JONES LANG LASALLE INC
Form 10-Q
November 05, 2010
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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2010**

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

(State or other jurisdiction of incorporation or organization)

36-4150422

(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 x 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 period that the registrant was required to submit and post such files). Yes x No ¨

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

(Check one): Large accelerated filer x Accelerated filer ¨ Non-accelerated filer (Do not check if a smaller reporting company) ¨ Smaller reporting company ¨

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

The number of shares outstanding of the registrant s common stock (par value $0.01) as of the close of business on October 26, 2010 was 42,648,064.

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Part I Financial Information

Item 1. Financial Statements

JONES LANG LASALLE INCORPORATED

Consolidated Balance Sheets

September 30, 2010 and December 31, 2009

($ in thousands, except share data)

Assets	September 30, 2010 (unaudited)	December 31, 2009
Current assets:		
Cash and cash equivalents	$ 71,717	69,263
Trade receivables, net of allowances of $34,954 and $36,994	638,111	669,993
Notes and other receivables	79,607	73,984
Prepaid expenses	37,665	35,689
Deferred tax assets	75,174	82,793
Other	25,279	8,196
Total current assets	927,553	939,918
Property and equipment, net of accumulated depreciation of $331,383 and $290,250	192,405	213,708
Goodwill, with indefinite useful lives	1,438,038	1,441,951
Identified intangibles, with finite useful lives, net of accumulated amortization of $79,707 and $71,422	31,306	36,791
Investments in real estate ventures	178,567	167,310
Long-term receivables, net	44,940	52,941
Deferred tax assets, net	137,431	139,406
Other	113,824	104,908
Total assets	$ 3,064,064	3,096,933
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 311,091	347,650
Accrued compensation	404,666	479,628
Short-term borrowings	29,182	23,399
Deferred tax liabilities	1,164	1,164
Deferred income	48,561	38,575
Deferred business acquisition obligations	165,885	106,330
Other	92,017	98,349
Total current liabilities	1,052,566	1,095,095
Noncurrent liabilities:		
Credit facilities	253,000	175,000
Deferred tax liabilities	10,091	3,210
Deferred compensation	18,035	27,039
Pension liabilities	6,534	8,210
Deferred business acquisition obligations	132,862	287,259
Minority shareholder redemption liability	32,372	32,475
Other	79,146	86,031
Total liabilities	1,584,606	1,714,319
Commitments and contingencies		
Company shareholders equity:		

Common stock, $.01 par value per share, 100,000,000 shares authorized;		
42,645,979 and 41,843,947 shares issued and outstanding	426	418
Additional paid-in capital	869,062	854,227
Retained earnings	596,314	531,456
Shares held in trust	(6,290)	(5,196)
Accumulated other comprehensive income (loss)	17,069	(1,976)
Total Company shareholders equity	1,476,581	1,378,929
Noncontrolling interest	2,877	3,685
Total equity	1,479,458	1,382,614
Total liabilities and equity	$ 3,064,064	3,096,933

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statements of Operations

For the Three and Nine Months Ended September 30, 2010 and 2009

($ in thousands, except share data) (unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenue	$ 708,379	595,302	$ 1,969,361	1,665,651
Operating expenses:				
Compensation and benefits	463,065	380,029	1,288,854	1,103,960
Operating, administrative and other	165,336	147,744	484,830	426,020
Depreciation and amortization	17,743	18,720	52,989	64,608
Restructuring charges	385	4,181	5,501	36,608
Total operating expenses	646,529	550,674	1,832,174	1,631,196
Operating income	61,850	44,628	137,187	34,455
Interest expense, net of interest income	11,490	16,304	35,738	43,590
Equity in losses from unconsolidated ventures	(2,014)	(4,960)	(10,937)	(56,230)
Income (loss) before income taxes and noncontrolling interest	48,346	23,364	90,512	(65,365)
Provision (benefit) for income taxes	11,120	3,505	20,817	(9,806)
Net income (loss)	37,226	19,859	69,695	(55,559)
Net income attributable to noncontrolling interest	101	88	347	290
Net income (loss) attributable to the Company	37,125	19,771	69,348	(55,849)
Net income (loss) attributable to common shareholders	$ 37,125	19,771	$ 69,130	(56,135)
Basic earnings (loss) per common share	$ 0.87	$ 0.47	$ 1.64	$ (1.50)
Basic weighted average shares outstanding	42,568,764	41,762,451	42,175,393	37,432,242
Diluted earnings (loss) per common share	$ 0.84	$ 0.46	$ 1.57	$ (1.50)
Diluted weighted average shares outstanding	44,088,989	43,299,868	44,064,294	37,432,242

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statement of Changes in Equity

For the Nine Months Ended September 30, 2010

($ in thousands, except share data) (unaudited)

	Company Shareholders Equity							
	Common Stock		Additional Paid-In	Retained	Shares Held in	Other Comprehensive Income	Noncontrolling	Total
	Shares	Amount	Capital	Earnings	Trust	(Loss)	Interest	Equity
Balances at December 31, 2009	41,843,947	$ 418	854,227	531,456	(5,196)	(1,976)	3,685	$ 1,382,614
Net income				69,348			347	69,695
Shares issued under stock compensation programs	1,093,154	11	1,068					1,079
Shares repurchased for payment of taxes on stock awards	(291,122)	(3)	(19,334)					(19,337)
Tax adjustments due to vestings and exercises			5,580					5,580
Amortization of stock compensation			27,521					27,521
Dividends declared				(4,490)				(4,490)
Shares held in trust					(1,094)			(1,094)
Decrease in amounts due to noncontrolling interest							(1,155)	(1,155)
Foreign currency translation adjustments						19,045		19,045
Balance at September 30, 2010	42,645,979	$ 426	869,062	596,314	(6,290)	17,069	2,877	$ 1,479,458

See accompanying notes to consolidated financial statements.

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JONES LANG LASALLE INCORPORATED

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2010 and 2009

($ in thousands) (unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash flows from operating activities:		
Net income (loss)	$ 69,695	(55,559)
Reconciliation of net income (loss) to net cash used in operating activities:		
Depreciation and amortization	52,989	64,608
Equity in losses from real estate ventures	10,937	56,230
Operating distributions from real estate ventures	188	
Gain on investments	(394)	(1,381)
Provision for loss on receivables and other assets	9,021	14,306
Amortization of deferred compensation	27,115	32,901
Accretion of interest on deferred business acquisition obligations	17,953	20,173
Amortization of debt issuance costs	4,632	3,524
Change in:		
Receivables	24,100	173,565
Prepaid expenses and other assets	(21,799)	(19,912)
Deferred tax assets, net	16,475	(41,595)
Excess tax benefit from share-based payment arrangements	(5,580)	
Accounts payable, accrued liabilities and accrued compensation	(97,260)	(202,999)
Net cash provided by operating activities	108,072	43,861
Cash flows from investing activities:		
Net capital additions property and equipment	(22,797)	(31,234)
Business acquisitions	(113,291)	(14,845)
Capital contributions and advances to real estate ventures	(28,688)	(26,461)
Distributions, repayments of advances and sale of investments	3,994	875
Net cash used in investing activities	(160,782)	(71,665)
Cash flows from financing activities:		
Proceeds from borrowings under credit facilities	962,787	890,290
Repayments of borrowings under credit facilities	(879,000)	(1,050,525)
Debt issuance costs	(11,455)	(11,183)
Issuance of common stock, net		217,689
Shares repurchased for payment of employee taxes on stock awards	(19,337)	(7,159)
Excess tax adjustment from share-based payment arrangements	5,580	
Common stock issued under option and stock purchase programs	1,079	3,225
Payment of dividends	(4,490)	(3,815)
Net cash provided by financing activities	55,164	38,522
Net increase in cash and cash equivalents	2,454	10,718
Cash and cash equivalents, January 1	69,263	45,893
Cash and cash equivalents, September 30	$ 71,717	56,611

Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$	14,240	20,490
Income taxes, net of refunds		20,817	30,140
Non-cash financing activities:			
Deferred business acquisition obligations	$		5,419

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 ended December 31, 2009, which are included in our 2009 Annual Report, 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 in this quarterly report and in our 2009 Annual Report for further discussion of our accounting policies and estimates.

(1) Interim Information

Our consolidated financial statements as of September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009 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 while we recognize certain expenses evenly throughout the year. Our Investment Management segment generally earns investment-generated performance fees on clients real estate investment returns and co-investment equity gains when assets are sold, the timing of which is geared toward the benefit of our clients. Within our Real Estate Services (RES) segments, revenue for capital markets activities relates to the size and timing of our clients transactions and can fluctuate significantly from period to period. Non-variable operating expenses, which we treat as expenses when they are incurred during the year, are relatively constant on a quarterly basis. As such, the results for the periods ended September 30, 2010 and 2009 are not indicative of what our results will be for the full fiscal year.

(2) New Accounting Standards

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 167, Amendments to FASB Interpretation (FIN) No. 46(R). SFAS 167 amends FIN 46(R) to require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. The analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both (i) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (ii) the obligation to absorb losses of, or the right to receive benefits from, the variable interest entity that could potentially be significant to the entity. SFAS 167 also amends guidance in FIN 46(R) (i) for determining when an entity is a variable interest entity, including an additional reconsideration event for such determinations, (ii) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity, (iii) to eliminate the quantitative approach previously required for determining the primary beneficiary, and (iv) to enhance disclosures regarding an enterprise s involvement in a variable interest entity. SFAS 167 became effective for the Company on January 1, 2010. The adoption of SFAS 167 did not have a material impact on our consolidated financial statements. See Note 6 for additional information on our accounting for investments in variable interest entities.

Fair Value

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements (ASU No. 2010-06). ASU 2010-06 requires new disclosures about significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for such transfers. This provision became effective for the Company on January 1, 2010. ASU 2010-06 also requires disclosures about purchases, sales, issuances and settlements in the reconciliation for Level 3 fair value measurements. The Level 3 disclosure requirements are effective for the Company January 1, 2011. See Note 9 for additional information on fair value measurements.

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(3) Revenue Recognition

We earn revenue from the following principal sources:

- **Transaction commissions;**
- **Advisory and management fees;**
- **Incentive fees;**
- **Project and development management fees; and**
- **Construction management fees.**

We recognize **transaction commissions** related to tenant representation, agency leasing and capital markets 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, consulting services and investment management as income in the period in which we perform the related services.

We recognize **incentive fees** when the performance of the underlying funds investments reach contractual benchmarks and other contractual formulas.

We recognize **project and development management and construction management fees** by applying the percentage of completion method of accounting. We use (i) the efforts expended method to determine the extent of progress towards completion for project and development management fees and (ii) costs incurred to total estimated costs for construction management fees.

Construction management fees, which are gross construction services revenues net of subcontract costs, were $2.1 million and $2.2 million for the three months ended September 30, 2010 and 2009, respectively, and $5.7 million and $7.8 million for the nine months ended September 30, 2010 and 2009, respectively. Gross construction services revenues totaled $36.3 million and $35.1 million for the three months ended September 30, 2010 and 2009, respectively, and $110.3 million and $119.9 million for the nine months ended September 30, 2010 and 2009, respectively. Subcontract costs totaled $34.2 million and $32.9 million for the three months ended September 30, 2010 and 2009, respectively, and $104.6 million and $112.1 million for the nine months ended September 30, 2010 and 2009, respectively.

We include costs and earnings in excess of billings on uncompleted construction contracts of $13.2 million and $5.9 million in Trade receivables, and billings in excess of costs and earnings on uncompleted construction contracts of $3.1 million and $3.9 million in Deferred income, respectively, in our September 30, 2010 and December 31, 2009 consolidated balance sheets.

Gross and Net Accounting. 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.

Accordingly, we report a contract that provides a fixed fee billing, fully inclusive of all personnel and 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 or client, 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 we account for them on a net basis. We have always presented reimbursable contract costs on a net basis in accordance with U.S. GAAP. These costs aggregated approximately $288.7 million and $242.3 million for the three months ended September 30, 2010 and 2009, respectively, and approximately $904.1 million and $823.1 million for the nine months ended September 30, 2010 and 2009, respectively. This treatment has no impact on operating income, net income or cash flows.

(4) Business Segments

We manage and report our operations as four business segments:

The three geographic regions of Real Estate Services (RES):

(i) Americas,
(ii) Europe, Middle East and Africa (EMEA),
(iii) Asia Pacific; and

(iv) Investment Management, which offers investment management services on a global basis.

Each geographic region offers our full range of Real Estate Services, including tenant representation and agency leasing, capital markets, property management, facility management, project and development services, and advisory, consulting and valuation services. We consider property management to be services provided to non-occupying property investors and facilities management to be services provided to owner-occupiers.

The Investment Management segment provides investment management services to institutional investors and high-net-worth individuals.

Operating income represents total revenue less direct and indirect allocable expenses. We allocate all expenses, other than interest and income taxes, as nearly all expenses incurred benefit one or more of the segments. Allocated expenses primarily consist of corporate global overhead. We allocate corporate global overhead expenses to the business segments based on the budgeted operating expenses of each segment.

For segment reporting we show equity in (losses) earnings from real estate ventures within our revenue line 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 (losses) earnings 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.

Summarized unaudited financial information by business segment for the three and nine months ended September 30, 2010 and 2009 is as follows ($ in thousands):

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	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Real Estate Services				
Americas				
Segment revenue:				
Revenue	$ 309,063	238,734	832,748	688,122
Equity income (losses)	40	30	280	(1,181)
	309,103	238,764	833,028	686,941
Operating expenses:				
Compensation, operating and and administrative expenses	263,140	199,816	727,806	605,390
Depreciation and amortization	8,697	9,672	26,415	38,111
Operating income	$ 37,266	29,276	78,807	43,440
EMEA				
Segment revenue:				
Revenue	$ 169,275	154,223	491,442	418,814
Equity income (losses)	(12)	19	(45)	(940)
	169,263	154,242	491,397	417,874
Operating expenses:				
Compensation, operating and and administrative expenses	161,858	152,909	478,672	428,225
Depreciation and amortization	4,222	5,265	13,249	15,641
Operating income (loss)	$ 3,183	(3,932)	(524)	(25,992)
Asia Pacific				
Segment revenue:				
Revenue	$ 164,968	136,430	455,317	362,904
Equity income (losses)		1		(2,371)
	164,968	136,431	455,317	360,533
Operating expenses:				
Compensation, operating and and administrative expenses	153,981	126,076	421,573	345,131
Depreciation and amortization	3,616	3,205	9,948	9,198
Operating income	$ 7,371	7,150	23,796	6,204
Investment Management				
Segment revenue:				
Revenue	$ 65,073	65,915	189,854	195,811
Equity losses	(2,042)	(5,010)	(11,172)	(51,738)
	63,031	60,905	178,682	144,073
Operating expenses:				
Compensation, operating and and administrative expenses	49,422	48,972	145,633	151,235
Depreciation and amortization	1,208	578	3,377	1,657
Operating income (loss)	$ 12,401	11,355	29,672	(8,819)
Segment Reconciling Items:				
Total segment revenue	$ 706,365	590,342	1,958,424	1,609,421
Reclassification of equity losses	(2,014)	(4,960)	(10,937)	(56,230)
Total revenue	$ 708,379	595,302	1,969,361	1,665,651
Total segment operating expenses before restructuring charges	646,144	546,493	1,826,673	1,594,588
Restructuring charges	385	4,181	5,501	36,608
Operating income	$ 61,850	44,628	137,187	34,455

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(5) Business Combinations, Goodwill and Other Intangible Assets

2010 Business Combinations Activity

In the first nine months of 2010, we made a total of $113.3 million of payments related to various business combination matters. Of the total, we paid $101.4 million to satisfy deferred business acquisition obligations for acquisitions completed in prior years, including the scheduled third quarter payment of approximately $78 million related to the 2008 Staubach acquisition. We also paid (i) $9.0 million to purchase a portion of the minority interest in our Indian operations, (ii) $1.2 million for contingent consideration consisting primarily of earn-out payments, and (iii) $1.7 million for various other acquisition-related activities, including the third quarter acquisition of certain U.S. mall management operations from General Growth Properties, Inc.

The General Growth Properties operations we acquired consists of the management and leasing contracts for a portfolio of 18 regional shopping malls and community centers in 11 states, totaling more than 11 million square feet. This acquisition resulted in $1.5 million of goodwill and $3.3 million of identifiable intangibles that will be amortized over four years.

Earn-out payments

At September 30, 2010, we had the potential to make earn-out payments on 13 acquisitions that are subject to the achievement of certain performance conditions. The maximum amount of the potential earn-out payments for these acquisitions was $174.3 million at September 30, 2010. We anticipate that these amounts will come due at various times over the next three years assuming the achievement of the applicable performance conditions.

Goodwill and Other Intangible Assets

We have $1.5 billion of unamortized intangibles and goodwill as of September 30, 2010. 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 detail the foreign exchange impact on intangible and goodwill balances. Of the $1.5 billion of unamortized intangibles and goodwill, we will amortize the $31.3 million of identifiable intangibles over their remaining finite useful lives, and the remaining balance represents goodwill with indefinite useful lives, which we do not amortize.

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

	Real Estate Services				
	Americas	EMEA	Asia Pacific	Investment Management	Consolidated
Gross Carrying Amount					
Balance as of January 1, 2010	$ 893,884	344,638	184,885	18,544	1,441,951
Additions, net of adjustments	2,100	(82)	411		2,429
Impact of exchange rate movements	1,189	(12,409)	5,028	(150)	(6,342)
Balance as of September 30, 2010	$ 897,173	332,147	190,324	18,394	1,438,038

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

	Real Estate Services				
	Americas	EMEA	Asia Pacific	Investment Management	Consolidated
Gross Carrying Amount					
Balance as of January 1, 2010	$ 80,269	16,309	11,510	125	108,213

Additions		3,300				3,300
Impact of exchange rate movements		(93)	(524)	104	13	(500)
Balance as of September 30, 2010	$	83,476	15,785	11,614	138	111,013
Accumulated Amortization						
Balance as of January 1, 2010	$	(50,501)	(14,488)	(6,308)	(125)	(71,422)
Amortization expense		(5,097)	(1,171)	(2,395)		(8,663)
Impact of exchange rate movements		(2)	476	(83)	(13)	378
Balance as of September 30, 2010	$	(55,600)	(15,183)	(8,786)	(138)	(79,707)
Net book value as of September 30, 2010	$	27,876	602	2,828		31,306

The remaining estimated future amortization expense for our intangibles with finite useful lives is as follows ($ in millions):

2010	$ 2.2
2011	7.8
2012	6.8
2013	5.1
2014	4.2
2015	3.6
Thereafter	1.6
Total	$ 31.3

(6) Investments in Real Estate Ventures

As of September 30, 2010, we had total investments in real estate ventures of $178.6 million, consisting of approximately 40 separate property or fund co-investments.

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 September 30, 2010, our maximum potential unfunded commitment to LIC I is euro 7.5 million ($10.2 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 September 30, 2010, LIC II has unfunded capital commitments for future fundings of co-investments of $321.0 million, of which our 48.78% share is $156.6 million. The $156.6 million commitment is part of our maximum potential unfunded commitment to LIC II at September 30, 2010 of $335.6 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 one to two 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 September 30, 2010, no bridge financing arrangements were outstanding.

As of September 30, 2010, LIC II maintains a $35.0 million revolving credit facility (the LIC II Facility), principally for working capital needs. The revolving credit facility maintained by LIC I was repaid in full and expired during the fourth quarter of 2009.

The LIC II 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 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 LIC II, which is the limit of our liability. The maximum exposure to Jones Lang LaSalle, assuming that the LIC II Facility was fully drawn, would be $17.1 million. The exposure is included within and cannot exceed our maximum potential unfunded commitment to LIC II of $335.6 million. As of September 30, 2010, LIC II had $12.4 million of outstanding borrowings on the 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 $8.7 million as of September 30, 2010.

As of September 30, 2010, $22.2 million of our $178.6 million of investments in real estate ventures were in entities classified as variable interest entities (VIEs) that we analyzed for potential consolidation under SFAS 167. We evaluated each of these VIEs to determine whether we might have the power to direct the activities that most significantly impact the entity s economic performance. We determined that the key activities for each of these VIEs include purchasing, leasing, approving annual operating budgets, directing day-to-day operating activities, and selling of real estate properties. In each case, we determined that we either (a) did not have the power to direct the key activities or (b) shared power with investors, lenders, or other actively-involved third parties in directing such activities. Additionally, our exposure to loss in these VIEs is limited to the amount of our investment in the entities. Therefore, we concluded that we would not be deemed to (i) have a controlling financial interest in or (ii) be the primary beneficiary of these VIEs. Accordingly, we do not consolidate these VIEs in our consolidated financial statements.

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Impairment

We review our investments in real estate ventures on a quarterly basis for indications of (i) whether the carrying value of the real estate assets underlying our investments in real estate ventures may not be recoverable or (ii) whether our investment in these co-investments is other than temporarily impaired. When events or changes in circumstances indicate that the carrying amount of a real estate asset underlying one of our investments in real estate ventures may be impaired, we review the recoverability of the carrying amount of the real estate asset in comparison to an estimate of the future undiscounted cash flows expected to be generated by the underlying asset. When the carrying amount of the real estate asset is in excess of the future undiscounted cash flows, we use a discounted cash flow approach to determine the fair value of the asset in computing the amount of the impairment. Additionally, we consider a number of factors, including our share of co-investment cash flows and the fair value of our co-investments, in determining whether or not our investment is other than temporarily impaired.

Due to declines in real estate markets, which have had an adverse impact on rental income assumptions and forecasted exit capitalization rates, we determined that certain real estate investments had become impaired in the first nine months of 2010. Included in equity losses from real estate ventures for the first nine months of 2010 are $12.6 million of impairment charges, representing our equity share of these charges. It is reasonably possible that if real estate values continue to decline, we may sustain additional impairment charges on our investments in real estate ventures in future periods. We recognized $47.6 million of impairment charges in the first nine months of 2009.

(7) Stock-based Compensation

Restricted Stock Unit Awards

Along with cash base 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 September 30, 2010 is as follows:

	Shares (thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Unvested at July 1, 2010	2,851.6	$ 49.37		
Granted	32.0	77.97		
Vested	(783.2)	47.60		
Forfeited	(6.5)	59.99		
Unvested at September 30, 2010	2,093.9	$ 50.43	1.83 years	$ 180.6

Restricted stock unit activity for the nine months ended September 30, 2010 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, 2010	2,680.7	$ 47.72		
Granted	529.6	64.37		
Vested	(1,056.2)	50.68		
Forfeited	(60.2)	47.89		

Unvested at September 30, 2010	2,093.9	$	50.43	1.83 years	$ 180.6
Unvested shares expected to vest	2,031.1	$	50.45	1.83 years	$ 175.2

We determined the fair value of restricted stock units based on the market price of the Company s common stock on the grant date. As of September 30, 2010, there was $35.7 million of remaining unamortized deferred compensation related to unvested restricted stock units. We will recognize the remaining cost of unvested restricted stock units granted through September 30, 2010 over varying periods into 2015.

Shares vesting during the nine months ended September 30, 2010 and 2009 had fair values of $53.5 million and $53.9 million, respectively.

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Stock Option Awards

We have granted stock options at the market value of our common stock on 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 related award agreements; 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.

Stock option activity for the three months ended September 30, 2010 is as follows:

	Options (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Outstanding at July 1, 2010	50.9	$ 17.45		
Exercised	(4.1)	19.14		
Forfeited				
Outstanding at September 30, 2010	46.8	$ 17.30	1.45 years	$ 3.2

Stock option activity for the nine months ended September 30, 2010 is as follows:

	Options (thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value ($ in millions)
Outstanding at January 1, 2010	63.8	$ 17.13		
Exercised	(15.0)	16.86		
Forfeited	(2.0)	15.13		
Outstanding at September 30, 2010	46.8	$ 17.30	1.45 years	$ 3.2
Exercisable at September 30, 2010	46.8	$ 17.30	1.45 years	$ 3.2

As of September 30, 2010, we have approximately 47,000 options outstanding, all of which vested prior to 2009. Accordingly, we recognized no compensation expense related to unvested options for the first nine months of 2010.

Approximately 15,000 options were exercised during the first nine months of 2010, having an intrinsic value of $1.0 million. For the same period in 2009, approximately 33,000 options were exercised, having an intrinsic value of $0.8 million. As a result of these exercises, we received cash of $0.3 million and $0.9 million for the nine months ended September 30, 2010 and 2009, respectively.

Other Stock Compensation Programs

U.S. Employee Stock Purchase Plan - Since 1998, we have provided an Employee Stock Purchase Plan (ESPP) for eligible U.S.-based employees. Since April 1, 2009, program periods are one month in length, and purchases are broker-assisted on the open market at no discount to market prices. We do not record any compensation expense with respect to this program.

SAYE The Jones Lang LaSalle Savings Related Share Option Plan (Save As You Earn or SAYE) is for eligible employees of our United Kingdom and Ireland based 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 2010, the Company issued approximately 31,000 options at an exercise price of $52.21 under the SAYE plan.

No options were issued in the second or third quarters of 2010. The fair values of the options granted under this plan are being amortized over their respective vesting periods. At September 30, 2010, there were approximately 342,000 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 31st measurement date for our plans.

Net periodic pension cost consisted of the following for the three months and nine months ended September 30, 2010 and 2009 ($ in thousands):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Employer service cost - benefits earned during the period	$ 699	647	1,972	1,837
Interest cost on projected benefit obligation	2,611	2,209	7,582	6,251
Expected return on plan assets	(3,027)	(2,409)	(8,728)	(6,816)
Net amortization/deferrals	340	42	992	120
Recognized actual losses (gains)	55	(40)	169	(116)
Net periodic pension cost	$ 678	449	1,987	1,276

The expected return on plan assets, included in net periodic pension cost, is based on forecasted long-term rates of return on plan assets of each individual plan; across our plans, expected returns range from 3.30% to 6.98%.

For the nine months ended September 30, 2010, we have made $6.7 million in payments to our defined benefit pension plans. We expect to contribute a total of $7.1 million to our defined benefit pension plans in 2010. We made $6.6 million of contributions to these plans in the twelve months ended December 31, 2009.

(9) Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value in generally accepted accounting principles. ASC Topic 820 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payment transactions under ASC Topic 718. ASC Topic 820 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 determine the fair value of these contracts based on widely accepted valuation techniques. The inputs for these valuation techniques are primarily Level 2 inputs of the hierarchy. In the third quarter of 2010, we recognized a net gain of $10.8 million from the revaluation of these forward contracts, as well as a net loss associated with the revaluation of intercompany loans hedged by these forward contracts such that the net impact to earnings was not significant. At September 30, 2010, these forward exchange contracts had a gross notional value of $1.2 billion ($558.2 million on a net basis). The net receivable value of these forward contracts, $10.8 million, was recorded on our balance sheet as a current asset of $18.5 million and a current liability of $7.7 million at September 30, 2010.

See Note 6, Investments in Real Estate Ventures, for discussion of our processes for evaluating investments in real estate ventures for impairment on a quarterly basis. The inputs to this quarterly impairment analysis are Level 3 inputs in the fair value hierarchy.

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, receivables, accounts payable, short-term borrowings, borrowings under our credit Facility and foreign currency forward contracts. The carrying values of cash and cash equivalents, receivables, accounts payable and short-term borrowings approximate their estimated fair values due to the short maturity of these instruments. The estimated fair value of our borrowings under our credit Facility approximates their carrying value due to their variable interest rate terms. The fair values of our foreign currency forward contracts are disclosed above. At September 30, 2010, we have no recurring fair value measurements for financial assets and liabilities that are based on unobservable inputs or Level 3 inputs.

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(10) Earnings (Loss) Per Share and Net Income (Loss) Attributable to Common Shareholders

We calculate earnings (loss) per share by dividing net income (loss) attributable to common shareholders by weighted average shares outstanding. To calculate net income (loss) attributable to common shareholders, we subtract dividend-equivalents (net of tax) paid on outstanding but unvested shares of restricted stock units from net income (loss) in the period the dividend is declared. Included in the calculations of net income (loss) attributable to common shareholders are dividend-equivalents of $0.2 million net of tax, declared and paid in the second quarter of 2010, and $0.3 million net of tax, declared and paid in the second quarter of 2009.

For the three and nine months ended September 30, 2010 the difference between basic weighted average shares outstanding and diluted weighted average shares outstanding is the dilutive impact of common stock equivalents. Common stock equivalents consist primarily of shares to be issued under employee stock compensation programs and outstanding stock options whose exercise price was less than the average market price of our stock during these periods. Due to the net loss for the nine months ended September 30, 2009, basic shares were not increased by common stock equivalents in the calculation of diluted shares as the impact would have been anti-dilutive.

The following table details the calculations of basic and diluted earnings per common share for the three and nine months ended September 30, 2010 and 2009 ($ in thousands):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Net income (loss) attributable to the Company	$ 37,125	19,771	69,348	(55,849)
Dividends on unvested common stock, net of tax benefit			218	286
Net income (loss) attributable to common shareholders	$ 37,125	19,771	69,130	(56,135)
Basic weighted average shares outstanding	42,568,764	41,762,451	42,175,393	37,432,242
Basic income (loss) per common share before dividends on unvested common stock	$ 0.87	0.47	1.64	(1.49)
Dividends on unvested common stock, net of tax benefit				(0.01)
Basic earnings (loss) per common share	$ 0.87	0.47	1.64	(1.50)
Diluted weighted average shares outstanding	44,088,989	43,299,868	44,064,294	37,432,242
Diluted income (loss) per common share before dividends on unvested common stock	$ 0.84	0.46	1.57	(1.49)
Dividends on unvested common stock, net of tax benefit				(0.01)
Diluted earnings (loss) per common share	$ 0.84	0.46	1.57	(1.50)

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(11) Comprehensive Income

For the three and nine months ended September 30, 2010 and 2009, our comprehensive income was as follows ($ in thousands):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Net income (loss)	$ 37,226	19,859	69,695	(55,559)
Other comprehensive income:				
Foreign currency translation adjustments	68,601	32,018	19,045	88,908
Comprehensive income	105,827	51,877	88,740	33,349
Comprehensive income attributable to noncontrolling interest	101	88	347	290
Comprehensive income attributable to the Company	$ 105,726	51,789	88,393	33,059

(12) Debt

In September 2010, we renewed our unsecured bank credit facility (the Facility) to increase our borrowing capacity from $840 million to $1.1 billion, consisting of $900 million of revolving credit and a $200 million term loan. We also extended the maturity of the Facility from June 2012 to September 2015. In addition to our Facility, we have the capacity to borrow up to an additional $49.5 million under local overdraft facilities. There are currently 18 banks participating in our Facility. Pricing on the Facility ranges from LIBOR plus 150 basis points to LIBOR plus 300 basis points. As of September 30, 2010, our pricing on the Facility was LIBOR plus 225 basis points. We will continue to use the Facility for working capital, co-investment activities, dividend payments and share repurchases, capital expenditures and acquisitions.

As of September 30, 2010, we had $253.0 million outstanding on the Facility ($53.0 million of revolving debt and $200.0 million of term debt). We also had short-term borrowings (including capital lease obligations and local overdraft facilities) of $29.2 million outstanding at September 30, 2010, of which $28.4 million was attributable to local overdraft facilities.

The Facility requires us to maintain a leverage ratio not exceeding 3.50 to 1 through September 2012 and 3.25 to 1 thereafter, and a minimum cash interest coverage ratio of 2.25 to 1.

Included in debt for the calculation of the leverage ratio is the present value of deferred business acquisition obligations and included in Adjusted EBITDA (as defined in the Facility) are, among other things, (i) an add-back for stock compensation expense, (ii) the addition of the EBITDA of acquired companies earned prior to acquisition, as well as (iii) add-backs for certain impairment and non-recurring charges. Rent expense is added back to both Adjusted EBITDA and cash paid interest for the calculation of the cash interest coverage ratio. In addition, we are restricted from, among other things, incurring certain levels of indebtedness to lenders outside of the Facility and disposing of a significant portion of our assets. Lender approval or waiver is required for certain levels of cash acquisitions and co-investment. We are in compliance with all covenants as of September 30, 2010. The deferred business acquisition obligation provisions of the Staubach Merger Agreement also contain certain conditions which are considerably less restrictive than those we have under our Facility.

The Facility bears a variable rate of interest based on market rates. We are authorized to use interest rate swaps to convert a portion of the floating rate indebtedness to a fixed rate; however, we did not use any swaps during 2009 or the first nine months of 2010, and no swaps were outstanding as of September 30, 2010.

The effective interest rate on our debt was 3.9% in the third quarter of 2010, compared with 4.1% in the third quarter of 2009.

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(13) Restructuring

In the first nine months of 2010, we recognized a net $5.5 million of restructuring charges, consisting of (i) $4.4 million of employee termination costs, (ii) $1.3 million of integration-related costs incurred as a result of the Staubach acquisition, and (iii) a $0.2 million reduction in a lease termination reserve we accrued in 2009.

At December 31, 2009 we had $11.5 million of employee termination costs accrued for restructuring activities. We paid employee termination costs of $9.9 million in the first nine months of 2010, and have $6.0 million of accrued employee termination costs in Accrued compensation on our consolidated balance sheet at September 30, 2010.

(14) Commitments and Contingencies

We are a defendant and plaintiff in various litigation matters arising in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Many of these litigation matters are covered by insurance (including insurance provided through a captive insurance company), although they may nevertheless be subject to large deductibles or retentions and the amounts being claimed may exceed the available insurance. Although the ultimate liability for these matters cannot be determined, based upon information currently available, we believe the ultimate resolution of such claims and litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

(15) Subsequent Events

The Company announced on October 26, 2010 that its Board of Directors has declared a semi-annual cash dividend of $0.10 per share of its common stock. The dividend payment will be made on December 15, 2010, to holders of record at the close of business on November 15, 2010. A dividend-equivalent in the same per share amount will also be paid simultaneously on outstanding but unvested shares of restricted stock units granted under the Company s Stock Award and Incentive Plan.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements, including the notes thereto, for the three and nine months ended September 30, 2010, and Jones Lang LaSalle s audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2009, which are included in our 2009 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). You should also refer to Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, contained in our 2009 Annual Report on Form 10-K.

The following discussion and analysis contains certain forward-looking statements which we generally identify by the words anticipates, believes, estimates, expects, plans, intends and other similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Jones Lang LaSalle s actual results, performance, achievements, plans and objectives to be materially different from any future results, performance, achievements, plans and objectives expressed or implied by such forward-looking statements. See the Cautionary Note Regarding Forward-Looking Statements in Part II, Item 5. Other Information.

We present our quarterly Management s Discussion and Analysis in five sections, as follows:

(1) A summary of our critical accounting policies and estimates,

(2) Certain items affecting the comparability of results and certain market and other risks that we face,

(3) The results of our operations, first on a consolidated basis and then for each of our business segments,

(4) Consolidated cash flows, and

(5) Liquidity and capital resources.

Summary of Critical Accounting Policies and Estimates

An understanding of our accounting policies is necessary for a complete analysis of our results, financial position, liquidity and trends. See Note 2 of notes to consolidated financial statements in our 2009 Annual Report for a summary of our significant accounting policies.

The preparation of our financial statements requires management to make certain critical accounting estimates that impact the stated amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting periods. These accounting estimates are based on management s judgment and are considered to be critical because of their significance to the financial statements and the possibility that future events may differ from current judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. Although actual amounts likely differ from such estimated amounts, we believe such differences are not likely to be material.

Asset Impairments

Within the balances of property and equipment used in our business, we have: computer equipment and software; leasehold improvements; furniture, fixtures and equipment; and automobiles. We have recorded goodwill and other identified intangibles from a series of acquisitions. We also invest in certain real estate ventures that own and operate commercial real estate. Typically, these are co-investments in funds that our Investment Management business establishes in the ordinary course of business for its clients. These investments include non-controlling ownership interests generally ranging from less than 1% to 48.78% of the respective ventures. We generally account for these interests under the equity method of accounting in the accompanying consolidated financial statements due to the nature of our non-controlling ownership.

Property and Equipment We review property and equipment owned or under capital lease for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. If impairment exists due to the inability to recover the carrying value of an asset group, we record an impairment loss to the extent that the carrying value exceeds the estimated fair value. We did not recognize an impairment loss related to property and equipment in the first nine months of 2010 or for the entire year of 2009.

Goodwill We do not amortize goodwill, but instead evaluate goodwill for impairment at least annually. To accomplish this annual evaluation, in the third quarter of each year we determine the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill, to our reporting units as of the date of evaluation. We define reporting units as Americas RES, EMEA RES, Asia Pacific RES and Investment Management. We then determine the fair value of each reporting unit based on a discounted cash flow methodology and compare it to the reporting unit s carrying value. The result of our 2010 evaluation was that the fair value of each reporting unit exceeded its carrying amount, and therefore we did not recognize an impairment loss.

In addition to our annual impairment evaluation, we evaluate whether events or circumstances have occurred in the period subsequent to our annual impairment testing which indicate that it is more likely than not an impairment loss has occurred. We determined that no indicators of impairments existed in the first nine months of 2010, since our market capitalization has consistently exceeded our book value by a significant margin and our forecasts of EBITDA and cash flows generated by each of our reporting units appear sufficient to support the book values of net assets of each of these reporting units. As a result, we have not changed our conclusion that goodwill is not impaired. However, it is possible our determination that goodwill for a reporting unit is not impaired could change in the future if both economic conditions and our operating performance deteriorate. We will continue to monitor the relationship between the Company s market capitalization and book value, as well as the ability of our reporting units to deliver current and projected EBITDA and cash flows sufficient to support the book values of the net assets of their respective businesses.

Investments in Real Estate Ventures We review investments in real estate ventures on a quarterly basis for (i) indications of whether we may not be able to recover the carrying value of the real estate assets underlying our investments in real estate ventures and (ii) whether our investment in these co-investments is other than temporarily impaired. When events or changes in circumstances indicate that the carrying amount of a real estate asset underlying one of our investments in real estate ventures may be impaired, we review the recoverability of the carrying amount of the real estate asset in comparison to an estimate of the future undiscounted cash flows expected to be generated by the underlying asset. When the carrying amount of the real estate asset is in excess of the future undiscounted cash flows, we use a discounted cash flow approach to determine the fair value of the asset in computing the amount of the impairment. We then record the portion of the impairment loss related to our investment in the reporting period. Additionally, we consider a number of factors, including our share of co-investment cash flows and the fair value of our co-investments, in determining whether or not our investment is other than temporarily impaired.

Equity losses included impairment charges of $12.6 million in the first nine months of 2010 and $47.6 million in the first nine months of 2009, primarily representing our equity share of the impairment charges against individual assets held by our real estate ventures. Declines in real estate markets have adversely impacted our rental income assumptions and forecasted exit capitalization rates, resulting in our determination that certain real estate investments had become impaired. It is reasonably possible that if real estate values continue to decline, we may sustain additional impairment charges on our investments in real estate ventures in future periods.

Interim Period Accounting for Incentive Compensation

An important part of our overall compensation package is incentive compensation, which we typically pay to our employees in the first or second quarter of the year after it is earned. In our interim consolidated financial statements, we accrue for most incentive compensation based on (i) a percentage of compensation costs and (ii) an adjusted operating income recorded to date, relative to forecasted compensation costs and adjusted operating income for the full year, as substantially all incentive compensation pools are based upon full year results. As noted in Interim Information of Note 1 of the notes to consolidated financial statements, quarterly revenues and profits have historically tended to be higher in the third and fourth quarters of each year than in the first two quarters. The impact of this incentive compensation accrual methodology is that we accrue smaller percentages of incentive compensation in the first half of the year compared to the percentage of our incentive compensation we accrue in the third and fourth quarters. We exclude incentive compensation pools that are not subject to the normal performance criteria from the standard accrual methodology and accrue for them on a straight-line basis.

Certain employees receive a portion of their incentive compensation in the form of restricted stock units of our common stock. We recognize this compensation over the vesting period of these restricted stock units, which has the effect of deferring a portion of incentive compensation to later years. We recognize the benefit of deferring certain compensation under our Stock Ownership Program in a manner consistent with the accrual of the underlying incentive compensation expense.

Given that we do not finalize individual incentive compensation awards until after year-end, we must estimate the portion of the overall incentive compensation pool that will qualify for this restricted stock program. This estimation factors in the performance of the Company and individual business units, together with the target bonuses for qualified individuals. Then, when we determine and announce compensation in the year following that to which the incentive compensation relates, we true-up the estimated stock ownership program deferral and related amortization.

The table below sets forth the deferral estimated at year end, and the adjustment made in the first quarter of the following year to true-up the deferral and related amortization ($ in millions):

	December 31, 2009	December 31, 2008
Deferral of compensation, net of related amortization expense	$ 8.0	14.3
Change in estimated deferred compensation in the first quarter of the following year	(2.0)	(1.2)

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The table below sets forth the amortization expense related to the Stock Ownership Program for the three months and nine months ended September 30, 2010 and 2009 ($ in millions):

		Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Current compensation expense amortization for prior year programs	$	2.9	3.6	14.5	18.0
Current deferral of compensation net of related amortization		(1.9)	(2.6)	(6.5)	(6.1)

Self-Insurance Programs

In our Americas business, and in common with many other American companies, we have chosen to retain certain risks regarding health insurance and workers compensation rather than purchase third-party insurance. Estimating our exposure to such risks involves subjective judgments about future developments. We supplement our traditional global insurance program by the use of a captive insurance company to provide professional indemnity and employment practices insurance on a claims made basis. As professional indemnity claims can be complex and take a number of years to resolve, we are required to estimate the ultimate cost of claims.

Health Insurance We self-insure our health benefits for all U.S.-based employees, although we purchase stop loss coverage on an annual basis to limit our exposure. We self-insure because we believe that on the basis of our historic claims experience, the demographics of our workforce and trends in the health insurance industry, we incur reduced expense by self-insuring our health benefits as opposed to purchasing health insurance through a third party. We estimate our likely full-year health costs at the beginning of the year and expense this cost on a straight-line basis throughout the year. In the fourth quarter, we estimate the required reserve for unpaid health costs required at year-end.

Given the nature of medical claims, it may take up to 24 months for claims to be processed and recorded. The reserve balances for the program related to 2010 and 2009 are $9.6 million and $0.2 million, respectively, at September 30, 2010.

The table below sets out certain information related to the cost of the health insurance program for the three months and nine months ended September 30, 2010 and 2009 ($ in millions):

		Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Expense to Company	$	6.4	6.1	19.6	18.5
Employee contributions		1.8	1.5	5.5	4.6
Adjustment to prior year reserve		(0.9)	0.2	(0.9)	(0.2)
Total program cost	$	7.3	7.8	24.2	22.9

Workers Compensation Insurance Given our historical experience that our workforce has experienced lower costs than is normal for our industry, we have been self-insured for workers compensation insurance for a number of years. We purchase stop loss coverage to limit our exposure to large, individual claims. On a periodic basis we accrue using various state rates based on job classifications. On an annual basis in the third quarter, we engage in a comprehensive analysis to develop a range of potential exposure, and considering actual experience, we reserve within that range. We accrue the estimated adjustment to income for the differences between this estimate and our reserve. The credits taken to income through the three months ended September 30, 2010 and 2009 were $2.8 million and $4.0 million, respectively. The credits taken to income through the nine months ended September 30, 2010 and 2009 were $4.7 million and $5.8 million, respectively.

The reserves, which can relate to multiple years, were $15.3 million and $14.2 million, as of September 30, 2010 and December 31, 2009, respectively.

Captive Insurance Company   In order to better manage our global insurance program and support our risk management efforts, we supplement our traditional insurance program by the use of a wholly-owned captive insurance company to provide professional indemnity and employment practices liability insurance coverage on a claims made basis. The level of risk retained by our captive is up to $2.5 million per claim (depending upon the location of the claim) and up to $12.5 million in the aggregate.

Professional indemnity insurance claims can be complex and take a number of years to resolve. Within our captive insurance company, we estimate the ultimate cost of these claims by way of specific claim reserves developed through periodic reviews of the circumstances of individual claims, as well as reserves against current year exposures on the basis of our historic loss ratio. The increase in the level of risk retained by the captive means we would expect that the amount and the volatility of our estimate of reserves will be increased over time. With respect to the consolidated financial statements, when a potential loss event occurs, management estimates the ultimate cost of the claims and accrues the related cost when probable and estimable.

The reserves for professional indemnity insurance claims facilitated through our captive insurance company, which relate to multiple years, were $2.3 million and $5.7 million, net of receivables from third party insurers, as of September 30, 2010 and December 31, 2009, respectively.

Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to (i) differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and (ii) operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We recognize the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date.

Because of the global and cross border nature of our business, our corporate tax position is complex. We generally provide for taxes in each tax jurisdiction in which we operate based on local tax regulations and rules. Such taxes are provided on net earnings and include the provision of taxes on substantively all differences between financial statement amounts and amounts used in tax returns, excluding certain non-deductible items and permanent differences.

Our global effective tax rate is sensitive to the complexity of our operations as well as to changes in the mix of our geographic profitability, as local statutory tax rates range from 10% to 42% in the countries in which we have significant operations. We evaluate our estimated annual effective tax rate on a quarterly basis to reflect forecasted changes in:

(i) Our geographic mix of income,
(ii) Legislative actions on statutory tax rates,
(iii) The impact of tax planning to reduce losses in jurisdictions where we cannot recognize the tax benefit of those losses, and
(iv) Tax planning for jurisdictions affected by double taxation.

We continuously seek to develop and implement potential strategies and/or actions that would reduce our overall effective tax rate. We reflect the benefit from tax planning actions when we believe that they meet the criteria for recognition, which usually requires that certain actions have been initiated. We provide for the effects of income taxes on interim financial statements based on our estimate of the effective tax rate for the full year.

Based on our forecasted results for the full year, we have estimated an effective tax rate of 23.0% for 2010 due to the mix of our income and the impact of tax planning activities.

Items Affecting Comparability

Macroeconomic Conditions

Our results of operations and the variability of these results are significantly influenced by macroeconomic trends, the global and regional real estate markets and the financial and credit markets. Recent restrictions on credit and the general decline of the global economy have significantly impacted the global real estate market and our results of operations. These trends have had, and may continue to have, a significant impact on the variability of our results of operations.

LaSalle Investment Management Revenues

Our investment management business is in part compensated through the receipt of incentive fees where performance of underlying funds investments exceeds agreed-to benchmark levels. Depending upon performance and the contractual timing of measurement periods with clients, these fees can be significant and vary substantially from period to period.

Equity in (losses) earnings from real estate ventures may also vary substantially from period to period for a variety of reasons, including as a result of: (i) impairment charges, (ii) realized gains on asset dispositions, or (iii) incentive fees recorded as equity earnings. The timing of recognition of these items may impact comparability between quarters, in any one year, or compared to a prior year.

The comparability of these items can be seen in Note 4 of the notes to consolidated financial statements and is discussed further in Segment Operating Results included herein.

Transactional-Based Revenues

Transactional-based services for real estate investment banking, capital markets activities and other transactional-based services within our RES businesses increase the variability of the revenues we receive that relate to the size and timing of our clients transactions. For example, during 2008 and into 2009, capital market transactions decreased significantly due to deteriorating economic conditions and the global credit crisis, and have increased significantly in 2010 as economic conditions have improved. The timing and the magnitude of these fees can vary significantly from year to year and quarter to quarter.

Foreign Currency

We conduct business using a variety of currencies, but report our results in U.S. dollars, as a result of which our reported results may be positively or negatively impacted by the volatility of currencies against the U.S. dollar. This volatility can make it more difficult to perform period-to-period comparisons of the reported U.S. dollar results of operations; as such, our results may indicate a growth rate that might not have been consistent with the real underlying growth or decline rate in the local operations. As a result, we provide information about the impact of foreign currencies in the period-to-period comparisons of the reported results of operations in our discussion and analysis of financial condition in the Results of Operations section below.

Seasonality

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 of our expenses are constant throughout the year.

Our Investment Management segment generally earns investment-generated performance fees on clients real estate investment returns and co-investment equity gains when assets are sold, the timing of which is geared towards the benefit of our clients.

Within our RES segments, revenue for capital markets activities relates to the size and timing of our clients transactions and can fluctuate significantly from period to period. Non-variable operating expenses, which we treat as expenses when they are incurred during the year, are relatively constant on a quarterly basis. Consequently, the results for the periods ended September 30, 2010 and 2009 are not indicative of the results to be obtained for the full fiscal year.

Results of Operations

Reclassifications

We report Equity in (losses) earnings from unconsolidated ventures in the consolidated statement of operations after Operating income (loss). However, for segment reporting we reflect Equity in (losses) earnings from real estate ventures within Total revenue. See Note 4 of the notes to consolidated financial statements for Equity in (losses) earnings from real estate ventures reflected within segment revenues, as well as discussion of how the Chief Operating Decision Maker (as defined in Note 4) measures segment results with Equity in (losses) earnings from real estate ventures included in segment revenues.

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Three and Nine Months September 30, 2010 Compared to Three and Nine Months Ended September 30, 2009

In order to provide more meaningful year-to-year comparisons of our reported results, we have included in the table below the U.S. dollar and local currency movements in the consolidated statements of earnings ($ in millions).

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Change in U.S. dollars		% Change in Local Currency
Revenue	$ 708.4	595.3	113.1	19%	20%
Compensation and benefits	463.1	380.1	83.0	22%	23%
Operating, administrative and other	165.3	147.7			