JONES LANG LASALLE INC
Form 10-Q
November 07, 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 September 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 (State or other jurisdiction of incorporation or organization)	36-4150422 (I.R.S. Employer Identification No.)
200 East Randolph Drive, Chicago, IL (Address of principal executive offices)	60601 (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 November 5, 2008 was 34,503,401.

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Part I Financial Information
Item 1. Financial Statements
JONES LANG LASALLE INCORPORATED
Consolidated Balance Sheets
September 30, 2008 and December 31, 2007

($ in thousands, except share data)		September 30, 2008 (unaudited)	December 31, 2007
Assets			
Current assets:			
Cash and cash equivalents	$	63,563	78,580
Trade receivables, net of allowances of $25,199 and $13,300		685,639	834,865
Notes and other receivables		87,906	52,695
Prepaid expenses		37,734	26,148
Deferred tax assets		63,576	64,872
Other		10,819	13,816
Total current assets		949,237	1,070,976
Property and equipment, net of accumulated depreciation of $224,276 and $198,169		220,068	193,329
Goodwill, with indefinite useful lives		1,479,596	694,004
Identified intangibles, with finite useful lives, net of accumulated amortization of $35,702 and $68,537		72,737	41,670
Investments in real estate ventures		180,589	151,800
Long-term receivables, net		53,170	33,219
Deferred tax assets		38,289	58,584
Other, net		47,979	48,292
Total assets	$	3,041,665	2,291,874
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$	352,262	302,976
Accrued compensation		352,305	655,895
Short-term borrowings		18,668	14,385
Deferred tax liabilities		5,131	727
Deferred income		29,101	29,756
Deferred business acquisition obligations		43,332	45,363
Other		78,466	60,193
Total current liabilities		879,265	1,109,295
Noncurrent liabilities:			
Credit facilities		543,209	29,205
Deferred tax liabilities		5,474	6,577
Deferred compensation		39,823	46,423
Pension liabilities		1,765	1,096
Deferred business acquisition obligations		370,269	36,679
Minority shareholder redemption liability		44,080	—
Other		64,198	43,794
Total liabilities		1,948,083	1,273,069
Commitments and contingencies		—	—

Minority interest	3,970	8,272
Shareholders' equity:		
Common stock, $.01 par value per share, 100,000,000 shares authorized; 34,491,043 and 31,722,587 shares issued and outstanding	345	317
Additional paid-in capital	572,241	441,951
Retained earnings	510,911	484,840
Shares held in trust	(3,480)	(1,930)
Accumulated other comprehensive income	9,595	85,355
Total shareholders' equity	1,089,612	1,010,533
Total liabilities and shareholders' equity	$ 3,041,665	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 Nine Months Ended September 30, 2008 and 2007
($ in thousands, except share data) (unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenue	$ 677,084	624,151	1,900,519	1,790,291
Operating expenses:				
Compensation and benefits	449,186	412,920	1,259,233	1,174,842
Operating, administrative and other	154,767	132,828	487,508	375,082
Depreciation and amortization	29,194	13,893	63,908	38,828
Restructuring charges (credits)	10,461	—	10,273	(411)
Operating expenses	643,608	559,641	1,820,922	1,588,341
Operating income	33,476	64,510	79,597	201,950
Interest expense, net of interest income	12,496	4,378	17,232	10,046
Gain on sale of investments	—	—	—	6,129
Equity in earnings (losses) from real estate ventures	(693)	4,979	(1,938)	11,480
Income before provision for income taxes and minority interest	20,287	65,111	60,427	209,513
Provision for income taxes	5,112	17,384	15,228	55,940
Minority interest, net of tax	171	1,197	1,838	1,197
Net income	$ 15,004	46,530	43,361	152,376
Net income available to common shareholders (Note 9)	$ 15,004	46,530	42,358	151,704
Basic earnings per common share	$ 0.44	1.44	1.30	4.73
Basic weighted average shares outstanding	34,217,379	32,416,773	32,627,905	32,060,102
Diluted earnings per common share	$ 0.43	1.38	1.25	4.50
Diluted weighted average shares outstanding	35,035,602	33,610,782	33,965,981	33,701,963

See accompanying notes to consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Shares Held in Trust	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2007	31,722,587	$ 317	441,951	484,840	(1,930)	85,355	$ 1,010,533
Net income	—	—	—	43,361	—	—	43,361
Shares issued for Staubach acquisition	1,997,682	20	99,980	—	—	—	100,000
Shares issued under stock compensation programs (1)	770,774	8	(5,606)	—	—	—	(5,598)
Tax benefits of vestings and exercises	—	—	4,013	—	—	—	4,013
Amortization of stock compensation	—	—	31,903	—	—	—	31,903
Dividends declared	—	—	—	(17,290)	—	—	(17,290)
Shares held in trust	—	—	—	—	(1,550)	—	(1,550)
Foreign currency translation adjustments	—	—	—	—	—	(75,760)	(75,760)
Balance at September 30, 2008	34,491,043	$ 345	572,241	510,911	(3,480)	9,595	$ 1,089,612

(1) Includes shares repurchased for payment of employee taxes on stock awards.

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, 2008 and 2007
($ in thousands) (unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities:		
Net income	$ 43,361	152,376
Reconciliation of net income to net cash operating activities:		
Depreciation and amortization	63,908	38,828
Equity in losses (earnings) from real estate ventures	1,938	(11,480)
Gain on sale of investments	-	(6,129)
Operating distributions from real estate ventures	1,767	10,592
Provision for loss on receivables	16,013	8,012
Minority interest	1,838	1,197
Amortization of deferred compensation	39,558	31,068
Amortization of debt issuance costs	2,308	438
Change in:		
Receivables	124,085	(41,443)
Prepaid expenses and other assets	(7,316)	(13,325)
Deferred tax assets, net	2,495	(798)
Excess tax benefits from share-based payment arrangements	(4,013)	(25,807)
Accounts payable, accrued compensation and other accrued liabilities	(399,064)	9,889
Net cash (used in) provided by operating activities	(113,122)	153,418
Cash flows from investing activities:		
Net capital additions – property and equipment	(72,243)	(71,320)
Business acquisitions	(282,950)	(86,984)
Capital contributions and advances to real estate ventures	(36,634)	(26,841)
Distributions, repayments of advances and sale of investments	29	34,523
Net cash used in investing activities	(391,798)	(150,622)
Cash flows from financing activities:		
Proceeds from borrowings under credit facilities	1,278,124	764,285
Repayments of borrowings under credit facilities	(759,838)	(695,329)
Debt issuance costs	(9,498)	(450)
Shares repurchased for payment of employee taxes on stock awards	(13,876)	(29,282)
Shares repurchased under share repurchase program	-	(66,160)
Excess tax benefits from share-based payment arrangements	4,013	25,807
Common stock issued under stock option plan and stock purchase programs	8,268	7,949
Payment of dividends	(17,290)	(12,056)
Net cash provided by (used in) financing activities	489,903	(5,236)
Net decrease in cash and cash equivalents	(15,017)	(2,440)
Cash and cash equivalents, January 1	78,580	50,612
Cash and cash equivalents, September 30	$ 63,563	48,172

Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$	10,290	11,548
Income taxes, net of refunds		71,243	39,624
Non-cash financing activities:			
Deferred business acquisition obligations		331,559	12,996

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 September 30, 2008 and for the three and nine months ended September 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, the fluctuations in capital markets activities has had 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 September 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. Management has not yet determined what impact the application of SFAS 157 for non-financial assets and liabilities will have on our consolidated financial statements. 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 September 30, 2008, we had forward exchange contracts in effect with a gross notional value of $517.6 million and a net fair value loss of $2.7 million, recorded as a current asset of $3.6 million and a current liability of $6.3 million. This net carrying loss is offset by a carrying gain in associated intercompany loans such that the net impact to earnings is not significant. At September 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.

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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.

Construction management fees, which are gross construction services revenues net of subcontract costs, were $6.1 million and $2.3 million for the three months ended September 30, 2008 and 2007, respectively and $12.7 million and $7.2 million for the nine months ended September 30, 2008 and 2007, respectively.

Gross construction services revenues totaled $78.7 million and $44.2 million for the three months ended September 30, 2008 and 2007, respectively, and $192.2 million and $128.6 million for the nine months ended September 30, 2008 and 2007, respectively.

Subcontract costs totaled $72.6 million and $41.9 million for the three months ended September 30, 2008 and 2007, respectively, and $179.5 million and $121.4 million for the nine months ended September 30, 2008 and 2007, respectively.

We include costs in excess of billings on uncompleted construction contracts of $21.0 million and $4.8 million in "Trade receivables," and billings in excess of costs on uncompleted construction contracts of $5.7 million and $12.9 million in "Deferred income," respectively, in our September 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 $286.9 million and $224.6 million for the three months ended September 30, 2008 and 2007, respectively, and approximately $860.3 million and $697.6 million for the nine months ended September 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. 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"). Each geographic region offers our full range of IOS capabilities.

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 nine months ended September 30, 2008 and 2007 ($ in thousands):

Investor and Occupier Services	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Americas				
Revenue:				
Transaction services	$ 134,176	93,242	301,599	251,001
Management services	110,802	87,436	294,495	244,388
Equity earnings	—	1,262	41	1,682
Other services	9,094	6,026	21,674	18,161
	254,072	187,966	617,809	515,232
Operating expenses:				

Compensation, operating and administrative services		220,379	161,285	558,773	450,959
Depreciation and amortization		16,820	6,501	31,363	18,507
Operating income	$	16,873	20,180	27,673	45,766

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Investor and Occupier Services		Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
EMEA					
Revenue:					
Transaction services	$	147,436	184,061	454,307	484,102
Management services		53,655	37,836	160,859	105,100
Equity earnings (losses)		(3)	174	99	(21)
Other services		7,473	2,774	12,458	9,542
		208,561	224,845	627,723	598,723
Operating expenses:					
Compensation, operating and administrative services		194,693	205,892	605,652	541,448
Depreciation and amortization		7,978	4,704	20,864	13,151
Operating income	$	5,890	14,249	1,207	44,124
Asia Pacific					
Revenue:					
Transaction services	$	70,384	74,008	207,014	275,916
Management services		61,568	58,054	180,087	150,130
Equity earnings (losses)		(556)	253	(705)	485
Other services		1,159	1,702	5,337	5,112
		132,555	134,017	391,733	431,643
Operating expenses:					
Compensation, operating and administrative services		128,978	124,764	384,938	377,480
Depreciation and amortization		3,634	2,368	9,962	5,998
Operating income (loss)	$	(57)	6,885	(3,167)	48,165
Investment Management					
Revenue:					
Transaction and other services	$	4,047	9,336	14,485	17,267
Advisory fees		70,963	63,643	215,647	171,856
Incentive fees		6,326	6,033	32,557	57,716
Equity earnings (losses)		(134)	3,290	(1,373)	9,334
		81,202	82,302	261,316	256,173
Operating expenses:					
Compensation, operating and administrative services		59,903	53,808	197,378	180,038
Depreciation and amortization		762	319	1,719	1,171
Operating income	$	20,537	28,175	62,219	74,964
Segment Reconciling Items:					
Total segment revenue	$	676,391	629,130	1,898,581	1,801,771
Reclassification of equity earnings (losses)		(693)	4,979	(1,938)	11,480
Total revenue		677,084	624,151	1,900,519	1,790,291
Total segment operating expenses		633,147	559,641	1,810,649	1,588,752
Restructuring charges (credits)		10,461	—	10,273	(411)

Operating income	$	33,476	64,510	79,597	201,950

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(5) Business Combinations, Goodwill and Other Intangible Assets

Staubach Acquisition

On July 11, 2008, we purchased all of the outstanding shares of Staubach Holdings Inc. (“Staubach”), a leading real estate services firm specializing in tenant representation in the United States. Staubach’s extensive tenant representation capability and deep presence in key markets in the United States will reinforce our integrated global platform and Corporate Solutions business.

At closing, we paid $123 million in cash, as adjusted for Staubach's net liabilities, and $100 million in shares of our common stock. The Company issued 1,997,682 shares of its common stock, which represented approximately 6% of the Company’s outstanding shares. As required by the Merger Agreement, we determined the number of shares based on $100 million divided by the Adjusted Trading Price of $50.06, the average closing price of our common stock for the five consecutive trading days ending August 14, 2008.

The Merger Agreement also provides for the following deferred payments payable in cash: (i) $78 million in August 2010 (or in August 2011 if certain revenue targets are not met); (ii) $156 million in August 2011 (or in August 2012 if certain revenue targets are not met); and (iii) $156 million in August 2013. We discounted the deferred payments to a present value of $316 million as of July 11, 2008, based on a 6% annual discount rate and recorded this liability as a long-term deferred business acquisition obligation.

Staubach shareholders also are entitled to receive an earn-out payment of up to $114 million, payable on a sliding scale, if certain thresholds are met with respect to the performance of the Americas tenant representation business for the earn-out periods ended December 31, 2010, 2011 and 2012. This earn-out payment will be accounted for as purchase consideration if these performance thresholds are met.

The initial allocation of purchase consideration consisting of cash paid at closing, issuance of shares of common stock, the provision for deferred business acquisition obligations and assumption of Staubach’s net liabilities resulted in $571 million of goodwill and $37 million of identifiable intangibles. The Company is still evaluating the assets and liabilities acquired in the Staubach acquisition, and anticipates completing the allocation of purchase consideration in the fourth quarter of 2008.

Unaudited Pro Forma Condensed Combined Financial Information

We have included Staubach’s results of operations with those of the Company since July 11, 2008. Pro forma consolidated results of operations, assuming the acquisition of Staubach occurred on January 1, 2007 and January 1, 2008 for the respective years presented are as follows ($ in thousands):

		Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenue	$	686,750	699,122	2,138,492	2,050,914
Operating expenses		651,907	631,504	2,023, 690	1,822,342
Operating income	$	34,843	67,618	114,802	228,572
Net income available to common shareholders	$	15,330	44,254	53,332	154,088

Basic earnings per common share	0.45	1.29	1.57	4.52
Basic weighted average shares outstanding	34,434,518	34,414,455	34,027,741	34,057,784
Diluted earnings per common share	0.43	1.24	1.51	4.32
Diluted weighted average shares outstanding	35,252,741	35,608,464	35,365,817	35,699,645

Pro forma operating expense adjustments consist of adjustments to intangible amortization to reverse amortization recorded by Staubach and to record intangible amortization based on the Company’s current estimate of identifiable intangibles and their associated useful lives.

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Pro forma net income also includes interest expense adjustments based on the Company’s estimate of interest that would have been incurred on deferred payments due to Staubach and due to an increase in borrowing under the Company’s credit facility for cash paid at closing and various other acquisition related items.

The Company applied an estimated 39% tax rate to the pro forma adjustments. Pro forma weighted average shares include an adjustment to show the impact of the 1,997,682 shares issued as if they had been outstanding as of the beginning of all periods presented.

Additional 2008 Business Combinations

In the first nine months of 2008 we completed fourteen acquisitions in addition to Staubach, 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;
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;
11. ECD Energy and Environment Canada, the leading environmental consulting firm in Canada and the developer of Green Globes, a technology platform for evaluating and rating building sustainability;
12. Churston Heard, a leading retail consultancy in the UK that offers a full range of retail services;
13. HIA, a Brazilian hotel services company; and
14. Alkas, a Turkish based commercial real estate firm.

Terms for these transactions included (i) net cash paid at closing and capitalized costs totaling approximately $177.4 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 $31.0 million, and (iii) additional consideration subject to earn-out provisions that will be paid only if the related conditions are achieved. In addition we paid $20.0 million in the first quarter to satisfy a deferred business acquisition obligation from the 2006 Spaulding & Slye acquisition.

In the third quarter of 2008, the Company received regulatory approval to legally merge its India operations with those of the Trammell Crow Meghraj ("TCM") entity in which it acquired 44.8% interest in July 2007. As a result of the legal merger, the TCM shareholders exchanged their 55.2% ownership interest in TCM for 28.1% of the combined Indian subsidiary. The Company is required to repurchase this 28.1% of its Indian subsidiary, held by the former TCM shareholders, on fixed dates in 2010 and 2012. The Company recorded $44.1 million as a minority shareholder redemption liability, which represents the current fair value of this 28.1% exchanged in the acquisition of the remaining TCM shares and a reclassification of the TCM shareholders' minority interest. As part of this acquisition, the Company recorded additional goodwill of $35.4 million and additional identifiable intangibles of $2.3 million. The minority shareholder redemption liability will ultimately be relieved through the repurchases of the 28.1% owned by minority shareholders in 2010 and 2012.

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In the third quarter of 2008, the Company finalized the total purchase price relative to its fourth quarter 2006 acquisition of areaAZero, an occupier fit-out business in Spain, and its fourth quarter 2007 acquisition of Corporate Realty Advisors, a North Carolina corporate advisory and tenant representation firm, through the amendment of purchase agreement earn-out terms from each of those transactions. The amendments of these earn-out terms resulted in the reclassification of $8.6 million from other assets to goodwill, and an addition of $3.2 million to goodwill and deferred business acquisition obligations.

Earn-out payments

At September 30, 2008 we had the potential to make earn-out payments on 20 acquisitions that are subject to the achievement of certain performance conditions. The maximum amount of the potential earn-out payments of 19 of these acquisitions was $192 million at September 30, 2008. We expect these amounts will come due at various times over the next six years. The TCM acquisition earn-out payments are based on formulas and independent valuations that are not quantifiable at this time.

Goodwill and Other Intangible Assets

We have $1,552.3 million of unamortized intangibles and goodwill as of September 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 $1,552.3 million of unamortized intangibles and goodwill, $1,479.6 million represents goodwill with indefinite useful lives, which is not amortized. The remaining $72.7 million of identifiable intangibles that are amortized over their remaining finite useful lives.

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	580,359	174,976	63,149	—	818,484
Impact of exchange rate movements					

Martin E. Stein, Jr.

(3.0x)

$5,448,050

$40,695

$19,908,729

$25,397,475

Brian M. Smith

(3.0x)

$3,658,250

$59,506

$11,041,543

$14,759,300

Lisa Palmer

(2.0x)

$1,476,100

$13,743

$4,485,660

$5,975,503

John S. Delatour

(2.0x)

$1,941,503

$25,082

$2,941,875

$4,908,461

James D. Thompson

(2.0x)

$2,140,294

$27,130

$3,115,256

$5,282,680

(1) The value of equity awards that vest early is based on the closing price of our common stock on December 31, 2014. The table does not include amounts payable under our non-qualified deferred compensation plans, which are described above under “ Summary of Our Non-Qualified Deferred Compensation Plans.” Year-end accrued account balances under these plans are shown in the non-qualified deferred compensation table included elsewhere in this proxy statement. The table also does not include account balances under our 401(k) and profit sharing plan, in which our executives participate on the same basis as all other participants.

(2) Cash bonus has been computed based on cash incentive compensation paid in 2012, 2013 and 2014 (the three years preceding the date of termination).

(3) Medical, hospitalization, dental and vision payments have been estimated based on current COBRA rates.

(4) The amounts shown do not include performance shares that would vest in 2015, 2016 or 2017 to the extent that we achieve the stated performance goals for those years.

RELATED PARTY TRANSACTIONS

The nominating and corporate governance committee has adopted written policies and procedures for the committee to review and approve or ratify related party transactions. These transactions include:

- transactions that must be disclosed in proxy statements under SEC rules, and
- transactions that potentially could cause a non-employee director to cease to qualify as an independent director under New York Stock Exchange listing requirements or the ratings criteria of organizations such as Institutional Shareholder Services.

Transactions that are deemed immaterial under applicable disclosure requirements are generally deemed pre-approved under these written policies and procedures, including transactions with an entity with which a Regency director's sole relationship is as a non-employee director and the total amount involved does not exceed 1% of the entity's total annual revenues.

Criteria for committee approval or ratification of a related party transaction include, in addition to factors that the committee otherwise deems appropriate under the circumstances: whether the transaction is on terms no less favorable than terms generally available from an unaffiliated third party; and

- in the case of a non-employee director, whether the transaction would disqualify the director from (1) being deemed independent under New York Stock Exchange listing requirements or (2) from serving on the audit committee, compensation committee or nominating and corporate governance committee under New York Stock Exchange and other regulatory requirements.

There have been no related party transactions since January 1, 2014 required to be disclosed under SEC rules.

PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION

As described in the Compensation Discussion and Analysis section in this proxy statement, we design our executive officer compensation programs to attract, motivate, and retain executives who are capable of achieving our key strategic goals. Our compensation programs are designed to be competitive with comparable employers and to align the interests of management with shareholders by awarding incentives for the achievement of specific key objectives. Pay that reflects performance and alignment of that pay with the interests of long-term shareholders are key principles that underlie our compensation program design. We encourage you to closely review our "Compensation Discussion and Analysis" and "Executive Compensation" sections.

The compensation committee continues to refine our executive compensation practices and policies consistent with evolving governance practices. We believe that the compensation actually received by our executives reflects our goal to align the interests of management with shareholders. We believe the following items reflect our commitment to pay for performance and to maintain a strong executive compensation governance framework.

- We have endeavored to align base salaries and target total direct compensation moderately below, at or moderately above the market median.
- Our annual bonus plan is entirely based on corporate or regional financial results.
- Our annual long-term incentive award for our CEO, president and chief operating officer, and our executive vice president and chief financial officer is 100% performance based with the vesting based upon our total shareholder return relative to the FTSE NAREIT U.S. Shopping Center Index.
- Our executives have severance agreements but not employment agreements. These agreements do not provide tax gross-ups and do not have single triggers in the event of a change of control, other than in the limited instance in which our stock is no longer publicly-traded following a change of control, in which case equity awards become vested and converted to a cash payment.
- We do not offer pension plans for our executive officers or our other employees.
- We have a stock ownership policy that requires our executive officers to own a significant multiple of their base salary and to retain a percentage of the shares subsequently awarded to them.
- We prohibit our officers and directors from engaging in hedging transactions or arrangements designed to lock in the value of their Company securities.
- We prohibit our officers and directors from holding Company securities in a margin account or pledging Company securities as collateral for a loan.

In accordance with SEC rules, you are being asked to approve an advisory resolution on the compensation of our named executive officers. This proposal, commonly known as a "say on pay" proposal, gives you the opportunity to endorse or not endorse our fiscal year 2014 compensation program and policies for our named executive officers. Although this advisory vote is non-binding, our board and compensation committee will review the voting results. To the extent there is any significant negative say-on-pay vote, the board and compensation committee would consider constructive feedback in making future decisions about executive compensation programs.

Our board recommends a vote "for" approval of the following resolution:

RESOLVED, that the holders of common stock of Regency Centers Corporation approve, on an advisory basis, the 2014 compensation of the Company's named executive officers as described in this proxy statement under the headings "Compensation Discussion and Analysis" and "Executive Compensation."

PROPOSAL THREE: RATIFICATION OF APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our board of directors has selected the firm of KPMG LLP to serve as our independent registered public accounting firm for the current fiscal year ending December 31, 2015. That firm has served as our auditors since 1993. Our board of directors has directed that the appointment of the independent registered public accounting firm be submitted for ratification by the shareholders at the annual meeting. Representatives of KPMG LLP will be present at the annual meeting of shareholders and will be provided the opportunity to make a statement, if they so desire, and to respond to appropriate questions.

Shareholder ratification of the selection of KPMG LLP as our independent registered public accounting firm is not required by our articles of incorporation or bylaws. However, the board of directors is submitting the appointment of KPMG LLP as a matter of good corporate practice. If the shareholders do not ratify the selection, the audit committee will reconsider whether or not to retain KPMG LLP. In such event, the audit committee may retain KPMG LLP notwithstanding the fact that the shareholders did not ratify the selection, or select another nationally recognized accounting firm without re-submitting the matter to a shareholder vote. Even if the selection is ratified, the audit committee retains the right in its discretion to select a different nationally recognized accounting firm at any time during the year if it determines that such a change would be in the best interests of our shareholders and us.

All decisions regarding selection of independent registered public accounting firms and approval of accounting services and fees are made by our audit committee in accordance with the provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities Exchange Commission. There are no exceptions to the policy of securing pre-approval of the audit committee for any service provided by our independent registered public accounting firm.

The following table provides information relating to the fees billed to Regency by KPMG LLP for the years ended December 31, 2014 and 2013:

	2014	2013
Audit fees (1)	$925,600	$964,000
Audit-related fees (2) (3)	$7,500	$48,000
Tax fees (3) (4)	$101,627	$98,783
All other fees	—	—

(1) Audit fees consists of fees for professional services for the audit of our consolidated financial statements (Regency Centers Corporation and Regency Centers, L.P. (collectively, the Company)) included in our annual report on Form 10-K and review of our condensed financial information included in our quarterly filings on Form 10-Q, including all services required to comply with the standards of the Public Company Accounting Oversight Board (United States), and fees associated with performing the integrated audit of internal controls over financial reporting (Sarbanes-Oxley Section 404 work). Additionally, the amount includes fees for services associated with comfort letters and reviews of documents filed with the SEC.

(2) Consists of employee benefit plan audits and consents on SEC registration statements.

(3) The audit committee discussed these services with KPMG LLP and determined that these services would not impair KPMG LLP's independence.

(4) Consists of fees for tax consultation and tax compliance services.

Our board of directors recommends that the shareholders vote “for” the proposal to ratify the selection of KPMG LLP as our independent registered public accountants for the year ending December 31, 2015.

Shareholder Proposals and Communications with the Board of Directors

Shareholders who wish to have a proposal be included in our proxy statement and form of proxy relating to our 2016 annual meeting, must provide a written copy of their proposal to us at our principal executive offices no later than November 27, 2015 (which is 120 calendar days prior to the anniversary of this year's mailing date). Proposals must comply with the proxy rules relating to shareholder proposals in order to be included in our proxy materials. Notice to us of a shareholder proposal submitted otherwise than pursuant to Rule 14a-8 will be considered untimely if received by us after November 27, 2015 and the proposal will not be brought before the meeting. To ensure prompt receipt by us, proposals should be sent certified mail, return receipt requested.

Shareholders wishing to submit names of potential candidates for consideration by our nominating and corporate governance committee for the board of directors' slate of nominees for director should follow the procedures discussed under "Procedure for Shareholder Recommendations to the Nominating and Corporate Governance Committee for Potential Director Nominees." Shareholders wishing to present their own nominations for director at the annual meeting should follow separate procedures discussed under "Procedure for Shareholder Nominations for Director." Rule 14a-8 requiring the inclusion of shareholder proposals in our proxy materials does not apply to director nominations by shareholders.

Interested parties who wish to communicate with the board of directors or with a particular director, including the lead director, John C. Schweitzer, may send a letter to the Corporate Secretary at our address set forth on page 1 of this proxy statement. The mailing envelope should contain a clear notation indicating that the enclosed letter is a "Board Communication" or "Director Communication." All such letters should identify the author and clearly state whether the intended recipients are all members of the board or certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors. Interested parties may also communicate with the board of directors or with a particular director by contacting our AlertLine at 1-877-861-6669.

* * * * * * * * *

The reports of the audit committee and the compensation committee included elsewhere in this proxy statement do not constitute soliciting materials and should not be deemed filed or incorporated by reference into any other filing made by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate these reports by reference in another filing.

REGENCY CENTERS CORPORATION
ONE INDEPENDENT DRIVE, SUITE 114
JACKSONVILLE, FL 32202

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 PM Eastern Daylight Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions until 11:59 PM Eastern Daylight Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	For All	Withhold All	For All Except	To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.	
The Board of Directors recommends you vote FOR the following:	o	o	o		
1. Election of Directors Nominees:					
01 Martin E Stein, Jr.	02 Raymond L. Bank		03 Bryce Blair	04 C. Ronald Blankenship	05 A. R. Carpenter

06 J. Dix Druce, Jr.	07 Mary Lou Fiala	08 David P. O'Connor	09 John C. Schweitzer	10 Brian M. Smith
11 Thomas G. Wattles				

The Board of Directors recommends you vote FOR proposals 2 and 3.		For	Against	Abstain
2.	Adoption of an advisory resolution approving executive compensation for fiscal 2014.	o	o	o
3.	Ratification of appointment of KPMG LLP as the Company's independent accountants for the year ending December 31, 2015.	o	o	o

Note: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly has your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Annual Report, Notice & Proxy Statement is/are available at www.proxyvote.com.

REGENCY CENTERS CORPORATION
Annual Meeting of Shareholders
May 12, 2015 8:30 AM EDT

This proxy is solicited by the Board of Directors
The shareholder(s) hereby appoint Martin E. Stein, Jr., Brian M. Smith and Lisa Palmer, and each or any of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of REGENCY CENTERS CORPORATION that the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders to be held at 8:30 AM, EDT on May 12, 2015, at the Ponte Vedra Inn & Club, 200 Ponte Vedra Boulevard, Ponte Vedra Beach, Florida 32082 and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in a manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on the reverse side