March 31, 2017 represents an update to the more detailed and comprehensive disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2016. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on Form 10-K for the year ended December 31, 2016 as well as the unaudited financial statements included elsewhere in this Quarterly Report.

In addition, the statements and assumptions in this Quarterly Report that are not statements of historical fact are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the next quarter and beyond. For important information regarding these forward-looking statements, please see the discussion below under the caption “Cautionary Note on Forward-Looking Statements.”

### **Overview**

CBRE Group, Inc. is a Delaware corporation. References to “the company,” “we,” “us” and “our” refer to CBRE Group, Inc. and include all of its consolidated subsidiaries, unless otherwise indicated or the context requires otherwise.

We are the world’s largest commercial real estate services and investment firm, based on 2016 revenue, with leading full-service operations in major metropolitan areas throughout the world. We provide services in the office, retail, industrial, multifamily and hotel sectors of commercial real estate. As of December 31, 2016, we operated in approximately 450 offices worldwide with more than 75,000 employees, excluding independent affiliates, providing commercial real estate services under the “CBRE” brand name, investment management services under the “CBRE Global Investors” brand name and development services under the “Trammell Crow Company” brand name. Our business is focused on commercial property, corporate facilities, project and transaction management, tenant/occupier and property/agency leasing, capital markets solutions (property sales, commercial mortgage brokerage, loan origination and servicing), real estate investment management, valuation, development services and proprietary research. We generate revenue from both management fees (large multi-year portfolio and per-project contracts) and from commissions on transactions. We have been included in the *Fortune* 500 since 2008 (ranking #259 in 2016) and among the *Fortune* Most Admired Companies in the real estate sector for five consecutive years, including 2017. In 2016, we were ranked by *Forbes* as the 15<sup>th</sup> best employer in America, and the International Association of Outsourcing Professionals (IAOP) has ranked us among the top few outsourcing service providers across all industries for six consecutive years, including 2017. Additionally, we were one of only two companies to be ranked in the top 12 in the *Barron’s* 500, which evaluates companies on growth and financial performance, in each of 2014, 2015 and 2016.

### **Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, which require us to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that we believe to be reasonable. Actual results may differ from those estimates. Critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements. A discussion of such critical accounting policies, which include revenue recognition, goodwill and other intangible assets, and income taxes can be found in our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to these policies as of March 31, 2017.

### **New Accounting Pronouncements**

See Note 2 of the Notes to Consolidated Financial Statements (Unaudited) set forth in Item 1 of this Quarterly Report.

## **Seasonality**

A significant portion of our revenue is seasonal, which an investor should keep in mind when comparing our financial condition and results of operations on a quarter-by-quarter basis. Historically, our revenue, operating income, net income and cash flow from operating activities tend to be lowest in the first quarter, and highest in the fourth quarter of each year. Revenue, earnings and cash flow have generally been concentrated in the fourth calendar quarter due to the focus on completing sales, financing and leasing transactions prior to year-end.

## **Inflation**

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

## **Items Affecting Comparability**

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

### ***Macroeconomic Conditions***

Economic trends and government policies affect global and regional commercial real estate markets as well as our operations directly. These include: overall economic activity and employment growth; interest rate levels and changes in interest rates; the cost and availability of credit; and the impact of tax and regulatory policies. Periods of economic weakness or recession, significantly rising interest rates, fiscal uncertainty, declining employment levels, decreasing demand for commercial real estate, falling real estate values, disruption to the global capital or credit markets, or the public perception that any of these events may occur, will negatively affect the performance of our business.

Compensation is our largest expense and the sales and leasing professionals in our advisory services business generally are paid on a commission and/or bonus basis that correlates with their revenue production. As a result, the negative effect of difficult market conditions on our operating margins is partially mitigated by the inherent variability of our compensation cost structure. In addition, when negative economic conditions have been particularly severe, we have moved decisively to lower operating expenses to improve financial performance, and then have restored certain expenses as economic conditions improved. Nevertheless, adverse global and regional economic trends could pose significant risks to the performance of our operations and our financial condition.

Commercial real estate markets, most particularly in the United States, have been marked by increased demand for space, falling vacancies and higher rents since 2010. During this time, healthy U.S. property sales activity has been sustained by gradually improving market fundamentals, low-cost credit availability and increased acceptance of commercial real estate as an institutional asset class. Property sales volumes slowed in 2016 and early 2017 following several years of strong growth; however, the market has remained active. Commercial mortgage services activity has remained strong, driven by lower interest rates and a favorable lending environment. The U.S. Government Sponsored Enterprises (GSEs) continue to be a significant channel for debt capital for multi-family properties.

European economies began to emerge from recession in 2013, with most countries returning to positive, albeit modest, economic growth. Sales and leasing activity in continental Europe has improved significantly across most of Europe for much of the past two-plus years. In the United Kingdom, uncertainty in the immediate aftermath of the referendum to leave the European Union, commonly referred to as “Brexit,” has given way to improved sentiment, though transaction levels remain relatively weak and concerns remain about the separation process.

In Asia Pacific, the performance of real estate leasing and investment markets has varied from country to country. Leasing and investment market activity picked up noticeably in several countries in late 2016 and early 2017, and local capital from the Asia-Pacific region continues to migrate to other parts of the world.

Real estate investment management and property development markets have been generally favorable with abundant debt and equity capital flows into commercial real estate. Real estate equity securities have been pressured by a shift in investor preferences from active to passive portfolio strategies and concerns about potentially higher interest rates.

The performance of our global real estate services and real estate investment businesses depends on sustained economic growth and job creation; stable, healthy global credit markets; and continued positive business and investor sentiment.

### *Effects of Acquisitions*

We historically have made significant use of strategic acquisitions to add new service competencies, to increase our scale within existing competencies and to expand our presence in various geographic regions around the world. On September 1, 2015, CBRE, Inc., our wholly-owned subsidiary, pursuant to a Stock and Asset Purchase Agreement with Johnson Controls, Inc. (JCI), acquired JCI's Global Workplace Solutions (JCI-GWS) business (which we refer to as the GWS Acquisition). The acquired JCI-GWS business was a market-leading provider of integrated facilities management solutions for major occupiers of commercial real estate and had significant operations around the world. The purchase price was \$1.475 billion, paid in cash, plus adjustments totaling \$46.5 million for working capital and other items. We completed the GWS Acquisition in order to advance our strategy of delivering globally integrated services to major occupiers in our Americas, EMEA and Asia Pacific segments. We merged the acquired JCI-GWS business with our existing occupier outsourcing business line, and the new combined business adopted the "Global Workplace Solutions" name.

Strategic in-fill acquisitions have also played a key role in expanding our geographic coverage and broadening and strengthening our service offerings. The companies we acquired have generally been regional or specialty firms that complement our existing platform, or independent affiliates in which, in some cases, we held a small equity interest. During 2016, we acquired our independent affiliate in Norway, a London-based retail property advisor specializing in the luxury goods retail sector and a leading provider of retail project management, shopping center development and tenant coordination services in the United States. We also made an equity investment in a property services firm in Malaysia, acquiring a 49% interest. During the three months ended March 31, 2017, we acquired a leading Software as a Service (SaaS) platform that produces scalable interactive visualization technologies for commercial real estate and a technology-enabled national boutique commercial real estate finance and consulting firm in the United States. In addition, in April 2017 we acquired a technology company that provides mobile and SaaS technology solutions for facilities management operations.

We believe that strategic acquisitions can significantly decrease the cost, time and commitment of management resources necessary to attain a meaningful competitive position within targeted markets or to expand our presence within our current markets. In general, however, most acquisitions will initially have an adverse impact on our operating and net income as a result of transaction-related expenditures. These include severance, lease termination, transaction and deferred financing costs, among others, and the charges and costs of integrating the acquired business and its financial and accounting systems into our own.

Our acquisition structures often include deferred and/or contingent purchase price payments in future periods that are subject to the passage of time or achievement of certain performance metrics and other conditions. As of March 31, 2017, we have accrued deferred consideration totaling \$85.4 million, which is included in accounts payable and accrued expenses and in other long-term liabilities in the accompanying consolidated balance sheets set forth in Item 1 of this Quarterly Report.

### International Operations

We are monitoring the economic and political developments related to Brexit and the potential impact on our businesses in the United Kingdom and the rest of Europe, including, in particular, sales and leasing activity in the United Kingdom, as well as any associated currency volatility impact on our results of operations.

As we continue to increase our international operations through either acquisitions or organic growth, fluctuations in the value of the U.S. dollar relative to the other currencies in which we may generate earnings could adversely affect our business, financial condition and operating results. Our Global Investment Management business has a significant amount of euro-denominated assets under management, or AUM, as well as associated revenue and earnings in Europe. In addition, our Global Workplace Solutions business also has a significant amount of its revenue and earnings denominated in foreign currencies, such as the euro and the British pound sterling, which has significantly declined in value as compared to the U.S. dollar and other currencies as a result of Brexit. Fluctuations in foreign currency exchange rates have resulted and may continue to result in corresponding fluctuations in our AUM, revenue and earnings.

During the three months ended March 31, 2017, approximately 46% of our business was transacted in non-U.S. dollar currencies, the majority of which included the Australian dollar, Brazilian real, British pound sterling, Canadian dollar, Chinese yuan, Danish krone, euro, Hong Kong dollar, Indian rupee, Japanese yen, Mexican peso, Polish zloty, Singapore dollar, Swedish krona, Swiss franc and Thai baht. The following table sets forth our revenue derived from our most significant currencies (U.S. dollars in thousands):

	Three Months Ended March 31,			
	2017		2016	
United States dollar	\$ 1,616,872	54.2 %	\$ 1,541,436	54.1 %
British pound sterling	436,288	14.6 %	471,928	16.6 %
euro	332,118	11.1 %	312,570	11.0 %
Australian dollar	72,994	2.4 %	65,419	2.3 %
Canadian dollar	70,144	2.4 %	55,956	2.0 %
Indian rupee	66,572	2.2 %	53,703	1.9 %
Singapore dollar	51,206	1.7 %	36,226	1.3 %
Chinese yuan	48,203	1.6 %	46,569	1.6 %
Japanese yen	39,522	1.3 %	47,423	1.7 %
Swiss franc	35,329	1.2 %	30,762	1.1 %
Hong Kong dollar	25,184	0.8 %	20,831	0.7 %
Brazilian real	18,651	0.6 %	13,554	0.5 %
Mexican peso	18,943	0.6 %	17,078	0.6 %
Danish krone	17,708	0.6 %	14,628	0.5 %
Swedish krona	13,480	0.5 %	11,557	0.4 %
Polish zloty	11,397	0.4 %	14,559	0.5 %
Thai baht	10,170	0.3 %	8,556	0.3 %
Other currencies	96,423	3.5 %	83,979	2.9 %
<b>Total revenue</b>	<b>\$ 2,981,204</b>	<b>100.0 %</b>	<b>\$ 2,846,734</b>	<b>100.0 %</b>

Although we operate globally, we report our results in U.S. dollars. As a result, the strengthening or weakening of the U.S. dollar may positively or negatively impact our reported results. For example, we estimate that had the British pound sterling-to-U.S. dollar exchange rates been 10% higher during the three months ended March 31, 2017, the net impact would have been an increase in pre-tax income of \$0.8 million. Had the euro-to-U.S. dollar exchange rates been 10% higher during the three months ended March 31, 2017, the net impact would have been an increase in pre-tax income of \$0.5 million. These hypothetical calculations estimate the impact of translating results into U.S. dollars and do not include an estimate of the impact that a 10% change in the U.S. dollar against other currencies would have had on our foreign operations.

For the past several years, we have entered into derivative financial instruments to attempt to protect the value or fix the amount of certain obligations in terms of our reporting currency, the U.S. dollar. As of March 31, 2017,

we had no foreign currency exchange forward contracts outstanding as we made the decision to let our program expire at the end of 2016. Included in the consolidated statement of operations set forth in Item 1 of this Quarterly Report were net losses of \$7.5 million from foreign currency exchange forward contracts, which hedged foreign currency denominated EBITDA for the three months ended March 31, 2016. We do not intend to hedge our foreign currency denominated EBITDA in 2017.

Due to the constantly changing currency exposures to which we are subject and the volatility of currency exchange rates, we cannot predict the effect of exchange rate fluctuations upon future operating results. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations. Our international operations also are subject to, among other things, political instability and changing regulatory environments, which affects the currency markets and which as a result may adversely affect our future financial condition and results of operations. We routinely monitor these risks and related costs and evaluate the appropriate amount of oversight to allocate towards business activities in foreign countries where such risks and costs are particularly significant.

## Results of Operations

The following table sets forth items derived from our consolidated statements of operations for the three months ended March 31, 2017 and 2016 (dollars in thousands):

	Three Months Ended March 31,			
	2017		2016	
<b>Revenue:</b>				
Fee revenue (1)	\$ 1,921,075	64.4 %	\$ 1,836,375	64.5 %
Pass through costs also recognized as revenue	1,060,129	35.6 %	1,010,359	35.5 %
Total revenue	2,981,204	100.0 %	2,846,734	100.0 %
<b>Costs and expenses:</b>				
Cost of services	2,087,079	70.0 %	2,013,613	70.7 %
Operating, administrative and other	606,231	20.3 %	643,366	22.6 %
Depreciation and amortization	94,037	3.2 %	86,994	3.1 %
Total costs and expenses	2,787,347	93.5 %	2,743,973	96.4 %
Gain on disposition of real estate	1,385	-	4,819	0.2 %
Operating income	195,242	6.5 %	107,580	3.8 %
Equity income from unconsolidated subsidiaries	15,018	0.5 %	57,301	2.0 %
Other income	4,115	0.1 %	3,215	0.1 %
Interest income	2,411	0.1 %	1,459	0.1 %
Interest expense	34,010	1.1 %	34,790	1.3 %
Income before provision for income taxes	182,776	6.1 %	134,765	4.7 %
Provision for income taxes	51,273	1.7 %	50,125	1.7 %
Net income	131,503	4.4 %	84,640	3.0 %
Less: Net income attributable to non-controlling interests	1,906	0.1 %	2,473	0.1 %
Net income attributable to CBRE Group, Inc.	\$ 129,597	4.3 %	\$ 82,167	2.9 %
EBITDA	\$ 306,506	10.3 %	\$ 252,617	8.9 %
Adjusted EBITDA	\$ 303,208	10.2 %	\$ 282,683	9.9 %

(1) Certain adjustments have been made to 2016 fee revenue to conform with current-year presentation.

Fee revenue, EBITDA and adjusted EBITDA are not recognized measurements under GAAP. When analyzing our operating performance, investors should use these measures in addition to, and not as an alternative for, their most directly comparable financial measure calculated and presented in accordance with GAAP. We generally use these non-GAAP financial measures to evaluate operating performance and for other discretionary purposes. We believe these measures provide a more complete understanding of ongoing operations, enhance



comparability of current results to prior periods and may be useful for investors to analyze our financial performance because they eliminate the impact of selected charges that may obscure trends in the underlying performance of our business. Because not all companies use identical calculations, our presentation of fee revenue, EBITDA and adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Fee revenue is gross revenue less both client reimbursed costs largely associated with employees that are dedicated to client facilities and subcontracted vendor work performed for clients. We believe that investors may find this measure useful to analyze the company's overall financial performance because it excludes costs reimbursable by clients, and as such provides greater visibility into the underlying performance of our business.

EBITDA represents earnings before net interest expense, income taxes, depreciation and amortization. Amounts shown for adjusted EBITDA further remove (from EBITDA) the impact of certain cash and non-cash charges related to acquisitions, cost-elimination expenses and certain carried interest incentive compensation (reversal) expense to align with the timing of associated revenue. We believe that investors may find these measures useful in evaluating our operating performance compared to that of other companies in our industry because their calculations generally eliminate the effects of acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions, the effects of financings and income taxes and the accounting effects of capital spending.

EBITDA and adjusted EBITDA are not intended to be measures of free cash flow for our discretionary use because they do not consider certain cash requirements such as tax and debt service payments. These measures may also differ from the amounts calculated under similarly titled definitions in our debt instruments, which amounts are further adjusted to reflect certain other cash and non-cash charges and are used by us to determine compliance with financial covenants therein and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments. We also use adjusted EBITDA as a significant component when measuring our operating performance under our employee incentive compensation programs.

EBITDA and adjusted EBITDA are calculated as follows (dollars in thousands):

	Three Months Ended	
	March 31,	
	2017	2016
Net income attributable to CBRE Group, Inc.	\$ 129,597	\$ 82,167
Add:		
Depreciation and amortization	94,037	86,994
Interest expense	34,010	34,790
Provision for income taxes	51,273	50,125
Less:		
Interest income	2,411	1,459
EBITDA	306,506	252,617
Adjustments:		
Integration and other costs related to acquisitions	11,943	17,173
Cost-elimination expenses (1)	-	12,403
Carried interest incentive compensation (reversal) expense to align with the timing of associated revenue	(15,241)	490
Adjusted EBITDA	<u>\$ 303,208</u>	<u>\$ 282,683</u>

- (1) Represents cost-elimination expenses relating to a program initiated in the fourth quarter of 2015 and completed in the third quarter of 2016 (our cost-elimination project) to reduce the company's global cost structure after several years of significant revenue and related cost growth. Cost-elimination expenses incurred during the three months ended March 31, 2016 consisted of \$11.8 million of severance costs related to headcount reductions in connection with the program and \$0.6 million of third-party contract termination costs.

### Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

We reported consolidated net income of \$129.6 million for the three months ended March 31, 2017 on revenue of \$3.0 billion as compared to consolidated net income of \$82.2 million on revenue of \$2.8 billion for the three months ended March 31, 2016.

Our revenue on a consolidated basis for the three months ended March 31, 2017 increased by \$134.5 million, or 4.7%, as compared to the three months ended March 31, 2016. The revenue increase reflects strong organic growth fueled by higher occupier outsourcing revenue (up 8.2%), as well as increased leasing (up 4.2%), sales (up 6.3%) and commercial mortgage brokerage (up 13.6%) activity. These increases were partially offset by foreign currency translation, which had a \$67.3 million negative impact on total revenue during the three months ended March 31, 2017, primarily driven by weakness in the British pound sterling.

Our cost of services on a consolidated basis increased by \$73.5 million, or 3.6%, during the three months ended March 31, 2017 as compared to same period in 2016. This increase was primarily due to higher costs associated with our occupier outsourcing business. In addition, our sales professionals generally are paid on a commission basis, which substantially correlates with our transaction revenue performance. Accordingly, the increase in sales and lease transaction revenue led to a corresponding increase in commission expense. These increases were partially offset by foreign currency translation, which had a \$53.9 million positive impact on cost of services during the three months ended March 31, 2017. Cost of services as a percentage of revenue decreased from 70.7% for the three months ended March 31, 2016 to 70.0% for the three months ended March 31, 2017, primarily driven by higher transaction revenue in certain countries that have a fixed compensation structure.

Our operating, administrative and other expenses on a consolidated basis decreased by \$37.1 million, or 5.8%, during the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The decrease was mostly driven by lower net carried interest expense, reduced bonus expense (primarily in our Development Services segment) and lower integration costs associated with the GWS Acquisition. In addition, we incurred \$7.8 million of costs in 2016 in connection with our cost-elimination project that did not recur in the current year. Foreign currency had a net \$14.9 million positive impact on total operating expenses during the three months ended March 31, 2017, including \$4.1 million of favorable foreign currency transaction activity over the same period in the prior year (much of which related to hedging losses incurred in the prior year, which did not recur in the current year given that we discontinued our hedging program at the end of 2016), and a \$10.8 million positive impact from foreign currency translation. Operating expenses as a percentage of revenue decreased from 22.6% for the three months ended March 31, 2016 to 20.3% for the three months ended March 31, 2017, primarily driven by the aforementioned lower costs incurred in the current-year quarter as well as the positive impact from foreign currency.

Our depreciation and amortization expense on a consolidated basis increased by \$7.0 million, or 8.1%, during the three months ended March 31, 2017 as compared to the same period in 2016. This increase was primarily attributable to higher amortization expense associated with mortgage servicing rights.

Our equity income from unconsolidated subsidiaries on a consolidated basis decreased by \$42.3 million, or 73.8%, for the three months ended March 31, 2017 as compared to the same period in 2016, primarily driven by lower equity earnings associated with gains on property sales reported in our Development Services segment.

Our consolidated interest expense was relatively consistent at \$34.0 million for the three months ended March 31, 2017 versus \$34.8 million for the three months ended March 31, 2016.

Our provision for income taxes on a consolidated basis was \$51.3 million for the three months ended March 31, 2017 as compared to \$50.1 million for the same period in 2016. Our effective tax rate, after adjusting pre-tax income to remove the portion attributable to non-controlling interests, decreased to 28.3% for the three months ended March 31, 2017 compared to 37.9% for the three months ended March 31, 2016. Our effective tax rate for the three months ended March 31, 2017 was favorably impacted by the resolution of certain tax audits. In addition, we sustained lower losses in the current three months in jurisdictions where no tax benefit could be provided.

**Segment Operations**

We report our operations through the following segments: (1) Americas; (2) Europe, Middle East and Africa (EMEA); (3) Asia Pacific; (4) Global Investment Management; and (5) Development Services. The Americas consists of operations located in the United States, Canada and key markets in Latin America. EMEA mainly consists of operations in Europe, while Asia Pacific includes operations in Asia, Australia and New Zealand. The Global Investment Management business consists of investment management operations in North America, Europe and Asia Pacific. The Development Services business consists of real estate development and investment activities primarily in the United States.

The following table summarizes our results of operations by our Americas, EMEA, Asia Pacific, Global Investment Management and Development Services operating segments for the three months ended March 31, 2017 and 2016 (dollars in thousands):

	<b>Three Months Ended March 31,</b>			
	<b>2017</b>		<b>2016 (1)</b>	
<b>Americas</b>				
Revenue:				
Fee revenue	\$ 1,130,653	66.8 %	\$ 1,071,058	67.5 %
Pass through costs also recognized as revenue	561,993	33.2 %	516,817	32.5 %
Total revenue	<u>1,692,646</u>	<u>100.0 %</u>	<u>1,587,875</u>	<u>100.0 %</u>
Costs and expenses:				
Cost of services	1,164,677	68.8 %	1,103,264	69.5 %
Operating, administrative and other	322,315	19.0 %	317,799	20.0 %
Depreciation and amortization	68,569	4.1 %	60,603	3.8 %
Operating income	<u>\$ 137,085</u>	<u>8.1 %</u>	<u>\$ 106,209</u>	<u>6.7 %</u>
EBITDA	<u>\$ 210,722</u>	<u>12.4 %</u>	<u>\$ 173,165</u>	<u>10.9 %</u>
Adjusted EBITDA	<u>\$ 220,400</u>	<u>13.0 %</u>	<u>\$ 187,214</u>	<u>11.8 %</u>
<b>EMEA</b>				
Revenue:				
Fee revenue	\$ 475,735	56.4 %	\$ 465,717	55.4 %
Pass through costs also recognized as revenue	368,453	43.6 %	374,630	44.6 %
Total revenue	<u>844,188</u>	<u>100.0 %</u>	<u>840,347</u>	<u>100.0 %</u>
Costs and expenses:				
Cost of services	669,523	79.3 %	677,545	80.6 %
Operating, administrative and other	143,091	17.0 %	148,201	17.6 %
Depreciation and amortization	15,570	1.8 %	15,000	1.8 %
Operating income (loss)	<u>\$ 16,004</u>	<u>1.9 %</u>	<u>\$ (399)</u>	<u>—</u>
EBITDA	<u>\$ 31,731</u>	<u>3.8 %</u>	<u>\$ 15,310</u>	<u>1.8 %</u>
Adjusted EBITDA	<u>\$ 33,864</u>	<u>4.0 %</u>	<u>\$ 27,811</u>	<u>3.3 %</u>
<b>Asia Pacific</b>				
Revenue:				
Fee revenue	\$ 211,462	62.0 %	\$ 192,447	61.8 %
Pass through costs also recognized as revenue	129,683	38.0 %	118,912	38.2 %
Total revenue	<u>341,145</u>	<u>100.0 %</u>	<u>311,359</u>	<u>100.0 %</u>
Costs and expenses:				
Cost of services	252,879	74.1 %	232,804	74.8 %
Operating, administrative and other	68,186	20.0 %	67,779	21.8 %
Depreciation and amortization	4,314	1.3 %	4,183	1.3 %
Operating income	<u>\$ 15,766</u>	<u>4.6 %</u>	<u>\$ 6,593</u>	<u>2.1 %</u>
EBITDA	<u>\$ 20,149</u>	<u>5.9 %</u>	<u>\$ 10,731</u>	<u>3.4 %</u>
Adjusted EBITDA	<u>\$ 20,281</u>	<u>5.9 %</u>	<u>\$ 12,868</u>	<u>4.1 %</u>
<b>Global Investment Management</b>				
Revenue	\$ 89,566	100.0 %	\$ 90,380	100.0 %
Costs and expenses:				
Operating, administrative and other	51,522	57.5 %	72,390	80.1 %
Depreciation and amortization	5,039	5.7 %	6,620	7.3 %
Operating income	<u>\$ 33,005</u>	<u>36.8 %</u>	<u>\$ 11,370</u>	<u>12.6 %</u>
EBITDA	<u>\$ 41,100</u>	<u>45.9 %</u>	<u>\$ 21,536</u>	<u>23.8 %</u>
Adjusted EBITDA	<u>\$ 25,859</u>	<u>28.9 %</u>	<u>\$ 22,915</u>	<u>25.4 %</u>
<b>Development Services</b>				
Revenue	\$ 13,659	100.0 %	\$ 16,773	100.0 %
Costs and expenses:				
Operating, administrative and other	21,117	154.6 %	37,197	221.8 %
Depreciation and amortization	545	4.0 %	588	3.4 %
Gain on disposition of real estate	1,385	10.1 %	4,819	28.7 %
Operating loss	<u>\$ (6,618)</u>	<u>(48.5 %)</u>	<u>\$ (16,193)</u>	<u>(96.5 %)</u>
EBITDA and Adjusted EBITDA	<u>\$ 2,804</u>	<u>20.5 %</u>	<u>\$ 31,875</u>	<u>190.0 %</u>

(1) In 2017, we changed the presentation of the operating results of one of our emerging businesses among our regional services reporting segments. Prior year amounts have been reclassified to conform with the current-year presentation. This change had no impact on our consolidated results. Additionally, certain adjustments have been made to 2016 fee revenue to conform with current-year presentation.

### Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

#### *Americas*

Revenue increased by \$104.8 million, or 6.6%, for the three months ended March 31, 2017 compared to the three months ended March 31, 2016. The revenue increase reflects strong organic growth fueled by higher occupier outsourcing revenue, as well as improved sales, leasing and commercial mortgage brokerage activity. Foreign currency translation had a \$1.5 million positive impact on revenue during the three months ended March 31, 2017, primarily driven by strength in the Brazilian real and Canadian dollar, largely offset by weakness in the Mexican peso and Venezuelan bolivar.

Cost of services increased by \$61.4 million, or 5.6%, for the three months ended March 31, 2017 as compared to the same period in 2016, primarily due to higher costs associated with our occupier outsourcing business. Also contributing to the variance was higher commission expense resulting from improved sales and lease transaction revenue. Foreign currency translation had a \$0.3 million negative impact on cost of services during the three months ended March 31, 2017. Cost of services as a percentage of revenue was relatively consistent at 69.5% for the three months ended March 31, 2016 versus 68.8% for the three months ended March 31, 2017.

Operating, administrative and other expenses increased by \$4.5 million, or 1.4%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The increase was partly driven by higher payroll-related costs, including bonuses. Foreign currency had a \$1.7 million negative impact on total operating expenses during the three months ended March 31, 2017, which included a negative impact from foreign currency translation of \$1.3 million and unfavorable foreign currency transaction activity, mostly hedging related, of \$0.4 million. These increases were partially offset by the impact of \$2.8 million of costs incurred during the first quarter of 2016 as part of our cost-elimination project, which did not recur in the current year.

In connection with the origination and sale of mortgage loans for which the company retains servicing rights, we record servicing assets or liabilities based on the fair value of the retained mortgage servicing rights (MSRs) on the date the loans are sold. We also assume or purchase certain servicing assets. Gains from mortgage servicing rights are initially recorded at fair value within revenue. Subsequent to the initial recording, MSRs are amortized (within amortization expense) and carried at the lower of amortized cost or fair value in other intangible assets in the accompanying consolidated balance sheets. They are amortized in proportion to and over the estimated period that the servicing income is expected to be received. In any given period, the net of gains from MSRs less related amortization equals the net non-cash impact to operating income from such activity (Net MSRs). For the three months ended March 31, 2017, Net MSRs decreased \$1.4 million over the same period in the prior three months. For the three months ended March 31, 2017, Net MSRs contributed \$5.7 million to operating income, consisting of \$28.0 million of gains recognized in conjunction with the origination and sale of mortgage loans, offset by \$22.3 million of amortization of related intangible assets. For the three months ended March 31, 2016, Net MSRs contributed \$7.1 million to operating income, consisting of \$24.3 million of gains recognized in conjunction with the origination and sale of mortgage loans, offset by \$17.2 million of amortization of related intangible assets.

#### *EMEA*

Revenue increased by \$3.8 million, or 0.5%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The revenue increase reflects strong organic growth fueled by higher occupier outsourcing revenue, as well as higher sales and leasing activity. Foreign currency translation had a \$68.1 million negative impact on total revenue during the three months ended March 31, 2017, primarily driven by weakness in the British pound sterling.

Cost of services decreased by \$8.0 million, or 1.2%, for the three months ended March 31, 2017 as compared to the same period in 2016, primarily due to foreign currency translation, which had a \$55.4 million positive impact on cost of services. This was largely offset by higher costs associated with our occupier outsourcing business. Cost of services as a percentage of revenue decreased from 80.6% for the three months ended March 31, 2016 to 79.3% for the three months ended March 31, 2017, largely due to higher transaction revenue in certain countries that have a fixed compensation structure.

Operating, administrative and other expenses decreased by \$5.1 million, or 3.4%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. Foreign currency had an \$8.9 million net positive impact on total operating expenses during the three months ended March 31, 2017, including an \$11.1 million positive impact from foreign currency translation, partially offset by \$2.2 million of unfavorable foreign currency transaction activity, part of which related to hedging activities. In addition, we incurred \$3.3 million of costs during the first quarter of 2016 as part of our cost-elimination project, which did not recur in the current year. These favorable items were partially offset by higher payroll-related costs (including bonuses) in the first quarter of 2017.

#### *Asia Pacific*

Revenue increased by \$29.8 million, or 9.6%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. The revenue increase reflects strong organic growth, fueled by higher occupier outsourcing revenue as well as improved leasing activity. In addition, foreign currency translation had a \$2.7 million positive impact on total revenue during the three months ended March 31, 2017, primarily driven by strength in the Australian dollar and Japanese yen, partially offset by weakness in the Chinese yuan.

Cost of services increased by \$20.1 million, or 8.6%, for the three months ended March 31, 2017 as compared to the same period in 2016, driven by higher costs associated with our occupier outsourcing business. In addition, foreign currency translation had a \$1.2 million negative impact on cost of services during the three months ended March 31, 2017. Cost of services as a percentage of revenue was relatively consistent at 74.8% for the three months ended March 31, 2016 and 74.1% for the three months ended March 31, 2017.

Operating, administrative and other expenses increased by \$0.4 million, or 0.6%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. Foreign currency activity had an overall net positive impact of \$4.3 million for the three months ended March 31, 2017, due to favorable foreign currency transaction activity of \$5.4 million, mostly related to hedging, partially offset by a \$1.1 million negative impact from foreign currency translation.

#### *Global Investment Management*

Revenue decreased by \$0.8 million, or 0.9%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016. Foreign currency translation had a \$3.4 million negative impact on total revenue during the three months ended March 31, 2017, primarily driven by weakness in the British pound sterling. This, coupled with lower asset management and incentive fees, was mostly offset by higher acquisition and disposition fees in the current three months.

Operating, administrative and other expenses decreased by \$20.9 million, or 28.8%, for the three months ended March 31, 2017 as compared to the same period in 2016, primarily driven by lower net carried interest expense incurred in the current-year quarter. Additionally, foreign currency had a \$3.4 million positive impact on total operating expenses during the three months ended March 31, 2017, which included \$1.3 million of favorable foreign currency transaction activity over the same period in the prior year, part of which related to hedging activities as well as a \$2.1 million positive impact from foreign currency translation.

A roll forward of our AUM by product type for the three months ended March 31, 2017 is as follows (dollars in billions):

	Funds	Separate Accounts	Securities	Total
Balance at December 31, 2016	\$ 31.6	\$ 37.5	\$ 17.5	\$ 86.6
Inflows	1.1	1.9	0.5	3.5
Outflows	(2.5)	(1.8)	(2.0)	(6.3)
Market appreciation (depreciation)	1.2	1.2	0.3	2.7
Balance at March 31, 2017	<u>\$ 31.4</u>	<u>\$ 38.8</u>	<u>\$ 16.3</u>	<u>\$ 86.5</u>

AUM generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, securities portfolios and investments in operating companies and joint ventures. Our AUM is intended principally to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our assets under management consist of:

- the total fair market value of the real estate properties and other assets either wholly-owned or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client accounts have invested or to which they have provided financing. Committed (but unfunded) capital from investors in our sponsored funds is not included in this component of our AUM. The value of development properties is included at estimated completion cost. In the case of real estate operating companies, the total value of real properties controlled by the companies, generally through joint ventures, is included in AUM; and
- the net asset value of our managed securities portfolios, including investments (which may be comprised of committed but uncalled capital) in private real estate funds under our fund of funds investments.

Our calculation of AUM may differ from the calculations of other asset managers, and as a result, this measure may not be comparable to similar measures presented by other asset managers.

#### ***Development Services***

Revenue decreased by \$3.1 million, or 18.6%, for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016, primarily driven by lower development fees in the current three months.

Operating, administrative and other expenses decreased by \$16.1 million, or 43.2%, for the three months ended March 31, 2017 as compared to the same period in 2016. This decrease was primarily driven by lower bonuses in the current three months due to lower operating performance (property sales reflected in equity income from unconsolidated subsidiaries and gain on disposition of real estate were significantly higher in the prior-year period).

As of March 31, 2017, development projects in process totaled \$5.9 billion, down \$1.2 billion from the first quarter of 2016. The development pipeline totaled \$5.1 billion, up \$2.0 billion over the past year.

#### **Liquidity and Capital Resources**

We believe that we can satisfy our working capital and funding requirements with internally generated cash flow and, as necessary, borrowings under our revolving credit facility. Our expected capital requirements for 2017 include up to approximately \$170 million of anticipated capital expenditures, net of tenant concessions. During the three months ended March 31, 2017, we incurred \$20.0 million of capital expenditures, net of tenant concessions received. As of March 31, 2017, we had aggregate commitments of \$24.2 million to fund future co-investments in our Global Investment Management business, \$18.9 million of which is expected to be funded in 2017. Additionally, as of March 31, 2017, we are committed to fund \$23.4 million of additional capital to unconsolidated subsidiaries within our Development Services business, which we may be required to fund at any time. As of March 31, 2017, we had \$2.7 billion of borrowings available under our \$2.8 billion revolving credit facility.

We have historically relied on our internally generated cash flow and our revolving credit facility to fund our working capital, capital expenditure and general investment requirements (including strategic in-fill acquisitions) and have not sought other external sources of financing to help fund these requirements. In the absence of extraordinary events or a large strategic acquisition, we anticipate that our cash flow from operations and our revolving credit facility would be sufficient to meet our anticipated cash requirements for the foreseeable future, and at a minimum for the next 12 months. We may seek to take advantage of market opportunities to refinance existing debt instruments, as we have done in the past, with new debt instruments at interest rates, maturities and terms we deem attractive.

As noted above, we believe that any future significant acquisitions that we may make could require us to obtain additional debt or equity financing. In the past, we have been able to obtain such financing for material transactions on terms that we believed to be reasonable. However, it is possible that we may not be able to obtain acquisition financing on favorable terms, or at all, in the future if we decide to make any further significant acquisitions.

Our long-term liquidity needs, other than those related to ordinary course obligations and commitments such as operating leases, are generally comprised of two elements. The first is the repayment of the outstanding and anticipated principal amounts of our long-term indebtedness. We are unable to project with certainty whether our long-term cash flow from operations will be sufficient to repay our long-term debt when it comes due. If our cash flow is insufficient, then we expect that we would need to refinance such indebtedness or otherwise amend its terms to extend the maturity dates. We cannot make any assurances that such refinancing or amendments would be available on attractive terms, if at all.

The second long-term liquidity need is the payment of obligations related to acquisitions. Our acquisition structures often include deferred and/or contingent purchase price payments in future periods that are subject to the passage of time or achievement of certain performance metrics and other conditions. As of March 31, 2017 and December 31, 2016, we had accrued \$85.4 million (\$22.1 million of which was a current liability) and \$91.0 million (\$29.3 million of which was a current liability), respectively, of deferred purchase consideration, which was included in accounts payable and accrued expenses and in other long-term liabilities in the accompanying consolidated balance sheets set forth in Item 1 of this Quarterly Report.

In addition, on October 27, 2016, we announced that our board of directors had authorized the company to repurchase up to an aggregate of \$250 million of our Class A common stock over three years. The timing of the repurchase and the actual amount repurchased will depend on a variety of factors, including the market price of our common stock, general market and economic conditions and other factors. We intend to fund the repurchases, if any, with cash on hand or borrowings under our revolving credit facility. As of March 31, 2017, the authorization remains unused.

### ***Historical Cash Flows***

#### *Operating Activities*

Net cash used in operating activities totaled \$342.0 million for the three months ended March 31, 2017, an increase of \$13.4 million as compared to the three months ended March 31, 2016. The increase in net cash used by operating activities was primarily due to higher net payments to vendors and greater bonuses paid during the year ended March 31, 2017. These items were partially offset by improved operating performance as well as lower income taxes paid in the first quarter of 2017.

#### *Investing Activities*

Net cash used in investing activities totaled \$20.5 million for the three months ended March 31, 2017, as compared to net cash provided by investing activities of \$1.3 million for the three months ended March 31, 2016. This variance was primarily driven by a greater amount of distributions from unconsolidated subsidiaries in the first quarter of 2016 resulting from property sales in our Development Services segment, partially offset by lower capital expenditures in the current-year quarter.

#### *Financing Activities*

Net cash provided by financing activities totaled \$117.8 million for the three months ended March 31, 2017, a decrease of \$154.5 million as compared to the three months ended March 31, 2016. This decrease was primarily due to lower net borrowings under our revolving credit facility during the three months ended March 31, 2017.



### ***Indebtedness***

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

### ***Long-Term Debt***

We maintain credit facilities with third-party lenders, which we use for a variety of purposes. On January 9, 2015, CBRE Services entered into our 2015 Credit Agreement with a syndicate of banks jointly led by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Credit Suisse AG. On March 21, 2016, CBRE Services executed an amendment to our 2015 Credit Agreement that, among other things, extended the maturity on our revolving credit facility to March 2021 and increased the borrowing capacity under the revolving credit facility by \$200.0 million.

Our 2015 Credit Agreement is an unsecured credit facility that is jointly and severally guaranteed by us and substantially all of our material domestic subsidiaries. Our 2015 Credit Agreement currently provides for the following: (1) a \$2.8 billion revolving credit facility, which includes the capacity to obtain letters of credit and swingline loans and matures on March 21, 2021; (2) a \$500.0 million tranche A term loan facility requiring quarterly principal payments, which began on June 30, 2015 and continue through maturity on January 9, 2020; (3) a \$270.0 million tranche B-1 term loan facility requiring quarterly principal payments, which began on December 31, 2015 and continue through maturity on September 3, 2020; and (4) a \$130.0 million tranche B-2 term loan facility requiring quarterly principal payments, which began on December 31, 2015 and continue through maturity on September 3, 2022. On November 1, 2016, we prepaid a total of \$101.9 million of the 2017 and 2018 required amortization on our senior term loans, which included \$59.4 million for the tranche A term loan facility, \$28.7 million for the tranche B-1 term loan facility and \$13.8 million for the tranche B-2 term loan facility.

In prior years, we also issued 5.00%, 4.875% and 5.25% senior notes that are due in 2023, 2026 and 2025, respectively. For additional information on all of our long-term debt, see Note 10 of the Notes to Consolidated Financial Statements set forth in Item 8 included in our Annual Report on Form 10-K for the year ended December 31, 2016 and Note 6 of the Notes to Consolidated Financial Statements (Unaudited) set forth in Item 1 of this Quarterly Report.

### ***Short-Term Borrowings***

We maintain a \$2.8 billion revolving credit facility under our 2015 Credit Agreement and warehouse lines of credit with certain third-party lenders. For additional information on all of our short-term borrowings, see Note 10 of the Notes to Consolidated Financial Statements set forth in Item 8 included in our Annual Report on Form 10-K for the year ended December 31, 2016 and Note 6 of the Notes to Consolidated Financial Statements (Unaudited) set forth in Item 1 of this Quarterly Report.

### ***Interest Rate Swap Agreements***

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, "*Derivatives and Hedging*." The purpose of these interest rate swap agreements is to attempt to hedge potential changes to our cash flows due to the variable interest nature of our senior 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. As of March 31, 2017 and December 31, 2016, the fair values of such interest rate swap agreements were reflected as a \$10.3 million liability and a \$13.2 million liability, respectively, and were included in current and other long-term liabilities in the accompanying consolidated balance sheets set forth in Item 1 of this Quarterly Report.

In July 2015, we entered into three interest rate swap agreements with an aggregate notional amount of \$300.0 million, all with effective dates in August 2015, and designated them as cash flow hedges in accordance with FASB ASC Topic 815. In August 2015, we elected to terminate these agreements and paid a \$6.2 million cash settlement, which has been recorded to accumulated other comprehensive loss in the accompanying consolidated balance sheets set forth in Item 1 of this Quarterly Report. This settlement fee is being amortized to interest expense throughout the remaining term of the terminated hedge transaction until August 2025.

#### ***Off-Balance Sheet Arrangements***

Our off-balance sheet arrangements are described in Note 7 of the Notes to Consolidated Financial Statements (Unaudited) set forth in Item 1 of this Quarterly Report and are incorporated by reference herein.

#### **Cautionary Note on Forward-Looking Statements**

This Quarterly Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The words “anticipate,” “believe,” “could,” “should,” “propose,” “continue,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar terms and phrases are used in this Quarterly Report to identify forward-looking statements. Except for historical information contained herein, the matters addressed in this Quarterly Report are forward-looking statements. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

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

The following factors are among those, but are not only those, that may cause actual results to differ materially from the forward-looking statements:

- disruptions in general economic and business conditions, particularly in geographies where our business may be concentrated;
- volatility and disruption of the securities, capital and credit markets, interest rate increases, the cost and availability of capital for investment in real estate, clients’ willingness to make real estate or long-term contractual commitments and other factors affecting the value of real estate assets, inside and outside the United States;
- increases in unemployment and general slowdowns in commercial activity;
- trends in pricing and risk assumption for commercial real estate services;
- the effect of significant movements in average cap rates across different property types;
- a reduction by companies in their reliance on outsourcing for their commercial real estate needs, which would affect our revenues and operating performance;
- client actions to restrain project spending and reduce outsourced staffing levels;
- declines in lending activity of U.S. Government Sponsored Enterprises, regulatory oversight of such activity and our mortgage servicing revenue from the commercial real estate mortgage market;
- our ability to diversify our revenue model to offset cyclical economic trends in the commercial real estate industry;
- our ability to attract new user and investor clients;
- our ability to retain major clients and renew related contracts;

- our ability to leverage our global services platform to maximize and sustain long-term cash flow;
- our ability to maintain EBITDA and adjusted EBITDA margins that enable us to continue investing in our platform and client service offerings;
- our ability to control costs relative to revenue growth;
- economic volatility and market uncertainty globally related to uncertainty surrounding the implementation and effect of the United Kingdom's referendum to leave the European Union, including uncertainty in relation to the legal and regulatory framework that would apply to the United Kingdom and its relationship with the remaining members of the European Union;
- foreign currency fluctuations;
- our ability to retain and incentivize key personnel;
- our ability to compete globally, or in specific geographic markets or business segments that are material to us;
- our ability to identify, acquire and integrate synergistic and accretive businesses;
- costs and potential future capital requirements relating to businesses we may acquire;
- integration challenges arising out of companies we may acquire;
- the ability of our Global Investment Management business to maintain and grow assets under management and achieve desired investment returns for our investors, and any potential related litigation, liabilities or reputational harm possible if we fail to do so;
- our ability to manage fluctuations in net earnings and cash flow, which could result from poor performance in our investment programs, including our participation as a principal in real estate investments;
- our leverage under our debt instruments as well as the limited restrictions therein on our ability to incur additional debt, and the potential increased borrowing costs to us from a credit-ratings downgrade;
- the ability of CBRE Capital Markets to periodically amend, or replace, on satisfactory terms, the agreements for its warehouse lines of credit;
- variations in historically customary seasonal patterns that cause our business not to perform as expected;
- litigation and its financial and reputational risks to us;
- our exposure to liabilities in connection with real estate advisory and property management activities and our ability to procure sufficient insurance coverage on acceptable terms;
- liabilities under guarantees, or for construction defects, that we incur in our Development Services business;
- our and our employees' ability to execute on, and adapt to, information technology strategies and trends;
- changes in domestic and international law and regulatory environments (including relating to anti-corruption, anti-money laundering, trade sanctions, currency controls and other trade control laws), particularly in Russia, Eastern Europe and the Middle East, due to the level of political instability in those regions;
- our ability to comply with laws and regulations related to our global operations, including real estate licensure, tax, labor and employment laws and regulations, as well as the anti-corruption laws and trade sanctions of the U.S. and other countries;
- our ability to maintain our effective tax rate at or below current levels;
- changes in applicable tax or accounting requirements, including potential tax reform under the current U.S. administration;

- the effect of implementation of new accounting rules and standards; and
- the other factors described elsewhere in this Quarterly Report, included under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies,” “Quantitative and Qualitative Disclosures About Market Risk” and Part II, Item 1A, “Risk Factors” or as described in our Annual Report on Form 10-K for the year ended December 31, 2016, in particular in Part II, Item 1A “Risk Factors”, or as described in the other documents and reports we file with the Securities and Exchange Commission.

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The information in this section should be read in connection with the information on market risk related to changes in interest rates and non-U.S. currency exchange rates in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2016.

Our exposure to market risk primarily consists of foreign currency exchange rate fluctuations related to our international operations and changes in interest rates on debt obligations. We manage such risk primarily by managing the amount, sources, and duration of our debt funding and by using derivative financial instruments. We apply Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, “*Derivatives and Hedging*,” when accounting for derivative financial instruments. In all cases, we view derivative financial instruments as a risk management tool and, accordingly, do not use derivatives for trading or speculative purposes.

#### ***Exchange Rates***

Our foreign operations expose us to fluctuations in foreign exchange rates. These fluctuations may impact the value of our cash receipts and payments in terms of our functional (reporting) currency, which is U.S. dollars. See the discussion of international operations, which is included in Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Items Affecting Comparability—International Operations” and is incorporated by reference herein.

#### ***Interest Rates***

We manage our interest expense by using a combination of fixed and variable rate debt. We enter into interest rate swap agreements to attempt to hedge the variability of future interest payments due to changes in interest rates. See discussion of our interest rate swap agreements, which is included in Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Liquidity and Capital Resources—Indebtedness—Interest Rate Swap Agreements” and is incorporated by reference herein.

The estimated fair value of our senior term loans was approximately \$751.4 million at March 31, 2017. Based on dealers’ quotes, the estimated fair values of our 5.00% senior notes, 4.875% senior notes and 5.25% senior notes were \$835.5 million, \$626.8 million and \$452.5 million, respectively, at March 31, 2017.

We utilize sensitivity analyses to assess the potential effect of our variable rate debt. If interest rates were to increase 100 basis points on our outstanding variable rate debt at March 31, 2017, excluding notes payable on real estate, the net impact of the additional interest cost would be a decrease of \$1.2 million on pre-tax income and an increase of \$1.2 million in cash used in operating activities for the three months ended March 31, 2017.

**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures***

Rule 13a-15 of the Securities and Exchange Act of 1934, as amended, requires that we conduct an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, and we have a disclosure policy in furtherance of the same. This evaluation is designed to ensure that all corporate disclosure is complete and accurate in all material respects. The evaluation is further designed to ensure that all information required to be disclosed in our SEC reports is accumulated and communicated to management to allow timely decisions regarding required disclosures and recorded, processed, summarized and reported within the time periods and in the manner specified in the SEC's rules and forms. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our Chief Executive Officer and Chief Financial Officer supervise and participate in this evaluation, and they are assisted by our Deputy Chief Financial Officer and Chief Accounting Officer and other members of our Disclosure Committee. In addition to our Deputy Chief Financial Officer and Chief Accounting Officer, our Disclosure Committee consists of our General Counsel, our chief communication officer, our corporate controller, our head of Global Assurance and Advisory, our senior officers of significant business lines and other select employees.

We conducted the required evaluation, and our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined by Securities Exchange Act Rule 13a-15(e)) were effective as of March 31, 2017 to accomplish their objectives at the reasonable assurance level.

***Changes in Internal Controls Over Financial Reporting***

No changes in our internal control over financial reporting occurred during the fiscal quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

There have been no material changes to our legal proceedings as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

### Item 1A. Risk Factors

There have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

### Item 5. Other Information

The previously filed version of our Amended and Restated By-Laws (the “By-Laws”) inadvertently omitted language from Article II, Section 1 that provides that our Board may not nominate for election to the Board more than one member of the company’s management. We have refiled the By-Laws with this Form 10-Q in order to correct this and certain other immaterial administrative errors.

### Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference				
		Form	SEC File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of CBRE Group, Inc.	8-K	001-32205	3.1	05/19/2016	
3.2	<a href="#">Amended and Restated By-Laws of CBRE Group, Inc.</a>					X
4.1	Form of Class A common stock certificate of CB Richard Ellis Group, Inc.	S-1/A#2	333-112867	4.1	04/30/2004	
4.2(a)	Indenture, dated as of March 14, 2013, among CBRE Group, Inc., CBRE Services, Inc., certain subsidiaries of CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee	10-Q	001-32205	4.4(a)	05/10/2013	
4.2(b)	First Supplemental Indenture, dated as of March 14, 2013, between CBRE Services, Inc., CBRE Group, Inc., certain subsidiaries of CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the 5.00% Senior Notes Due 2023, including the Form of 5.00% Senior Notes due 2023	10-Q	001-32205	4.4(b)	05/10/2013	
4.2(c)	Form of Supplemental Indenture among certain subsidiary guarantors of CBRE Services, Inc., CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the 5.00% Senior Notes due 2023	8-K	001-32205	4.3	04/16/2013	

Exhibit No.	Exhibit Description	Incorporated by Reference				
		Form	SEC File No.	Exhibit	Filing Date	Filed Herewith
4.2(d)	Second Supplemental Indenture, dated as of April 10, 2013, between CBRE/LJM- Nevada, Inc., CBRE Consulting, Inc., CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the 5.00% Senior Notes due 2023	S-3ASR	333-201126	4.3(c)	12/19/2014	
4.2(e)	Second Supplemental Indenture, dated as of September 26, 2014, between CBRE Services, Inc., CBRE Group, Inc., certain subsidiaries of CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the 5.25% Senior Notes due 2025, including the Form of 5.25% Senior Notes due 2025	8-K	001-32205	4.1	09/26/2014	
4.2(f)	Third Supplemental Indenture, dated as of December 12, 2014, between CBRE Services, Inc., CBRE Group, Inc., certain subsidiaries of CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the additional issuance of 5.25% Senior Notes due 2025	8-K	001-32205	4.1	12/12/2014	
4.2(g)	Form of Supplemental Indenture among certain subsidiary guarantors of CBRE Services, Inc., CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the 5.25% Senior Notes due 2025	S-3ASR	333-201126	4.3(h)	12/19/2014	
4.2(h)	Fourth Supplemental Indenture, dated as of August 13, 2015, between CBRE Services, Inc., CBRE Group, Inc., certain subsidiaries of CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, for the issuance of 4.875% Senior Notes due 2026, including the Form of 4.875% Senior Notes due 2026	8-K	001-32205	4.2	08/13/2015	
4.2(i)	Fifth Supplemental Indenture, dated as of September 25, 2015, between CBRE GWS LLC, CBRE Services, Inc. and Wells Fargo Bank, National Association, as trustee, relating to the 5.00% Senior Notes due 2023, the 5.25% Senior Notes due 2025 and the 4.875% Senior Notes due 2026	8-K	001-32205	4.1	09/25/2015	

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File No.	Exhibit	Filing Date	
4.2(j)	Securityholders' Agreement, dated as of July 20, 2001 ("Securityholders' Agreement"), by and among, CB Richard Ellis Group, Inc., CB Richard Ellis Services, Inc., Blum Strategic Partners, L.P., Blum Strategic Partners II, L.P., Blum Strategic Partners II GmbH & Co. KG, FS Equity Partners III, L.P., FS Equity Partners International, L.P., Credit Suisse First Boston Corporation, DLJ Investment Funding, Inc., The Koll Holding Company, Frederic V. Malek, the management investors named therein and the other persons from time to time party thereto	SC-13D	005-61805	3	07/30/2001	
4.2(k)	Amendment and Waiver to Securityholders' Agreement, dated as of April 14, 2004, by and among, CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc. and the other parties to the Securityholders' Agreement	S-1/A	333-112867	4.2(b)	04/30/2004	
4.2(l)	Second Amendment and Waiver to Securityholders' Agreement, dated as of November 24, 2004, by and among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc. and certain of the other parties to the Securityholders' Agreement	S-1/A	333-120445	4.2(c)	11/24/2004	
4.2(m)	Third Amendment and Waiver to Securityholders' Agreement, dated as of August 1, 2005, by and among CB Richard Ellis Services, Inc., CB Richard Ellis Group, Inc. and certain of the other parties to the Securityholders' Agreement	8-k	001-32205	4.1	08/02/2005	
4.2(n)	Final Amendment Agreement, dated as of March 22, 2017, by and among CBRE Group, Inc., CBRE Services, Inc. and the other parties thereto	8-k	001-32205	4.1	03/24/2017	
11	Statement concerning Computation of Per Share Earnings (filed as Note 8 of the Consolidated Financial Statements)					X
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002</u></a>					X



**Incorporated by Reference**

Exhibit No.	Exhibit Description	Form	SEC File No.	Exhibit	Filing Date	Filed Herewith
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to §302 of the Sarbanes-Oxley Act of 2002</u></a>					X
32	<a href="#"><u>Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002</u></a>					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

- In the foregoing Exhibit Index, (1) references to CB Richard Ellis Group, Inc. are now to CBRE Group, Inc., (2) references to CB Richard Ellis Services, Inc. are now to CBRE Services, Inc., and (3) references to CB Richard Ellis, Inc. are now to CBRE, Inc.

**SIGNATURES**

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

Date: May 10, 2017

**CBRE GROUP, INC.**

/s/ James R. Groch

James R. Groch

*Chief Financial Officer (principal financial officer)*

Date: May 10, 2017

/s/ Gil Borok

Gil Borok

*Chief Accounting Officer (principal accounting officer)*

**AMENDED AND RESTATED  
BY-LAWS  
OF  
CBRE GROUP, INC.  
(the “Corporation”)**

**dated January 11, 2017**

ARTICLE I.

**STOCKHOLDERS**

Section 1. Annual Meeting. The annual meeting of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held on such date, and at such time and place within or without the State of Delaware as may be designated from time to time by the Board of Directors.

Section 2. Special Meeting. (a) Special meetings of the stockholders (1) shall be called only by the Chair of the Board of Directors, the Chief Executive Officer of the Corporation (the “**Chief Executive Officer**”) or the Board of Directors pursuant to a resolution approved by the Board of Directors and (2) shall be called by the Secretary of the Corporation (the “**Secretary**”) upon the written request of holder(s) Owning (as defined below) at least 30% (in the aggregate) of the then voting power of all shares of the Corporation entitled to vote on the matters to be brought before the proposed special meeting (the “**Requisite Percent**,” and such a special meeting, a “**Stockholder Requested Special Meeting**”); *provided* that such request shall be invalid if (A) it relates to an item of business that is the same or substantially similar to any item of business that stockholders voted on at a meeting of stockholders that occurred within 30 days preceding the date of such request or (B) the special-meeting request is received within the period commencing 90 days prior to the anniversary of the date of the most recent annual meeting of stockholders and ending on the date of the next annual meeting of stockholders. Special meetings of the stockholders shall be held at such time and place within or without the State of Delaware as may be designated from time to time by the Board of Directors; *provided* that any Stockholder Requested Special Meeting shall be held within 120 days after the Secretary receives notice that such meeting has been called for.

For purposes of this Article I, Section 2, a holder shall be deemed to “**Own**” only those shares for which it possesses both (x) full voting and investment rights and (y) a full economic interest (*i.e.*, shares for which the holder has not only the opportunity to profit, but is also exposed to the risk of loss); *provided* that the number of shares calculated in accordance with the foregoing clauses (x) and (y) shall not include any shares (A) sold by such person or any of its affiliates in any transaction that has not been settled or closed, (B) borrowed by such holder or any of its affiliates for any purposes or purchased by such holder or any of its affiliates pursuant to an agreement to resell or (C) subject to any option, warrant, forward contract, swap,

contract of sale, other derivative or similar agreement entered into by such holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of the Corporation entitled to vote at the Stockholder Requested Special Meeting, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such holder's or its affiliates' full right to vote or direct the voting of any such shares and/or (2) hedging, offsetting or altering to any degree the gain or loss arising from the full economic ownership of such shares by such holder or affiliate. A holder shall "Own" shares held in the name of a nominee or other intermediary so long as the holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A holder's ownership of shares shall be deemed to continue during any period in which the person has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the holder. The determination of the extent to which a person "Owns" shares for these purposes shall be made in good faith by the Board of Directors, which determination shall be conclusive and binding on the Corporation and its stockholders.

(b) In order for the Secretary to call a Stockholder Requested Special Meeting, one or more written requests for a special stockholder meeting (individually or collectively, a "**Special Meeting Request**") signed and dated by the stockholder(s) of record that Own the Requisite Percent, or by persons who are acting on behalf of those who Own the Requisite Percent, must be delivered by the requesting stockholder(s) to the Secretary at the principal executive offices of the Corporation, must set forth therein the purpose or purposes of the proposed Stockholder Requested Special Meeting and must be accompanied by:

(1) the information required by paragraph (B) of Article I, Section 11 of these By-Laws; and

(2) as to each stockholder signing such request, or if such stockholder is a nominee or custodian, as to each beneficial owner on whose behalf such request is signed, (i) an affidavit signed by such person stating the number of shares of the Corporation that it Owns as of the date such request was signed and agreeing to continue to Own at least (A) such number of shares or (B) a number of shares equal to the Requisite Percent through the date of the Stockholder Requested Special Meeting and to update and supplement such affidavit, if necessary, so that the information provided in such affidavit regarding the number of shares that such person Owns shall be true and correct as of the record date for the Stockholder Requested Special Meeting and as of the date that is five business days prior to the meeting or any adjournment or postponement thereof, with such update and supplement to be delivered to the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than three business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of five business days prior to the meeting or any adjournment or postponement thereof; *provided* that in the event of any decrease in the number of shares of the Corporation Owned by such person at any time before the Stockholder Requested Special Meeting, such person's Special Meeting Request shall be deemed revoked with respect to the shares comprising such reduction and shall not be counted towards the calculation of the Requisite Percent.

One or more written requests for a special meeting delivered to the Secretary shall constitute a valid Special Meeting Request only if each such written request satisfies the requirements set forth above in this clause (b) and has been dated and delivered to the Secretary within 60 days of the earliest dated of such requests. If the record holder is not the signatory to the Special Meeting Request, such Special Meeting Request will not be valid unless documentary evidence from the record holder of such signatory's authority to execute the Special Meeting Request on behalf of the record holder is supplied to the Secretary at the time of delivery of such Special Meeting Request (or within 10 business days thereafter). The determination of the validity of a Special Meeting Request shall be made in good faith by the Board of Directors, whose determination shall be conclusive and binding on the Corporation and the stockholders.

(c) If none of the stockholder(s) who submitted the Special Meeting Request(s) (or their qualified representatives) appears at the Stockholder Requested Special Meeting to present the matter or matters to be brought before the special meeting as specified in the Special Meeting Request(s), the Corporation need not present the matter or matters for a vote at the meeting, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(d) The stockholder seeking to call the special meeting may revoke a Special Meeting Request by written revocation delivered to, or mailed and received by, the Secretary at any time prior to the special meeting, and any stockholder signing a Special Meeting Request may revoke such request as to the shares that such person Owns (or as to the shares that are Owned by the person on whose behalf the stockholder is acting, as applicable), and their Special Meeting Request shall thereupon be deemed revoked; *provided* that if as a result of such revocation(s) there are no longer any valid unrevoked Special Meeting Request(s) from stockholders who Own at least a Requisite Percent with respect to the proposed special meeting, then there shall be no requirement for the Secretary to call, or for the Corporation to hold, a special meeting regardless of whether notice of such special meeting has been sent and/or proxies solicited for such special meeting. Further, in the event that the stockholder requesting the Stockholder Requested Special Meeting withdraws such Special Meeting Request, there shall be no requirement for the Secretary to call, or for the Corporation to hold, such special meeting.

Section 3. Notice. Except as otherwise provided by law, notice of the time, place and, in the case of a special meeting, the purpose or purposes of the meeting of stockholders shall be delivered personally or mailed not earlier than sixty, nor less than ten, days previous thereto, to each stockholder of record entitled to vote at the meeting at such address as appears on the records of the Corporation.

Section 4. Quorum. The holders of a majority in voting power of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute or by the Corporation's Amended and Restated Certificate of Incorporation as may be amended from time to time (the "**Certificate of Incorporation**"); but if at any regularly called meeting of stockholders there shall be less than a quorum present, the stockholders present may adjourn the meeting from time to time without further notice other than announcement at the meeting until a quorum shall be present or represented. At such adjourned

meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if, after the adjournment, a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Conduct of Meetings. The Chair of the Board of Directors, or in the Chair's absence or at the Chair's direction, the Chair of the Corporation's Corporate Governance and Nominating Committee, or in such Committee Chair's absence or at such Committee Chair's direction, another non-management director of the Corporation shall call all meetings of the stockholders to order and shall act as chair of such meeting. The Secretary of the Corporation or, in such officer's absence, an Assistant Secretary shall act as secretary of the meeting. If neither the Secretary nor an Assistant Secretary of the Corporation is present, the chair of the meeting shall appoint a secretary of the meeting. Unless otherwise determined by the Board of Directors prior to the meeting, the chair of the meeting shall determine the order of business and shall have the authority in his or her discretion to regulate the conduct of any such meeting, including, without limitation, by imposing restrictions on the persons (other than stockholders of the Corporation or their duly appointed proxies) who may attend any such meeting, whether any stockholder or stockholders' proxy may be excluded from any meeting of stockholders based upon any determination by the chair of the meeting, in his or her sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and the circumstances in which any person may make a statement or ask questions at any meeting of stockholders.

Section 6. Proxies. At all meetings of stockholders, any stockholder entitled to vote at such meeting shall be entitled to vote in person or by proxy, but no proxy shall be voted after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for the stockholder as proxy pursuant to the General Corporation Law of the State of Delaware, the following shall constitute a valid means by which a stockholder may grant such authority: (a) a stockholder may execute a writing authorizing another person or persons to act for the stockholder as proxy, and execution of the writing may be accomplished by the stockholder or the stockholder's authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; or (b) a stockholder may authorize another person or persons to act for the stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, *provided* that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the judge or judges of stockholder votes or, if there are no such judges, such other persons making that determination shall specify the information upon which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to the preceding paragraph of this Section 6 may be substituted or used in lieu of the original writing or transmission for any and all purposes for

which the original writing or transmission could be used, *provided* that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

Proxies shall be filed with the Secretary of the meeting prior to or at the commencement of the meeting to which they relate.

Section 7. Voting. When a quorum is present at any meeting, the vote of the holders of a majority in voting power of the stock present in person or represented by proxy and entitled to vote on the matter shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the Certificate of Incorporation or these By-Laws a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 8. Record Dates. In order that the Corporation may determine the stockholders (a) entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or (b) entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date (i) in the case of clause (a) above, shall not be more than sixty nor less than ten days before the date of such meeting and (ii) in the case of clause (b) above, shall not be more than sixty days prior to such action. If for any reason the Board of Directors shall not have fixed a record date for any such purpose, the record date for such purpose shall be determined as provided by law. Only those stockholders of record on the date so fixed or determined shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date so fixed or determined.

Section 9. Inspection of Stockholders List. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced at the time and kept at the place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 10. Judges of Stockholder Votes. The Board of Directors, in advance of all meetings of the stockholders, shall appoint one or more judges of stockholder votes, who may be stockholders or their proxies, but not directors of the Corporation or candidates for office. In the event that the Board of Directors fails to so appoint judges of stockholder votes or, in the event that one or more judges of stockholder votes previously designated by the Board of Directors fails to appear or act at the meeting of stockholders, the chair of the meeting may

appoint one or more judges of stockholder votes to fill such vacancy or vacancies. Judges of stockholder votes appointed to act at any meeting of the stockholders, before entering upon the discharge of their duties, shall be sworn faithfully to execute the duties of judge of stockholder votes with strict impartiality and according to the best of their ability and the oath so taken shall be subscribed by them. Judges of stockholder votes shall, subject to the power of the chair of the meeting to open and close the polls, take charge of the polls, and, after the voting, shall make a certificate of the result of the vote taken.

Section 11. Notice and Information Requirements. (A) *Annual Meetings of Stockholders.* (1) Nominations of persons for election to the Board of Directors of the Corporation (other than directors to be nominated by any series of Preferred Stock, voting separately as a class, or pursuant to the Securityholders' Agreement (as defined below)) and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Chair of the Board of Directors or the Board of Directors, (c) by any stockholder of the Corporation who is entitled to vote at the meeting, who complied with the notice procedures set forth in paragraphs (A)(2) and (A)(3) of this Article I, Section 11 and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation or (d) by any stockholder of the Corporation who meets the requirements of and complies with the procedures set forth in Article 1, Section 12.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Article I, Section 11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and any such proposed business other than nominations of persons for election to the Board of Directors must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary date of the preceding year's annual meeting; *provided, however*, that in the event that the date of the annual meeting is more than 30 days before, or more than 70 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is



made (i) the name and address of such stockholder, as they appear on the Corporation's books and records, and of such beneficial owner, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination; (d) a description of any agreement, arrangement or understanding with respect to the nomination or proposal and/or the voting of shares of any class or series of stock of the Corporation between or among the stockholder giving the notice, the beneficial owner, if any, on whose behalf the nomination or proposal is made, any of their respective affiliates or associates and/or any others acting in concert with any of the foregoing (collectively, "**proponent persons**"); and (e) a description of any agreement, arrangement or understanding (including without limitation any contract to purchase or sell, acquisition or grant of any option, right or warrant to purchase or sell, swap or other instrument) the intent or effect of which may be (i) to transfer to or from any proponent person, in whole or in part, any of the economic consequences of ownership of any security of the Corporation, (ii) to increase or decrease the voting power of any proponent person with respect to shares of any class or series of stock of the Corporation and/or (iii) to provide any proponent person, directly or indirectly, with the opportunity to profit or share in any profit derived from, or to otherwise benefit economically from, any increase or decrease in the value of any security of the Corporation. A stockholder providing notice of a proposed nomination for election to the Board of Directors or other business proposed to be brought before a meeting (whether given pursuant to this paragraph (A)(2) or paragraph (B) of this Article I, Section 11) shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 15 days prior to the meeting or any adjournment or postponement thereof; such update and supplement shall be delivered in writing to the Secretary at the principal executive offices of the Corporation not later than 5 days after the record date for the meeting (in the case of any update and supplement required to be made as of the record date), and not later than 10 days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of 15 days prior to the meeting or any adjournment or postponement thereof). The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Article I, Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased, and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Article I, Section 11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the

Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting (1) in the case of a meeting called by the Chair of the Board of Directors, the Chief Executive Officer or the Board of Directors pursuant to a resolution approved by the Board of Directors, pursuant to the Corporation's notice of meeting pursuant to Article I, Section 3 of these By-Laws, or (2) in the case of a Stockholder Requested Special Meeting upon the written request of holder(s) Owning the Requisite Percent, as shall have been proposed by such holder(s) pursuant to a notice setting forth the information required pursuant to paragraph (A)(2) of this Article I, Section 11, and such other purposes as shall be directed by the Board of Directors, in each case as set forth in the Corporation's notice of meeting pursuant to Article I, Section 3 of these By-Laws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors (or stockholder(s) pursuant to Article Eighth of the Certificate of Incorporation) or (ii) provided that the Board of Directors (or stockholder(s) pursuant to Article Eighth of the Certificate of Incorporation) has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Article I, Section 11 and who is a stockholder of record at the time such notice is delivered to the Secretary. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice as required by paragraph (A)(2) of this Article I, Section 11 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120<sup>th</sup> day prior to such special meeting and not later than the close of business on the later of the 90<sup>th</sup> day prior to such special meeting or the 10<sup>th</sup> day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) *General.* (1) Unless otherwise provided by the terms of any series of Preferred Stock, the Securityholders' Agreement dated as of July 20, 2001, as amended from time to time (the "**Securityholders' Agreement**"), among the Corporation, CBRE Services, Inc. (formerly known as CB Richard Ellis Services, Inc.) and the Corporation's stockholders from time to time party thereto or any other agreement approved by the Corporation's Board of Directors, only persons who are nominated in accordance with the procedures set forth in Article I, Sections 11 or 12 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Article I, Section 11. Except as otherwise provided by law, the Certificate of Incorporation or these By-laws, the chair of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in Article I, Sections 11 or 12 and, if any proposed nomination or business is not in compliance with Article I, Sections 11 or 12, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding anything to the contrary in Article I, Sections 11 or 12, if the

stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of Article I, Sections 11 and 12, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Article I, Section 11, “**public announcement**” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission (the “**SEC**”) pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) For purposes of these By-Laws, no adjournment or postponement nor notice of adjournment or postponement of any meeting shall be deemed to constitute a new notice of such meeting for purposes of Article I, Sections 11 and 12, and in order for any notification required to be delivered by a stockholder pursuant to Article I, Sections 11 and 12 to be timely, such notification must be delivered within the periods set forth above with respect to the originally scheduled meeting.

(4) Notwithstanding the foregoing provisions of this Article I, Section 11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these By-Laws; *provided, however*, that any references in these By-Laws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to these By-Laws (including paragraphs (A)(1)(c) and (B) of this Article I, Section 11), and compliance with paragraphs (A)(1)(c) and (B) of this Article I, Section 11 shall be the exclusive means for a stockholder to make nominations or submit other business (other than as provided in Article I, Section 12). Nothing in these By-Laws shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock).

Section 12. Proxy Access for Director Nominations. (A) *Inclusion of Stockholder Nominees in the Corporation’s Proxy Materials.* Notwithstanding anything to the contrary in these By-Laws, whenever the Board of Directors solicits proxies with respect to the election of Directors at an annual meeting of stockholders, subject to the provisions of this Article I, Section 12, the Corporation shall include in its proxy statement, form of proxy card and other applicable documents or filings with the SEC required in connection with the solicitation of proxies for the election of directors for such annual meeting (the “**Corporation’s proxy materials**”), in addition to any persons nominated for election by the Board of Directors or any committee

thereof, the name of any person nominated for election to the Board of Directors pursuant to this Article I, Section 12 (the “**Stockholder Nominee**”) by an Eligible Stockholder (as defined below), and will include in its proxy statement for the annual meeting of stockholders the Required Information (as defined below), if the Eligible Stockholder satisfies the requirements of this Article I, Section 12 and expressly elects at the time of providing the notice required by this Article I, Section 12 (the “**Notice of Proxy Access Nomination**”) to have its Stockholder Nominee(s) included in the Corporation’s proxy materials pursuant to this Article I, Section 12. Nothing in this Article I, Section 12 shall limit the Corporation’s ability to solicit against, and include in its proxy materials its own statements relating to, any Stockholder Nominee, Eligible Stockholder, or group of stockholders acting collectively as an Eligible Stockholder.

(B) *Qualification as an Eligible Stockholder.* To qualify as an “**Eligible Stockholder,**” a stockholder or an eligible group of no more than 20 stockholders of the Corporation (counting the record holder and beneficial holder of the same shares of the Corporation’s stock as one stockholder for these purposes), must have owned (as defined below) the Nomination Required Ownership Percentage (as defined below) of the Corporation’s outstanding common stock entitled to vote generally in the election of directors of the Corporation (the “**Nomination Required Shares**”) continuously for the Minimum Holding Period (as defined below) as of both the date the Notice of Proxy Access Nomination is delivered to the Secretary of the Corporation in accordance with this Article I, Section 12 and the close of business on the record date for determining the stockholders entitled to vote at the annual meeting of stockholders of the Corporation, and thereafter must continue to own the Nomination Required Shares through the date of such annual meeting (and any postponement or adjournment thereof). For purposes of this Article I, Section 12, the “**Nomination Required Ownership Percentage**” is 3% and the “**Minimum Holding Period**” is three years.

In the event the Eligible Stockholder consists of a group of stockholders, any and all requirements and obligations for an individual Eligible Stockholder that are set forth in this Article I, Section 12, including the Minimum Holding Period, shall apply to each member of such group; *provided, however,* that the Nomination Required Ownership Percentage shall apply to the ownership of the group in the aggregate. No person may be a member of more than one group of persons constituting an Eligible Stockholder for purposes of nominations pursuant to this Article I, Section 12 with respect to any annual meeting of the stockholders of the Corporation (other than a record holder directed to act by more than one beneficial owner). If and to the extent a stockholder of record is acting on behalf of one or more beneficial owners, only the stock of the Corporation owned by such beneficial owner or owners, and not any other stock of the Corporation owned by any such stockholder of record, shall be counted for purposes of satisfying the Minimum Holding Period and Nomination Required Ownership Percentage. In addition, a group of any two or more funds that are under common management and investment control shall be treated as one stockholder of record or beneficial owner, as the case may be, for the purposes of forming a group to qualify as an Eligible Stockholder; *provided* that each fund otherwise meets the requirements set forth in this Article I, Section 12; and *provided, further,* that any such funds for which common stock of the Corporation is aggregated for the purpose of satisfying the Nomination Required Ownership Percentage provide documentation reasonably satisfactory to the Corporation that demonstrates that the funds meet the criteria set forth in this paragraph in the Notice of Proxy Access Nomination.

Whenever an Eligible Stockholder consists of a group of more than one stockholder, each provision in this Article I, Section 12 that requires the Eligible Stockholder to provide any information, written statements, representations, undertakings or agreements or to meet any other conditions shall be deemed to require each stockholder that is a member of such group to provide such information, statements, representations, undertakings or agreements and to meet such other conditions (which, if applicable, shall apply with respect to the portion of the Nomination Required Shares owned by such stockholder). When an Eligible Stockholder is comprised of a group of more than one stockholder, a violation of any provision of this Article I, Section 12 by any member of the group shall be deemed a violation by the entire group.

For purposes of this Article I, Section 12, an Eligible Stockholder shall be deemed to “own” only those outstanding shares of common stock of the Corporation as to which the stockholder possesses both: (1) the full voting and investment rights pertaining to the shares and (2) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; *provided* that the number of shares calculated in accordance with clauses (1) and (2) above shall not include any shares (a) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, including any short sale, (b) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell or (c) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar instrument, agreement or arrangement entered into by such stockholder or any of its affiliates, whether any such instrument, agreement or arrangement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the Corporation, in any such case which instrument, agreement or arrangement has, or is intended to have, or if exercised by either party would have, the purpose or effect of (i) reducing in any manner, to any extent or at any time in the future, such stockholder’s or its affiliates’ full right to vote or direct the voting of any such shares and/or (ii) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such stockholder or its affiliates. An Eligible Stockholder shall “own” shares of common stock held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder’s ownership of shares of common stock shall be deemed to continue during any period in which (I) the stockholder has loaned such shares, provided that the stockholder has the power to recall such loaned shares on five business days’ notice and provides a representation to the Corporation that it will promptly recall such loaned shares upon being notified that any of its Stockholder Nominees will be included in the Corporation’s proxy materials, or (II) the stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the stockholder. The terms “owned,” “owning” and other variations of the word “own” in this Article I, Section 12 shall have correlative meanings. Whether outstanding shares of the common stock of the Corporation are “owned” for these purposes shall be determined by the Board of Directors or any committee thereof, in each case, in its sole discretion, which determination shall be conclusive and binding on the Corporation, its stockholders and beneficial owners and all other parties. For purposes of this Article I, Section 12, the term “affiliate” or “affiliates” shall have the meaning ascribed thereto under rules and regulations promulgated under the Exchange Act.

(C) *Required Information.* For purposes of this Article I, Section 12, the “**Required Information**” that the Corporation will include in its proxy statement is (1) the information provided to the Secretary of the Corporation concerning the Stockholder Nominee and the Eligible Stockholder that is required to be disclosed in the Corporation’s proxy statement by applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder, and (2) if the Eligible Stockholder so elects, a written statement of the Eligible Stockholder, not to exceed 500 words, in support of the candidacy of the Stockholder Nominee(s), which must be delivered to the Secretary of the Corporation at the time the Notice of Proxy Access Nomination required by this Article I, Section 12 is delivered (the “**Statement**”). Notwithstanding anything to the contrary contained in this Article I, Section 12, the Corporation may omit from its proxy statement any information or the Statement (or portion thereof) that it, in good faith, believes is untrue in any material respect (or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading) or would violate any applicable law, rule, regulation or listing standard. Nothing in this Article I, Section 12 shall limit the Corporation’s ability to solicit against and include in the Corporation’s proxy materials its own statements or other information relating to the Eligible Stockholder or any Stockholder Nominee.

(D) *Maximum Number of Stockholder Nominees.* The maximum number of Stockholder Nominees nominated by all Eligible Stockholders (including any Stockholder Nominee that was submitted by an Eligible Stockholder for inclusion in the Corporation’s proxy materials pursuant to this Article I, Section 12 but was subsequently withdrawn, disregarded pursuant to this Article I, Section 12 or declared invalid or ineligible) that will be included in the Corporation’s proxy materials with respect to an annual meeting of stockholders shall not exceed the greater of (1) 20% of the total number of directors in office (rounded down to the nearest whole number) as of the last day on which a Notice of Proxy Access Nomination may be timely delivered pursuant to and in accordance with this Article I, Section 12 (the “**Final Proxy Access Nomination Date**”) or (2) two (the “**Maximum Number**”). In the event that one or more vacancies for any reason occurs on the Board of Directors after the Final Proxy Access Nomination Date but before the date of the annual meeting of stockholders and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the Maximum Number of Stockholder Nominees eligible for inclusion in the Corporation’s proxy materials pursuant to this Article I, Section 12 shall be calculated based on the number of directors in office as so reduced.

The Maximum Number shall be reduced, but not below zero, by the sum of:

(a) the number of individuals nominated by an Eligible Stockholder for inclusion in the Corporation’s proxy materials pursuant to this Article I, Section 12 whom the Board of Directors decides to nominate as a nominee of the Board of Directors;

(b) the number of individuals that the Board of Directors decides to nominate for re-election who were Stockholder Nominees at one of the previous three annual meetings of stockholders; and

(c) the number of Stockholder Nominees whose nomination was subsequently withdrawn or otherwise deemed invalid pursuant to this Article I, Sections 11(C)(1), 12(H) or 12(I)(1).

Any Eligible Stockholder submitting more than one Stockholder Nominee for inclusion in the Corporation's proxy materials pursuant to this Article I, Section 12 shall rank such Stockholder Nominees in its Notice of Proxy Access Nomination based on the order that the Eligible Stockholder desires such Stockholder Nominees to be selected for inclusion in the Corporation's proxy materials in the event that the total number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Article I, Section 12 exceeds the Maximum Number. In the event that the number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Article I, Section 12 exceeds the Maximum Number, the highest ranking Stockholder Nominee who meets the requirements of this Article I, Section 12 from each Eligible Stockholder will be selected for inclusion in the Corporation's proxy materials until the Maximum Number is reached, beginning with the Eligible Stockholder or group of Eligible Stockholders with the largest number of shares of the Corporation's outstanding common stock each Eligible Stockholder disclosed as owned in its respective Notice of Proxy Access Nomination submitted to the Corporation and preceding through each Eligible Stockholder or group Eligible Stockholders in descending order of ownership. If the Maximum Number is not reached after the highest ranking Stockholder Nominee who meets the requirements of this Article I, Section 12 from each Eligible Stockholder has been selected, this process will continue as many times as necessary, following the same order each time, until the Maximum Number is reached or there are no remaining Stockholder Nominees.

(E) *Timing of Notice.* To be eligible to have its nominee included in the Corporation's proxy materials pursuant to this Article I, Section 12, an Eligible Stockholder shall have timely delivered, in proper form, a Notice of Proxy Access Nomination to the Secretary. To be timely, the Notice of Proxy Access Nomination shall be delivered to the Secretary at the principal executive offices of the Corporation in proper form not less than 90 days nor more than 120 days prior to the first anniversary date of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before, or more than 70 days after such anniversary date, notice by an Eligible Stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

(F) *Form and Content of Notice.* To be in proper form for purposes of this Article I, Section 12, the Notice of Proxy Access Nomination to the Secretary must be in writing and shall include the following information:

(1) an express request that each Stockholder Nominee be included in the Corporation's proxy materials pursuant to this Article I, Section 12;

(2) one or more written statements from the record holder of the Nomination Required Shares (and from each intermediary through which the Nomination Required Shares are or have been held during the Minimum Holding Period) verifying that, as of a date within

seven calendar days prior to the date the Notice of Proxy Access Nomination is delivered to the Secretary of the Corporation, the Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Nomination Required Shares, and the Eligible Stockholder's agreement to provide, within five business days after the record date for the annual meeting of stockholders, written statements from the record holder and intermediaries verifying the Eligible Stockholder's continuous ownership of the Nomination Required Shares through the record date, together with a written statement by the Eligible Stockholder that such Stockholder will continue to own the Nomination Required Shares through the date of such annual meeting (and any postponement or adjournment thereof);

(3) with respect to each Eligible Stockholder or member of a group comprising an Eligible Stockholder, (a) the number of shares of the Corporation's capital stock that such Eligible Stockholder is deemed to own for the purposes of this Article I, Section 12, (b) the class or series and form of ownership for such shares and (c) the number of shares of the Corporation's capital stock (i) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, including any short sale, (ii) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell, (iii) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar instrument, agreement or arrangement entered into by such stockholder or any of its affiliates, whether any such instrument, agreement or arrangement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the Corporation, in any such case which instrument, agreement or arrangement has, or is intended to have, or if exercised by either party would have, the purpose or effect of (I) reducing in any manner, to any extent or at any time in the future, such stockholder's or its affiliates' full right to vote or direct the voting of any such shares and/or (II) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such stockholder or its affiliates, (iv) over which such stockholder does not retain the right to instruct how such shares are voted with respect to the election of directors, (v) over which such stockholder does not possess the full economic interest, (vi) subject to a loan that does not permit such stockholder to recall such loaned shares on three business days' notice, or (vii) for which such stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is not revocable at any time by such stockholder.

(4) a copy of any Schedule 14N that has been or concurrently is filed with the SEC as required by Rule 14a-18 under the Exchange Act, as such rule may be amended;

(5) the other information, representations and agreements that are the same as those that would be required to be set forth in a stockholder's notice of nomination pursuant to Article I, Section 11(A)(2);

(6) the consent of each Stockholder Nominee to be named in the Corporation's proxy materials as a nominee, to serve as a Director if elected, and to the public disclosure of the information provided pursuant to this Article I, Section 12;



stockholders): (7) a representation that the Eligible Stockholder (including each group member, in the case of nomination by a group of

(a) acquired the Nomination Required Shares in the ordinary course of business and not with the intent to change or influence control of the Corporation, and that neither the Eligible Stockholder nor any Stockholder Nominee being nominated thereby presently has such intent;

(b) has not nominated and will not nominate for election to the Board of Directors at the annual meeting of stockholders any person other than its Stockholder Nominee(s) being nominated pursuant to this Article I, Section 12;

(c) has not engaged and will not engage in, with respect to the applicable annual meeting, and has not and will not be a “participant” in, another person’s or group’s “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a Director at the annual meeting of stockholders, other than its Stockholder Nominee(s) or a nominee of the Board of Directors;

(d) will not distribute to any stockholder of the Corporation any form of proxy for the annual meeting of stockholders other than the form distributed by the Corporation;

(e) has provided and will provide facts, statements and other information in all communications with the Corporation and its stockholders and beneficial owners, including without limitation the Notice of Proxy Access Nomination and the Statement, that are and will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made in light of the circumstances under which they were made, not misleading; and

(f) consents to the public disclosure by the Corporation of the information provided pursuant to this Article I, Section 12;

(8) an executed agreement, in a form deemed satisfactory by the Board of Directors, pursuant to which the Eligible Stockholder agrees to:

(a) assume all liability stemming from any legal or regulatory violation arising out of communications with the stockholders of the Corporation by the Eligible Stockholder, its affiliates and associates or their respective agents or representatives, either before or after providing a Notice of Proxy Access Nomination pursuant to this Article I, Section 12, or out of the information that the Eligible Stockholder or its Stockholder Nominee(s) provided to the Corporation pursuant to this Article I, Section 12 or otherwise in connection with the inclusion of such Stockholder Nominee(s) in the Corporation's proxy materials pursuant to this Article I, Section 12;

(b) indemnify and hold harmless the Corporation and each of its directors, officers, employees, agents and affiliates individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative arising out of or relating to any nomination submitted by the Eligible Stockholder pursuant to this Article I, Section 12;

(c) comply with all applicable laws and regulations with respect to any solicitation, or applicable to the filing and use, if any, of soliciting material, in connection with the annual meeting of stockholders; and

(d) file with the SEC any solicitation or other communication with the Corporation's stockholders relating to the meeting at which the Stockholder Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or whether any exemption from filing is available thereunder;

(9) in the case of a nomination by a group of stockholders that together is an Eligible Stockholder, the designation by all group members of one group member that is authorized to act on behalf of all such members with respect to the nomination and matters related thereto, including withdrawal of the nomination; and

(10) a letter of resignation signed by each Stockholder Nominee, which letter shall specify that such Stockholder Nominee's resignation from the Board of Directors is irrevocable and that it shall become effective upon a determination by the Board of Directors or any committee thereof that (a) any of the information provided to the Corporation by the Eligible Stockholder or any member of a group of stockholders acting collectively as an Eligible Stockholder (including any beneficial owner on whose behalf the nomination was made) or the Stockholder Nominee in respect of the nomination of such Stockholder Nominee pursuant to this Article I, Section 12 is or was untrue in any material respect (or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading) or (b) the Eligible Stockholder or any member of a group of stockholders acting collectively as an Eligible Stockholder (including any beneficial owner on whose behalf the nomination was made) or the Stockholder Nominee shall have breached any of their respective representations, obligations or agreements under this Article I, Section 12.

The Corporation may also require each Eligible Stockholder and Stockholder Nominee to furnish such additional information as may reasonably be necessary to permit the Board of Directors to determine if each Stockholder Nominee is independent under the listing standards of the principal U.S. exchange upon which the common stock of the Corporation is listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Corporation's Directors or as may reasonably be required by the Corporation to determine that the Eligible Stockholder meets the criteria for qualification as an Eligible Stockholder.

(G) *Breach and Duty to Update.* In the event that an Eligible Stockholder, or any member of a group acting collectively as an Eligible Stockholder, shall have breached any of their respective representations, obligations or agreements with the Corporation, or any information included in the Statement or the Notice of Proxy Access Nomination or any other communications by such Eligible Stockholder or member of a group acting collectively as an Eligible Stockholder (including any beneficial owner on whose behalf the nomination is made) with the Corporation or its stockholders and beneficial owners ceases to be true and correct in all material respects (or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading), each Eligible Stockholder or any member of a group acting collectively as an Eligible Stockholder (including any beneficial owner on whose behalf the nomination is made), as the case may be, shall promptly (and in any event within 24 hours of discovering such breach or that such information has ceased to be true and correct in all material respects (or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading) notify the Secretary of the Corporation of any such breach, inaccuracy or omission in such previously provided information and shall provide the information that is required to correct any such defect, if applicable.

(H) *Disqualification of Stockholder Nominees.* The Corporation shall not be required to include, pursuant to this Article I, Section 12, a Stockholder Nominee in the Corporation's proxy materials for any meeting of stockholders, or, if the proxy statement already has been filed, to allow the nomination of a Stockholder Nominee, notwithstanding that proxies in respect of such vote may have been received by the Corporation:

(1) for which the Secretary of the Corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors pursuant to the advance notice requirements for stockholder nominees for Director set forth in this Article I, Section 11;

(2) if the Eligible Stockholder who has nominated such Stockholder Nominee has engaged in or is currently engaged in, or has been or is a "participant" in, another person's "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a Director at the annual meeting of stockholders other than its Stockholder Nominee(s) or a nominee of the Board of Directors;

(3) if such Stockholder Nominee is not independent under the listing standards of the principal U.S. exchange upon which the common stock of the Corporation is listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing independence of the Corporation's directors, including those

applicable to a director's service on any of the committees of the Board of Directors, in each case as determined by the Board of Directors in its sole discretion;

(4) if the election of such Stockholder Nominee as a member of the Board of Directors would cause the Corporation to be in violation of these By-Laws, the Certificate of Incorporation, the listing standards of the principal U.S. exchange upon which the common stock of the Corporation is listed, or any applicable state or federal law, rule or regulation or standards of the Corporation applicable to directors, in each case as determined by the Board of Directors in its sole discretion;

(5) if such Stockholder Nominee is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, of the Corporation or its subsidiaries, or is a representative of an entity that has or has had a representative functioning as such an officer or director during such period;

(6) if such Stockholder Nominee is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten years;

(7) if such Stockholder Nominee is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended;

(8) if such Stockholder Nominee or the applicable Eligible Stockholder shall have provided information to the Corporation in respect to such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading, as determined by the Board of Directors or any committee thereof, in each case, in its sole discretion;

(9) if the Eligible Stockholder who has nominated such Stockholder Nominee or such Stockholder Nominee otherwise contravenes any of the agreements or representations made by such Eligible Stockholder or Stockholder Nominee or fails to comply with its obligations pursuant to this Article I, Section 12; or

(10) whose business or personal interests place such Stockholder Nominee in a conflict of interest with the Corporation or any of its subsidiaries, as determined by the Board of Directors in its sole discretion.

For the purpose of this Article I, Section 12(H), clauses (2) through (10) will result in the exclusion from the Corporation's proxy materials pursuant to this Article I, Section 12 of the specific Stockholder Nominee(s) to whom the ineligibility applies, or, if the Corporation's proxy statement already has been filed, the ineligibility of the Stockholder Nominee(s) and the inability of the Eligible Stockholder that nominated any such Stockholder Nominee to substitute another Stockholder Nominee therefor; however, clause (1) will result in the exclusion from the proxy materials pursuant to this Article I, Section 12 of all Stockholder Nominees from such Eligible Stockholder for the applicable annual meeting, or, if the Corporation's proxy statement already has been filed, the ineligibility of all Stockholder Nominees.

(I) *General.* Notwithstanding the foregoing provisions of this Article I, Section 12, unless otherwise required by law:

(1) if the Stockholder Nominee(s) and/or the applicable Eligible Stockholder shall have breached its or their obligations under this Article I, Section 12, as determined by the Board of Directors or the chairperson of the meeting of stockholders, in each case, in its, his or her sole discretion, such nomination shall, without further action, be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation;

(2) the Corporation may omit from its proxy materials any information, including all or any portion of the Nomination Statement, if the Board of Directors determines that the disclosure of such information would violate any applicable law or regulation or that such information is not true and correct in all material respects or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and

(3) the Board of Directors (and any other person or body authorized by the Board of Directors) shall have the power and authority to interpret this Article I, Section 12 and to make any and all determinations necessary or advisable to apply this Article I, Section 12 to any persons, facts or circumstances. Any such interpretation or determination adopted in good faith by the Board of Directors (or any other person or body authorized by the Board of Directors) shall be conclusive and binding on all persons, including the Corporation and its stockholders of record and beneficial owners).

(J) *Exclusive Method.* This Article I, Section 12 shall be the exclusive method for stockholders to include nominees for election to the Board of Directors in the Corporation's proxy materials.

## ARTICLE II.

### BOARD OF DIRECTORS

Section 1. Number, Election, Quorum. The Board of Directors of the Corporation shall consist of such number of directors, not less than three, as shall from time to time be fixed exclusively by resolution of the Board of Directors. The Board shall not nominate for election more than one member of the Corporation's management. A nominee for director shall (except as hereinafter provided for the filling of vacancies and newly created directorships) be elected to the Board of Directors if the votes cast "for" such nominee's election exceed the votes cast as "against" such nominee's election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the Secretary receives a notice (which purports to be in compliance with the notice procedures set forth in Article I, Section 11 of these By-Laws, irrespective of whether the Board of Directors thereafter determines that such notice is not in compliance with such procedures) that a stockholder has nominated a person for election to the Board of Directors and (ii) such nomination has not been withdrawn by such stockholder on or before the 14th day before the Corporation first mails to the stockholders its notice of meeting for such meeting. A majority of the total number of directors then in office (but not less than one-third of the number of directors constituting the entire Board

of Directors) shall constitute a quorum for the transaction of business and, except as otherwise provided by law or by the Certificate of Incorporation, the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. Directors need not be stockholders.

Section 2. Term Limits. The Board of Directors will not nominate for re-election any non-management director if that director has completed 12 years of service as an Independent Member (as defined below) of the Board of Directors on or prior to the date of election to which such nomination relates. The restriction in the immediately preceding sentence shall not apply until December 17, 2020 for any person who is a director as of December 17, 2015. For purposes of this Section 2 and the immediately following Section 3, “**Independent Member**” means a member of the Board of Directors that meets the criteria for independence required by the New York Stock Exchange or such other exchange upon which the Corporation’s securities are publicly traded from time to time.

Section 3. Chair of the Board of Directors. The Board of Directors, after each annual meeting of the stockholders, shall elect a Chair of the Board of Directors who shall be an Independent Member (as defined above) of the Board of Directors. The Chair of the Board of Directors shall hold office until his or her successor is elected by the Board of Directors, or until his or her earlier resignation or removal. The Chair of the Board of Directors may be removed as Chair at any time with or without cause by the majority vote of the Board of Directors. The Board of Directors shall fill any vacancy in the position of Chair of the Board of Directors at such time and in such manner as the Board of Directors shall determine.

Section 4. Newly-Created Directorships and Vacancies. Unless otherwise required by law and subject to Section 6 of this Article II, newly created directorships in the Board of Directors that result from an increase in the number of directors and any vacancy occurring in the Board of Directors may be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; and the directors so chosen shall hold office for a term as set forth in the Certificate of Incorporation. If any applicable provision of the General Corporation Law of the State of Delaware expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such a meeting.

Section 5. Meetings. Meetings of the Board of Directors shall be held at such place within or without the State of Delaware as may from time to time be fixed by resolution of the Board of Directors or as may be specified in the notice of any meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board of Directors and special meetings may be held at any time upon the call of the Chair of the Board of Directors or the Chief Executive Officer, by oral, or written notice including, telegraph, telex or transmission of a telecopy, e-mail or other means of transmission, duly served on or sent or mailed to each director to such director’s address or telecopy number as shown on the books of the Corporation not less than one day before the meeting. The notice of any meeting need not specify the purposes thereof. A meeting of the Board of Directors may be held without notice immediately after the annual meeting of stockholders at the same place at which such meeting is held. Notice need not be given of regular meetings of the Board of Directors held at times fixed by resolution of the Board of Directors. Notice of any meeting need

not be given to any director who shall attend such meeting in person (except when the director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened), or who shall waive notice thereof, before or after such meeting, in writing.

Section 6. Election of Directors by Holders of Preferred Stock. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, and other features of such directorships shall be governed by the terms of the Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto. The number of directors that may be elected by the holders of any such series of Preferred Stock shall be in addition to the number fixed by or pursuant to these By-Laws. Except as otherwise expressly provided in the terms of such series, the number of directors that may be so elected by the holders of any such series of stock shall be elected for terms expiring at the next annual meeting of stockholders, and vacancies among directors so elected by the separate vote of the holders of any such series of Preferred Stock shall be filled by the affirmative vote of a majority of the remaining directors elected by such series, or, if there are no such remaining directors, by the holders of such series in the same manner in which such series initially elected a director.

Section 7. Election of Directors by Multiples Classes or Series of Stock. If at any meeting for the election of directors, the Corporation has outstanding more than one class of stock, and one or more such classes or series thereof are entitled to vote separately as a class, and there shall be a quorum of only one such class or series of stock, that class or series of stock shall be entitled to elect its quota of directors notwithstanding absence of a quorum of the other class or series of stock.

Section 8. Executive Committee. The Board of Directors may designate three or more directors to constitute an executive committee to serve at the pleasure of the Board of Directors, one of whom shall be designated chair of such committee. The members of such committee shall be comprised of such members of the Board of Directors as the Board of Directors shall from time to time establish. Any vacancy occurring in the committee shall be filled by the Board of Directors. Regular meetings of the committee shall be held at such times and on such notice and at such places as it may from time to time determine. The committee shall act, advise with and aid the officers of the Corporation in all matters concerning its interest and the management of its business, and shall generally perform such duties and exercise such powers as may from time to time be delegated to it by the Board of Directors. The committee shall have power to authorize the seal of the Corporation to be affixed to all papers which are required by the General Corporation Law of the State of Delaware to have the seal affixed thereto.

The executive committee shall keep regular minutes of its transactions and shall cause them to be recorded in a book kept in the office of the Corporation designated for that purpose, and shall report the same to the Board of Directors at their regular meeting. The committee shall make and adopt its own rules for the government thereof and shall elect its own officers.

Section 9. Other Committees. The Board of Directors may from time to time establish such other committees to serve at the pleasure of the Board of Directors (including, without limitation, an audit committee (or audit and finance committee), a compensation committee and a corporate governance and nominating committee) which shall be comprised of such members of the Board of Directors and have such duties as the Board of Directors shall from time to time establish. Any director may belong to any number of committees of the Board of Directors. The Board of Directors may also establish such other committees with such members (whether or not directors) and such duties as the Board of Directors may from time to time determine.

Section 10. Action by Unanimous Written Consent in Lieu of a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 11. Remote Participation. The members of the Board of Directors or any committee thereof may participate in a meeting of such Board of Directors or committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this subsection shall constitute presence in person at such a meeting.

Section 12. Compensation. The Board of Directors may establish policies for the compensation of directors and for the reimbursement of the expenses of directors, in each case, in connection with services provided by directors to the Corporation.

### **ARTICLE III.**

#### **OFFICERS**

Section 1. Election. The Board of Directors, after each annual meeting of the stockholders, shall elect officers of the Corporation, including a Chief Executive Officer, a President and a Secretary. The Board of Directors may also from time to time elect such other officers (including one or more Vice Presidents, a Treasurer, one or more Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers or one or more Vice Chairs of the Board) as it may deem proper or may delegate to any elected officer of the Corporation the power to appoint and remove any such other officers and to prescribe their respective terms of office, authorities and duties. Any Vice President may be designated Executive, Senior or Corporate, or may be given such other designation or combination of designations as the Board of Directors may determine. Any two or more offices may be held by the same person.

Section 2. Terms. All officers of the Corporation elected by the Board of Directors shall hold office for such term as may be determined by the Board of Directors or until their respective successors are chosen and qualified. Any officer may be removed from office at any time either with or without cause by the affirmative vote of a majority of the members of the



Board of Directors then in office, or, in the case of appointed officers, by any elected officer upon whom such power of removal shall have been conferred by the Board of Directors.

Section 3. Powers and Duties. Each of the officers of the Corporation elected by the Board of Directors or appointed by an officer in accordance with these By-laws shall have the powers and duties prescribed by law, by these By-Laws or by the Board of Directors and, in the case of appointed officers, the powers and duties prescribed by the appointing officer, and, unless otherwise prescribed by these By-Laws or by the Board of Directors or such appointing officer, shall have such further powers and duties as ordinarily pertain to that office.

Section 4. Delegation. Unless otherwise provided in these By-Laws, in the absence or disability of any officer of the Corporation, the Board of Directors may, during such period, delegate such officer's powers and duties to any other officer or to any director and the person to whom such powers and duties are delegated shall, for the time being, hold such office.

#### ARTICLE IV.

#### CERTIFICATES OF STOCK

Section 1. Form. The shares of stock of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the Chair of the Board of Directors, or the President or a Vice President, and by the Treasurer or the Secretary of the Corporation, or as otherwise permitted by law, representing the number of shares registered in certificate form. Any or all the signatures on the certificate may be a facsimile.

Section 2. Transfers. Transfers of stock shall be made on the books of the Corporation by the holder of the shares in person or by such holder's attorney upon surrender and cancellation of certificates for a like number of shares, or as otherwise provided by law with respect to uncertificated shares.

Section 3. Loss, Stolen or Destroyed Certificates. No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, stolen or destroyed, except upon production of such evidence of such loss, theft or destruction and upon delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors in its discretion may require.

**ARTICLE V.**

**CORPORATE BOOKS**

The books of the Corporation may be kept outside of the State of Delaware at such place or places as the Board of Directors may from time to time determine.

**ARTICLE VI.**

**CHECKS, NOTES, PROXIES, ETC.**

All checks and drafts on the Corporation's bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers or agent or agents as shall be authorized from time to time by the Board of Directors. Proxies to vote and consents with respect to securities of other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chair of the Board of Directors, the Chief Executive Officer or President, or by such officers as the Board of Directors may from time to time determine.

**ARTICLE VII.**

**FISCAL YEAR**

The fiscal year of the Corporation shall begin on the first day of January in each year and shall end on the thirty-first day of December following.

**ARTICLE VIII.**

**CORPORATE SEAL**

The corporate seal shall have inscribed thereon the name of the Corporation. In lieu of the corporate seal, when so authorized by the Board of Directors or a duly empowered committee thereof, a facsimile thereof may be impressed or affixed or reproduced.

**ARTICLE IX.**

**EXCLUSIVE FORUM**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action arising pursuant to any provision

of the General Corporation Law of the State of Delaware or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article IX.

## **ARTICLE X.**

### **AMENDMENTS**

These By-Laws may be amended, added to, rescinded or repealed at any meeting of the Board of Directors or of the stockholders, *provided* notice of the proposed change was given in the notice of the meeting of the stockholders or, in the case of a meeting of the Board of Directors, in a notice given not less than two days prior to the meeting.

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**Certification of Chief Executive Officer Pursuant to  
Rule 13a-14(a) Under the Securities Exchange Act of 1934, as Amended**

I, Robert E. Sulentic, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of CBRE Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2017

/s/ Robert E. Sulentic  
Robert E. Sulentic  
*President and Chief Executive Officer*

**Certification of Chief Financial Officer Pursuant to  
Rule 13a-14(a) Under the Securities Exchange Act of 1934, as Amended**

I, James R. Groch, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of CBRE Group, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2017

/s/ James R. Groch

James R. Groch

*Chief Financial Officer*

**Certifications of Chief Executive Officer and Chief Financial Officer  
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act Of 2002**

The undersigned, Robert E. Sulentic, Chief Executive Officer, and James R. Groch, Chief Financial Officer of CBRE Group, Inc. (the "Company"), hereby certify as of the date hereof, solely for the purposes of 18 U.S.C. §1350, that:

- (i) the Quarterly Report on Form 10-Q for the period ended March 31, 2017, of the Company (the "Report") fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 10, 2017

/s/ Robert E. Sulentic

Robert E. Sulentic

*President and Chief Executive Officer*

/s/ James R. Groch

James R. Groch

*Chief Financial Officer*

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.