JONES LANG LASALLE INC
Form 10-Q
August 06, 2008

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

T Quarterly Report Pursuant to Section 13 or 15(d)of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

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 1-13145

Jones Lang LaSalle Incorporated
(Exact name of registrant as specified in its charter)

Maryland	36-4150422
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Randolph Drive, Chicago, IL	60601
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: 312-782-5800

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 T No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer T Accelerated filer £ Non-accelerated filer £

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

The number of shares outstanding of the registrant’s common stock (par value $0.01) as of the close of business on August l, 2008 was 32,446,150.

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Part I Financial Information

Item 1. Financial Statements

JONES LANG LASALLE INCORPORATED
Consolidated Balance Sheets
June 30, 2008 and December 31, 2007
($ in thousands, except share data)

Assets	June 30, 2008 (unaudited)	December 31, 2007
Current assets:		
Cash and cash equivalents	$ 67,650	78,580
Trade receivables, net of allowances of $26,796 and $13,300	665,137	834,865
Notes and other receivables	65,155	52,695
Prepaid expenses	39,017	26,148
Deferred tax assets	89,281	64,872
Other	22,857	13,816
Total current assets	949,097	1,070,976
Property and equipment, net of accumulated depreciation of $228,751 and $198,169	220,174	193,329
Goodwill, with indefinite useful lives	865,184	694,004
Identified intangibles, with finite useful lives, net of accumulated amortization of $24,676 and $68,537	44,663	41,670
Investments in real estate ventures	177,399	151,800
Long-term receivables, net	46,927	33,219
Deferred tax assets	52,578	58,584
Other, net	55,740	48,292
Total assets	$ 2,411,762	2,291,874
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 254,221	302,976
Accrued compensation	290,533	655,895
Short-term borrowings	23,288	14,385
Deferred tax liabilities	4,997	727
Deferred income	30,364	29,756
Deferred business acquisition obligations	45,168	45,363
Other	73,354	60,193
Total current liabilities	721,925	1,109,295
Noncurrent liabilities:		
Credit facilities	441,529	29,205
Deferred tax liabilities	1,470	6,577
Deferred compensation	40,718	46,423
Pension liabilities	1,101	1,096
Deferred business acquisition obligations	34,384	36,679
Other	53,237	43,794
Total liabilities	1,294,364	1,273,069

Commitments and contingencies	—	—
Minority interest	9,939	8,272
Shareholders' equity:		
Common stock, $.01 par value per share, 100,000,000 shares authorized; 31,929,669 and 31,722,587 shares issued and outstanding	319	317
Additional paid-in capital	476,312	441,951
Retained earnings	495,908	484,840
Shares held in trust	(1,980)	(1,930)
Accumulated other comprehensive income	136,900	85,355
Total shareholders' equity	1,107,459	1,010,533
Total liabilities and shareholders' equity	$ 2,411,762	2,291,874

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED
Consolidated Statements of Earnings
For the Three and Six Months Ended June 30, 2008 and 2007
($ in thousands, except share data) (unaudited)

		Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Revenue	$	659,515	676,086	1,223,435	1,166,139
Operating expenses:					
Compensation and benefits		431,175	436,265	810,047	761,922
Operating, administrative and other		171,875	126,517	332,741	242,253
Depreciation and amortization		18,268	12,309	34,714	24,935
Restructuring credits		—	—	(188)	(411)
Operating expenses		621,318	575,091	1,177,314	1,028,699
Operating income		38,197	100,995	46,121	137,440
Interest expense, net of interest income		3,560	3,830	4,736	5,668
Gain on sale of investments		—	3,703	—	6,129
Equity in earnings (losses) from real estate ventures		969	6,368	(1,244)	6,502
Income before provision for income taxes and minority interest		35,606	107,236	40,141	144,403
Provision for income taxes		8,973	28,632	10,116	38,556
Minority interest, net of tax		1,114	—	1,666	—
Net income	$	25,519	78,604	28,359	105,847
Net income available to common shareholders (Note 9)	$	24,516	77,932	27,356	105,175
Basic earnings per common share	$	0.77	2.45	0.86	3.30
Basic weighted average shares outstanding		31,876,045	31,828,364	31,824,435	31,878,811
Diluted earnings per common share	$	0.73	2.32	0.82	3.12
Diluted weighted average shares outstanding		33,458,081	33,655,359	33,340,225	33,664,471

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED
Consolidated Statement of Shareholders' Equity
For the Six Months Ended June 30, 2008
($ in thousands, except share data) (unaudited)

	Common Stock		Additional Paid-In	Retained	Shares Held in	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Trust	Income	Total
Balance at December 31, 2007	31,722,587	$ 317	441,951	484,840	(1,930)	85,355	$ 1,010,533
Net income	—	—	—	28,359	—	—	28,359
Shares issued under stock compensation programs	207,082	2	4,479	—	—	—	4,481
Tax benefits of vestings and exercises	—	—	2,214	—	—	—	2,214
Amortization of stock compensation	—	—	27,668	—	—	—	27,668
Dividends declared	—	—	—	(17,291)	—	—	(17,291)
Shares held in trust	—	—	—	—	(50)	—	(50)
Foreign currency translation adjustments	—	—	—	—	—	51,545	51,545
Balance at June 30, 2008	31,929,669	$ 319	476,312	495,908	(1,980)	136,900	$ 1,107,459

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2008 and 2007
($ in thousands) (unaudited)

		Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash flows from operating activities:			
Net income	$	28,359	105,847
Reconciling net income to net cash from operating activities:			
Depreciation and amortization		34,714	24,935
Equity in losses (earnings) from real estate ventures		1,244	(6,502)
Gain on sale of investments		—	(3,703)
Operating distributions from real estate ventures		59	8,147
Provision for loss on receivables and other assets		14,075	6,518
Amortization of deferred compensation		31,523	26,280
Minority interest, net of tax		1,666	—
Amortization of debt issuance costs		674	296
Change in:			
Receivables		166,139	27,124
Prepaid expenses and other assets		(25,429)	(7,652)
Deferred tax assets, net		(20,394)	(1,064)
Excess tax benefits from share-based payment arrangements		(2,214)	(3,754)
Accounts payable, accrued liabilities and accrued compensation		(403,621)	(156,169)
Net cash (used in) provided by operating activities		(173,205)	20,303
Cash flows from investing activities:			
Net capital additions – property and equipment		(50,785)	(45,396)
Business acquisitions		(168,249)	(66,697)
Capital contributions and advances to real estate ventures		(23,643)	(20,663)
Distributions, repayments of advances and sale of investments		6	24,075
Net cash used in investing activities		(242,671)	(108,681)
Cash flows from financing activities:			
Proceeds from borrowings under credit facilities		926,032	609,629
Repayments of borrowings under credit facilities		(504,806)	(509,119)
Debt issuance costs		(5,683)	(450)
Shares repurchased for payment of employee taxes on stock awards		(1,832)	(857)
Shares repurchased under share repurchase program		—	(21,815)
Excess tax benefits from share-based payment arrangements		2,214	3,754
Common stock issued under stock option plan and stock purchase programs		6,312	6,193
Payment of dividends		(17,291)	(12,056)
Net cash provided by financing activities		404,946	75,279
Net decrease in cash and cash equivalents		(10,930)	(13,099)
Cash and cash equivalents, January 1		78,580	50,612
Cash and cash equivalents, June 30	$	67,650	37,513

Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$	3,390	8,097
Income taxes, net of refunds		50,230	28,246
Non-cash financing activities:			
Deferred business acquisition obligations	$	17,510	11,261

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Notes to Consolidated Financial Statements (Unaudited)

Readers of this quarterly report should refer to the audited financial statements of Jones Lang LaSalle Incorporated ("Jones Lang LaSalle", which may also be referred to as "the Company" or as "the Firm," "we," "us" or "our") for the year enc December 31, 2007, which are included in Jones Lang LaSalle's 2007 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission ("SEC") and also available on our website (www.joneslanglasalle.com), since we have omitted from this report certain footnote disclosures which would substantially duplicate those contained in such audited financial statements. You should also refer to the "Summary of Critical Accounting Policies and Estimates" section within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, contained herein, for further discussion of our accounting policies and estimates.

(1) Interim Information

Our consolidated financial statements as of June 30, 2008 and for the three and six months ended June 30, 2008 and 2007 are unaudited; however, in the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements for these interim periods have been included.

Historically, our revenue and profits have tended to be higher in the third and fourth quarters of each year than in the first two quarters. This is the result of a general focus in the real estate industry on completing or documenting transactions by calendar-year-end and the fact that certain expenses are constant throughout the year. Our Investment Management segment earns investment-generated performance fees on clients' real estate investment returns and co-investment equity gains, generally when assets are sold, the timing of which is geared towards the benefit of our clients. Within our Investor and Occupier Services segments, expansion of capital markets activities has an increasing impact on comparability between reporting periods, as the timing of recognition of revenues relates to the size and timing of our clients' transactions. Non-variable operating expenses, which are treated as expenses when they are incurred during the year, are relatively constant on a quarterly basis. As a result, the results for the periods ended June 30, 2008 and 2007 are not indicative of the results to be obtained for the full fiscal year.

(2) New Accounting Standards

Fair Value Measurements
In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payment transactions under SFAS 123R. In November 2007, the FASB deferred the implementation of SFAS 157 for non-financial assets and liabilities for one year. On January 1, 2008 the Company adopted SFAS 157 with respect to its financial assets and liabilities that are measured at fair value. The adoption of these provisions did not have a material impact on our consolidated financial statements.

SFAS 157 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;

- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

We regularly use foreign currency forward contracts to manage our currency exchange rate risk related to intercompany lending and cash management practices. We determined the fair value of these contracts based on widely accepted valuation techniques. The inputs for these valuation techniques are Level 2 inputs in the hierarchy of SFAS 157. At June 30, 2008, we had forward exchange contracts in effect with a gross notional value of $531.3 million and a net fair value gain of $9.3 million, recorded as a current asset of $11.2 million and a current liability of $1.9 million. This net carrying gain is offset by a carrying loss in associated intercompany loans such that the net impact to earnings is not significant. At June 30, 2008, the Company has no recurring fair value measurements for financial assets and liabilities that are based on unobservable inputs or Level 3 inputs.

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Fair Value Option
In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Under SFAS 159, the Company had the option of adopting fair value accounting for financial assets and liabilities starting on January 1, 2008. The adoption of SFAS 159 did not have a material effect on our consolidated financial statements since the Company did not elect to measure any of its financial assets or liabilities using the fair value option prescribed by SFAS 159.

Business Combinations
In December 2007, the FASB issued SFAS 141(revised), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) will change how identifiable assets acquired and the liabilities assumed in a business combination will be recorded in the financial statements. SFAS 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires expensing of most transaction and restructuring costs. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is after December 31, 2008. Management has not yet determined what impact the application of SFAS 141(R) will have on our consolidated financial statements.

Noncontrolling Interests
In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51" ("SFAS 160"). SFAS 160 requires reporting entities to present noncontrolling (minority) interests as equity (as opposed to a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS 160 applies prospectively as of January 1, 2009. Management has not yet determined what impact the application of SFAS 160 will have on our consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities
In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities. SFAS 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning after November 15, 2008. Management has not yet determined what impact the application of SFAS 161 will have on our consolidated financial statement disclosures.

(3) Revenue Recognition

We categorize our revenues as:

- Transaction commissions;
- Advisory and management fees; and
- Incentive fees.

We recognize transaction commissions related to agency leasing services, capital markets services and tenant representation services as income when we provide the related service unless future contingencies exist. If future contingencies exist, we defer recognition of this revenue until the respective contingencies have been satisfied.

We recognize advisory and management fees related to property management services, valuation services, corporate property services, strategic consulting and money management as income in the period in which we perform the related services.

We recognize incentive fees based on the performance of underlying funds and separate account investments, and the contractual benchmarks, formulas and timing of the measurement period with clients.

Project and development management and construction management fees are a subset of our revenues in the advisory and management fees category. We recognize project and development management and construction management fees by applying the "percentage of completion" method of accounting. We use the efforts expended method to determine the extent of progress towards completion for project and development management fees and costs incurred to total estimated costs for construction management fees.

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Construction management fees, which are gross construction services revenues net of subcontract costs, were $2.9 million and $3.1 million for the three months ended June 30, 2008 and 2007, respectively and $6.6 million and $4.9 million for the six months ended June 30, 2008 and 2007, respectively.

Gross construction services revenues totaled $56.8 million and $46.3 million for the three months ended June 30, 2008 and 2007, respectively, and $113.5 million and $84.4 million for the six months ended June 30, 2008 and 2007, respectively.

Subcontract costs totaled $53.9 million and $43.2 million for the three months ended June 30, 2008 and 2007, respectively, and $106.9 million and $79.5 million for the six months ended June 30, 2008 and 2007, respectively.

We include costs in excess of billings on uncompleted construction contracts of $8.6 million and $4.8 million in "Trade receivables," and billings in excess of costs on uncompleted construction contracts of $15.8 million and $12.9 million in "Deferred income," respectively, in our June 30, 2008 and December 31, 2007 consolidated balance sheets.

In certain of our businesses, primarily those involving management services, our clients reimburse us for expenses incurred on their behalf. We base the treatment of reimbursable expenses for financial reporting purposes upon the fee structure of the underlying contracts. We follow the guidance of EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," when accounting for reimbursable personnel and other costs. We report a contract that provides a fixed fee billing, fully inclusive of all personnel or other recoverable expenses incurred but not separately scheduled, on a gross basis. When accounting on a gross basis, our reported revenues include the full billing to our client and our reported expenses include all costs associated with the client.

We account for a contract on a net basis when the fee structure is comprised of at least two distinct elements, namely (i) a fixed management fee and (ii) a separate component that allows for scheduled reimbursable personnel costs or other expenses to be billed directly to the client. When accounting on a net basis, we include the fixed management fee in reported revenues and net the reimbursement against expenses. We base this accounting on the following factors, which define us as an agent rather than a principal:

- The property owner, with ultimate approval rights relating to the employment and compensation of on-site personnel, and bearing all of the economic costs of such personnel, is determined to be the primary obligor in the arrangement;

- Reimbursement to Jones Lang LaSalle is generally completed simultaneously with payment of payroll or soon thereafter;

- Because the property owner is contractually obligated to fund all operating costs of the property from existing cash flow or direct funding from its building operating account, Jones Lang LaSalle bears little or no credit risk; and

- Jones Lang LaSalle generally earns no margin in the reimbursement aspect of the arrangement, obtaining reimbursement only for actual costs incurred.

Most of our service contracts use the latter structure and are accounted for on a net basis. We have always presented the above reimbursable contract costs on a net basis in accordance with U.S. GAAP. These costs aggregated approximately $296.2 million and $233.9 million for the three months ended June 30, 2008 and 2007, respectively, and approximately $573.5 million and $473.0 million for the six months ended June 30, 2008 and 2007, respectively. This treatment has no impact on operating income, net income or cash flows.

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(4) Business Segments

We manage and report our operations as four business segments:

(i) Investment Management, which offers money management services on a global basis, and

The three geographic regions of Investor and Occupier Services ("IOS"):

(ii) Americas,
(iii) Europe, Middle East and Africa ("EMEA") and
(iv) Asia Pacific.

The Investment Management segment provides money management services to institutional investors and high-net-worth individuals. Each geographic region offers our full range of Investor Services, Capital Markets and Occupier Services. The IOS business consists primarily of tenant representation and agency leasing, capital markets and valuation services (collectively "transaction services") and property management, facilities management, project and development management, energy management and sustainability and construction management services (collectively "management services").

Operating income represents total revenue less direct and indirect allocable expenses. Allocated expenses primarily consist of corporate global overhead. We allocate these corporate global overhead expenses to the business segments based on the relative operating income of each segment.

For segment reporting we show equity in earnings (losses) from real estate ventures within our revenue line, especially since it is an integral part of our Investment Management segment. Our measure of segment reporting results also excludes restructuring charges. The Chief Operating Decision Maker of Jones Lang LaSalle measures the segment results with "Equity in earnings (losses) from real estate ventures," and without restructuring charges. We define the Chief Operating Decision Maker collectively as our Global Executive Committee, which is comprised of our Global Chief Executive Officer, Global Chief Operating and Financial Officer and the Chief Executive Officers of each of our four reporting segments.

We have reclassified certain prior year amounts to conform to the current presentation.

The following table summarizes unaudited financial information by business segment for the three and six months ended June 30, 2008 and 2007 ($ in thousands):

Investor and Occupier Services	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Americas				
Revenue:				
Transaction services	$ 88,065	85,070	167,424	157,759
Management services	94,945	86,021	183,692	156,952
Equity earnings	41	270	41	420
Other services	6,824	7,638	12,580	12,134
	189,875	178,999	363,737	327,265
Operating expenses:				

Compensation, operating and administrative services		171,825	153,792	338,394	289,675
Depreciation and amortization		7,494	6,084	14,542	12,006
Operating income	$	10,556	19,123	10,801	25,584

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Investor and Occupier Services	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
EMEA				
Revenue:				
Transaction services	$ 174,456	157,903	306,872	300,041
Management services	59,027	35,181	107,204	67,264
Equity earnings (losses)	85	172	102	(195)
Other services	2,530	3,730	4,985	6,767
	236,098	196,986	419,163	373,877
Operating expenses:				
Compensation, operating and administrative services	226,900	177,830	410,960	335,555
Depreciation and amortization	6,866	3,931	12,886	8,447
Operating income (loss)	$ 2,332	15,225	(4,683)	29,875
Asia Pacific				
Revenue:				
Transaction services	$ 77,748	162,312	136,630	201,908
Management services	61,444	47,018	118,518	92,077
Equity (losses) earnings	(88)	210	(150)	231
Other services	2,674	1,691	4,178	3,410
	141,778	211,231	259,176	297,626
Operating expenses:				
Compensation, operating and administrative services	133,553	165,194	255,961	252,715
Depreciation and amortization	3,451	1,857	6,328	3,630
Operating income (loss)	$ 4,774	44,180	(3,113)	41,281
Investment Management				
Revenue:				
Transaction and other services	$ 6,214	5,410	10,439	7,930
Advisory fees	72,552	54,295	144,683	108,214
Incentive fees	13,036	29,817	26,230	51,683
Equity earnings (losses)	931	5,716	(1,237)	6,046
	92,733	95,238	180,115	173,873
Operating expenses:				
Compensation, operating and administrative services	70,772	65,966	137,474	126,230
Depreciation and amortization	457	437	957	852
Operating income	$ 21,504	28,836	41,684	46,791
Segment Reconciling Items:				
Total segment revenue	$ 660,484	682,454	1,222,191	1,172,641
Reclassification of equity earnings (losses)	969	6,368	(1,244)	6,502
Total revenue	659,515	676,086	1,223,435	1,166,139
Total segment operating expenses	621,318	575,091	1,177,502	1,029,110
Restructuring credits	—	—	(188)	(411)

Operating income	$	38,197	100,995	46,121	137,440

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(5) Business Combinations, Goodwill and Other Intangible Assets

2008 Business Combinations
In the first six months of 2008 we completed ten new acquisitions consisting of the following:

1. The Standard Group LLC, a Chicago-based retail transaction management firm;
2. Creevy LLH Ltd, a Scotland-based firm that provides investment, leasing and valuation services for leisure and hotels properties;
3. Brune Consulting Management GmbH, a Germany-based retail management firm;
4. Creer & Berkeley Pty Ltd., an Australian property sales, leasing, management, valuation and consultancy firm;
5. Shore Industrial, an Australian commercial real estate agency in Sydney's northern suburbs;
6. Sallmanns Holdings Ltd, a valuation business based in Hong Kong;
7. The remaining 60% of a commercial real estate firm formed by the Company and Ray L. Davis, based in Australia;
8. Kemper’s Holding GmbH, a Germany-based retail specialist, making us the largest property advisory business in Germany and providing us with new offices in Leipzig, Cologne and Hannover:
9. Leechiu & Associates, an agency business in the Philippines; and
10. The remaining 51% interest in a Finnish real estate services firm which previously operated under the name GVA. We acquired the initial 49% in 2007.

In the second quarter of 2008, we also acquired a 10% equity interest in Alkas, a Turkish based commercial real estate firm, which is recorded within “Investments in real estate ventures” in our consolidated balance sheet.

Terms for these transactions included (i) net cash paid at closing and capitalized costs totaling approximately $148.2 million, (ii) consideration subject only to the passage of time recorded in “Deferred business acquisition obligations” on our balance sheet at a current fair value of $14.7 million, and (iii) additional consideration subject to earn-out provisions that will be paid only if the related conditions are achieved. Cash paid for acquisitions in 2008 also included $20.0 million paid in the first quarter to satisfy a deferred business acquisition obligation from the 2006 Spaulding & Slye acquisition.

Earn-out payments
At June 30, 2008 we had the potential to make earn-out payments on 19 acquisitions that are subject to the achievement of certain performance conditions. The maximum amount of the potential earn-out payments of 17 of these acquisitions was $61.5 million at June 30, 2008. We expect these amounts will come due at various times over the next six years. For two acquisitions, the amounts of the earn-out payments are based on formulas and are not quantifiable at this time.

Goodwill and Other Intangible Assets
We have $909.9 million of unamortized intangibles and goodwill as of June 30, 2008 that are subject to the provisions of SFAS 142, “Goodwill and Other Intangible Assets.” A significant portion of these unamortized intangibles and goodwill are denominated in currencies other than U.S. dollars, which means that a portion of the movements in the

reported book value of these balances are attributable to movements in foreign currency exchange rates. The tables below set forth further details on the foreign exchange impact on intangible and goodwill balances. Of the $909.9 million of unamortized intangibles and goodwill, $865.2 million represents goodwill with indefinite useful lives, which is not amortized. The remaining $44.7 million of identifiable intangibles are amortized over their remaining finite useful lives.

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The following table sets forth, by reporting segment, the current year movements in goodwill with indefinite useful lives ($ in thousands):

	Investor and Occupier Services				
	Americas	EMEA	Asia Pacific	Investment Management	Consolidated
Gross Carrying Amount					
Balance as of January 1, 2008	$ 357,606	192,238	122,356	21,804	694,004
Additions	3,714	126,737	26,895	—	157,346
Impact of exchange rate movements	—	9,270	4,465	99	13,834
Balance as of June 30, 2008	$ 361,320	328,245	153,716	21,903	865,184

The following table sets forth, by reporting segment, the current year movements in the gross carrying amount and accumulated amortization of our intangibles with finite useful lives ($ in thousands):

	Investor and Occupier Services				
	Americas	EMEA	Asia Pacific	Investment Management	Consolidated
Gross Carrying Amount					
Balance as of January 1, 2008	$ 85,986	10,508	7,701	6,012	110,207
Additions	410	3,878	4,880	—	9,168
Adjustment for fully amortized intangibles	(41,249)	(804)	(3,470)	(5,908)	(51,431)
Impact of exchange rate movements	—	1,188	201	6	1,395
Balance as of June 30, 2008	$ 45,147	14,770	9,312	110	69,339
Accumulated Amortization					
Balance as of January 1, 2008	$ (53,367)	(4,792)	(4,459)	(5,919)	(68,537)
Amortization expense	(3,126)	(2,684)	(984)	(28)	(6,822)
Adjustment for fully amortized intangibles	41,249	804	3,470	5,908	51,431
Impact of exchange rate movements	—	(652)	(98)	2	(748)
Balance as of June 30, 2008	(15,244)	(7,324)	(2,071)	(37)	(24,676)
Net book value as of June 30, 2008	$ 29,903	7,446	7,241	73	44,663

Remaining estimated future amortization expense for our intangibles with finite useful lives ($ in millions):

2008	$ 8.3
2009	10.9
2010	6.9
2011	4.8
2012	4.2
Thereafter	9.6
Total	$ 44.7

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(6) Investments in Real Estate Ventures

As of June 30, 2008, we had total investments in and loans to real estate ventures of $176.0 million in approximately 40 separate property or fund co-investments. Within this $176.0 million are loans of $3.6 million to real estate ventures which bear an 8.0% interest rate and are to be repaid in 2009. In addition to our co-investments, we had equity investments of $1.4 million comprised of an investment in Sandalwood, a retail joint venture in Asia Pacific, and a 10% equity interest in Alkas, a Turkish based commercial real estate firm.

We utilize two investment vehicles to facilitate the majority of our co-investment activity. LaSalle Investment Company I ("LIC I") is a series of four parallel limited partnerships which serve as our investment vehicle for substantially all co-investment commitments made through December 31, 2005. LIC I is fully committed to underlying real estate ventures. At June 30, 2008, our maximum potential unfunded commitment to LIC I was euro 23.3 million ($36.7 million). LaSalle Investment Company II ("LIC II"), formed in January 2006, is comprised of two parallel limited partnerships which serve as our investment vehicle for most new co-investments. At June 30, 2008, LIC II has unfunded capital commitments for future fundings of co-investments of $445.3 million, of which our 48.78% share is $217.2 million. The $217.2 million commitment is part of our maximum potential unfunded commitment to LIC II at June 30, 2008 of $413.0 million.

LIC I and LIC II invest in certain real estate ventures that own and operate commercial real estate. We have an effective 47.85% ownership interest in LIC I, and an effective 48.78% ownership interest in LIC II; primarily institutional investors hold the remaining 52.15% and 51.22% interests in LIC I and LIC II, respectively. We account for our investments in LIC I and LIC II under the equity method of accounting in the accompanying consolidated financial statements. Additionally, a non-executive Director of Jones Lang LaSalle is an investor in LIC I on equivalent terms to other investors.

LIC I's and LIC II's exposures to liabilities and losses of the ventures are limited to their existing capital contributions and remaining capital commitments. We expect that LIC I will draw down on our commitment over the next three to five years to satisfy its existing commitments to underlying funds, and we expect that LIC II will draw down on our commitment over the next four to eight years as it enters into new commitments. Our Board of Directors has endorsed the use of our co-investment capital in particular situations to control or bridge finance existing real estate assets or portfolios to seed future investments within LIC II. The purpose is to accelerate capital raising and growth in assets under management. Approvals for such activity are handled consistently with those of the Firm's co-investment capital. At June 30, 2008, no bridge financing arrangements were outstanding.

As of June 30, 2008, LIC I maintains a euro 10.0 million ($15.8 million) revolving credit facility (the "LIC I Facility"), and LIC II maintains a $200.0 million revolving credit facility (the "LIC II Facility"), principally for their working capital needs. The capacity in the LIC II Facility contemplates potential bridge financing opportunities. Each facility contains a credit rating trigger and a material adverse condition clause. If either of the credit rating trigger or the material adverse condition clauses becomes triggered, the facility to which that condition relates would be in default and outstanding borrowings would need to be repaid. Such a condition would require us to fund our pro-rata share of the then outstanding balance on the related facility, which is the limit of our liability. The maximum exposure to Jones Lang LaSalle, assuming that the LIC I Facility were fully drawn, would be euro 4.8 million ($7.5 million); assuming that the LIC II Facility were fully drawn, the maximum exposure to Jones Lang LaSalle would be $97.6 million. Each exposure is included within and cannot exceed our maximum potential unfunded commitments to LIC I of euro 23.3 million ($36.7 million) and to LIC II of $413.0 million. As of June 30, 2008, LIC I had euro 5.4 million ($8.5 million) of outstanding borrowings on the LIC I Facility, and LIC II had $23.2 million of outstanding borrowings on the LIC II Facility.

Exclusive of our LIC I and LIC II commitment structures, we have potential obligations related to unfunded commitments to other real estate ventures, the maximum of which is $9.2 million at June 30, 2008.

We apply the provisions of APB 18, SAB 59, and SFAS 144 when evaluating investments in real estate ventures for impairment, including impairment evaluations of the individual assets underlying our investments. We recorded impairment charges of $0.6 million in the first six months of 2008 and no impairment charges in the first six months of 2007.

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(7) Stock-based Compensation

We adopted SFAS 123 (revised 2004), "Share-Based Payment" ("SFAS 123R") as of January 1, 2006, using the modified prospective approach. The adoption of SFAS 123R primarily impacts "Compensation and benefits" expense in our consolidated statement of earnings by changing prospectively our method of measuring and recognizing compensation expense on share-based awards from recognizing forfeitures as incurred to estimating forfeitures, and accelerating expense recognition for share-based awards to employees who are or will become retirement-eligible prior to the stated vesting period of the award.

Restricted Stock Unit Awards

Along with cash-based salaries and performance-based annual cash incentive awards, restricted stock unit awards represent a primary element of our compensation program for Company officers, managers and professionals.

Restricted stock unit activity for the three months ended June 30, 2008 is as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Unvested at March 31, 2008	2,727.6	$ 65.52		
Granted	13.1	68.89		
Vested	(7.2)	43.22		
Forfeited	(6.2)	74.52		
Unvested at June 30, 2008	2,727.3	$ 65.57	1.44 years	$ 164.2

Restricted stock unit activity for the six months ended June 30, 2008 is as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Unvested at January 1, 2008	1,780.2	$ 61.58		
Granted	1,053.8	71.44		
Vested	(73.5)	52.30		
Forfeited	(33.2)	67.13		
Unvested at June 30, 2008	2,727.3	$ 65.57	1.44 years	$ 164.2
Unvested shares expected to vest	2,577.0	$ 65.18	1.38 years	$ 155.1

As of June 30, 2008, there was $79.6 million of remaining unamortized deferred compensation related to unvested restricted stock units. We expect the cost to be recognized over the remaining weighted average contractual life of the awards.

Approximately 73,500 restricted stock unit awards vested during the first six months of 2008, having an aggregate fair value of $5.2 million and an intrinsic value of $1.4 million. For the same period in 2007, approximately 34,100 restricted stock unit awards vested, having an aggregate fair value of $3.2 million and an intrinsic value of $2.1 million. As a result of these vesting events, we recognized tax benefits of $0.5 million and $1.1 million for the six months ending June 30, 2008 and 2007, respectively.

Stock Option Awards

We have granted stock options at the market value of our common stock at the date of grant. Our options vested at such times and conditions as the Compensation Committee of our Board of Directors determined and set forth in the award agreement; the most recent options, granted in 2003, vested over periods of up to five years. As a result of a change in compensation strategy, we do not currently use stock option grants as part of our employee compensation program.

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Stock option activity for the three months ended June 30, 2008 is as follows:

	Options (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Outstanding at March 31, 2008	162.5	$ 19.47		
Exercised	(37.5)	15.96		
Forfeited	(1.0)	39.00		
Outstanding at June 30, 2008	124.0	$ 20.38	2.31 years	$ 4.9

Stock option activity for the six months ended June 30, 2008 is as follows:

	Options (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Outstanding at January 1, 2008	183.0	$ 19.18		
Exercised	(58.0)	16.26		
Forfeited	(1.0)	39.00		
Outstanding at June 30, 2008	124.0	$ 20.38	2.31 years	$ 4.9
Exercisable at June 30, 2008	124.0	$ 20.38	2.31 years	$ 4.9

As of June 30, 2008, we have approximately 124,000 options outstanding, all of which have vested. We recognized less than $0.01 million in compensation expense related to the unvested options for the first six months of 2008.

The following table summarizes information about exercises of options occurring during the three and six months ended June 30, 2008 and 2007 ($ in millions):

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Number of options exercised	37,500	21,697	57,966	96,197
Intrinsic value	$ 1.7	2.0	2.5	8.6
Cash received from options exercised	1.2	1.1	2.0	4.1
Tax benefit realized from options exercised	0.8	0.7	1.2	2.9

Other Stock Compensation Programs

U.S. Employee Stock Purchase Plan - In 1998, we adopted an Employee Stock Purchase Plan ("ESPP") for eligible U.S.-based employees. Under the current plan, we enhance employee contributions for stock purchases through an additional contribution of a 5% discount on the purchase price as of the end of a program period; program periods are now three months each. Employee contributions and our contributions vest immediately. Since its inception, 1,440,573 shares have been purchased under the program through June 30, 2008. In the first six months of 2008, 56,091 shares having a weighted average grant date market value of $69.07 were purchased under the program. We do not record any compensation expense with respect to this program.

UK SAYE - In 2001, we adopted the Jones Lang LaSalle Savings Related Share Option (UK) Plan ("Save As You Earn" or "SAYE") for eligible employees of our UK based operations. In November 2006, we extended the SAYE plan to employees in our Ireland operations. Under this plan, employees make an election to contribute to the plan in order that their savings might be used to purchase stock at a 15% discount provided by the Company. The options to purchase stock with such savings vest over a period of three or five years. In the first quarter of 2008, the Company issued approximately 85,000 options at an exercise price of $60.66 under the SAYE plan. The fair values of the options are being amortized over their respective vesting periods. At June 30, 2008, there were approximately 178,000 options outstanding under the SAYE plan.

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(8) Retirement Plans

We maintain contributory defined benefit pension plans in the United Kingdom, Ireland and Holland to provide retirement benefits to eligible employees. It is our policy to fund the minimum annual contributions required by applicable regulations. We use a December 31 measurement date for our plans.

Net periodic pension cost consisted of the following for the three and six months ended June 30, 2008 and 2007 ($ in thousands):

		Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Employer service cost - benefits earned during the year	$	1,002	1,010	1,990	2,000
Interest cost on projected benefit obligation		3,035	2,624	6,067	5,204
Expected return on plan assets		(3,498)	(3,138)	(6,994)	(6,224)
Net amortization/deferrals		55	495	110	981
Recognized actual loss		41	19	83	37
Net periodic pension cost	$	635	1,010		