JOHNSTON CONTROLS, INC.

(Exact name of registrant as specified in its charter)

Wisconsin
(State of Incorporation)

39-0380010
(I.R.S. Employer Identification No.)

5757 North Green Bay Avenue
P.O. Box 591
Milwaukee, Wisconsin
(Address of principal executive offices)

53201
(Zip Code)

Registrant’s telephone number, including area code:
(414) 524-1200

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

<table>
<thead>
<tr>
<th>Title of Each Class</th>
<th>Name of Each Exchange on Which Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>New York Stock Exchange</td>
</tr>
</tbody>
</table>

Securities Registered Pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☑

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

Large accelerated filer ☑ 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 ☑

As of March 31, 2007, the aggregate market value of the registrant’s Common Stock held by non-affiliates of the registrant was
approximately $18.7 billion based on the closing sales price as reported on the New York Stock Exchange. As of October 31, 2007, 593,815,378 shares of the registrant’s Common Stock, par value $0.01 7/18 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on January 23, 2008 are incorporated by reference into Part III.
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Certification
Certification
Certification
CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

Unless otherwise indicated, references to “Johnson Controls,” the “Company,” “we,” “our” and “us” in this Annual Report on Form 10-K refer to Johnson Controls, Inc. and its consolidated subsidiaries.

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “forecast,” “outlook,” “intend,” “strategy,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” or the negative thereof or variations thereon or similar terminology generally intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled “Risk Factors” (refer to Part I, Item 1A). We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1 BUSINESS

General

Johnson Controls brings ingenuity to the places where people live, work and travel. By integrating technologies, products and services, we create smart environments that redefine the relationships between people and their surroundings. We strive to create a more comfortable, safe and sustainable world through our products and services for more than 200 million vehicles, 12 million homes and one million commercial buildings. Johnson Controls provides innovative automotive interiors that help make driving more comfortable, safe and enjoyable. For buildings, we offer products and services that optimize energy use and improve comfort and security. We also provide batteries for automobiles and hybrid electric vehicles, along with related systems engineering, marketing and service expertise.

Our building efficiency business is a global market leader in designing, producing, marketing and installing integrated heating, ventilating and air conditioning (HVAC) systems, building management systems, controls, security and mechanical equipment. In addition, the building efficiency business provides technical services, energy management consulting and operations of entire real estate portfolios for the non-residential buildings market. We also provide residential air conditioning and heating systems.

Our automotive experience business is one of the world’s largest automotive suppliers, providing interior systems to more than 30 million vehicles annually. Our technologies extend into every area of the interior including seating and overhead systems, door systems, floor consoles, instrument panels, cockpits and integrated electronics. Customers include virtually every major automaker in the world.

Our power solutions business is a leading global producer of lead-acid automotive batteries, serving both automotive original equipment manufacturers and the general vehicle battery aftermarket. We produce more than 120 million lead-acid batteries annually. We offer Absorbent Glass Mat (AGM), nickel-metal-hydride and lithium-ion battery technologies to power hybrid vehicles.

Financial Information About Business Segments

Statement of Financial Accounting Standards (SFAS) No. 131, “Disclosures about Segments of an Enterprise and Related Information,” establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in SFAS No. 131, the Company has determined that it has ten reportable segments for financial reporting purposes. Certain operating segments are aggregated or combined based on materiality within building efficiency — rest of world and power solutions in accordance with SFAS No. 131. The Company’s ten reportable segments are presented in the context of its three primary businesses: building efficiency, automotive experience and power solutions.
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Refer to Note 17, “Segment Information,” of the notes to the consolidated financial statements in Item 8 of this report for financial information about business segments.

For the purpose of the following discussion of the Company’s businesses, the six building efficiency reportable segments and the three automotive experience reportable segments are presented together due to their similar customers and the similar nature of their products, production processes, and distribution channels.

Products/Systems and Services

Building efficiency

Building efficiency is a global leader in delivering integrated control systems, mechanical equipment, services and solutions designed to improve the comfort, safety and energy efficiency of non-residential buildings and residential properties with operations in more than 125 countries. Revenues come from technical services and the replacement and upgrade of controls and heating, ventilating and air conditioning mechanical equipment in the existing buildings market, where the Company’s large base of current customers leads to repeat business and low cyclical, as well as with installing controls and equipment during the construction of new buildings. Customer relationships often span entire building lifecycles.

Building efficiency sells its control systems, mechanical equipment and services primarily through the Company’s extensive global network of sales and service offices. Some types of controls and mechanical systems are sold to distributors of air-conditioning, refrigeration and commercial heating systems throughout the world. Approximately 45% of building efficiency’s sales are derived from HVAC products and installed control systems. Approximately 55% of its sales originate from its service offerings. In fiscal 2007, building efficiency accounted for 37% of the Company’s consolidated net sales.

The Company’s systems include York® chillers, air handlers and other HVAC mechanical equipment that provide heating and cooling in non-residential buildings. The Metasys® control system monitors and integrates HVAC equipment with other critical buildings systems to maximize comfort while reducing energy and operating costs. As one of the largest global suppliers of technical services, building efficiency supplements or serves as in-house staff to maintain, optimize and repair building systems made by the Company or by its competitors. The Company offers a wide range of solutions such as performance contracting under which energy savings are used by the customer to pay a third party financier for the project costs over a number of years. In addition, our global workplace solutions segment provides full-time on-site operations staff and real estate consulting services to help customers, especially multi-national companies, reduce costs and improve the performance of their facility portfolios. The Company’s on-site staff typically performs tasks related to the comfort and reliability of the facility, and manages subcontractors for functions like foodservice, cleaning, maintenance and landscaping. Through its North America unitary products business, the Company produces air conditioning and heating equipment for the residential market.

Automotive experience

Automotive experience designs and manufactures products and systems for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. The business produces automotive interior systems for original equipment manufacturers (OEMs) and operates approximately 165 wholly- and majority-owned manufacturing or assembly plants in 31 countries worldwide (see Item 2 “Properties”). Additionally, the business has partially-owned affiliates in Asia, Europe, North America and South America.

Automotive experience systems and products include complete seating systems and components; cockpit systems, including instrument panels and clusters, information displays and body controllers; overhead systems, including headliners and electronic convenience features; floor consoles; and door systems. In fiscal 2007, automotive experience accounted for 51% of the Company’s consolidated net sales.

The business operates assembly plants that supply automotive OEMs with complete seats on a “just-in-time/in-sequence” basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line. Certain of the business’s other automotive interior systems are also supplied on a “just-in-time/in-sequence” basis. Foam and metal seating components, seat covers, seat mechanisms and other components are shipped to these plants from the business’s production facilities or outside suppliers.
Power solutions

Power solutions services both automotive OEMs and the battery aftermarket by providing advanced battery technology, coupled with systems engineering, marketing and service expertise. The Company is the largest producer of lead-acid automotive batteries in the world, producing more than 120 million lead-acid batteries annually in approximately 60 wholly- and majority-owned manufacturing or assembly plants in 9 countries worldwide. Investments in new product and process technology have expanded product offerings to AGM, nickel-metal-hydride and lithium-ion battery technology to power hybrid vehicles. Approximately 75% of automotive battery sales worldwide in fiscal 2007 were to the automotive replacement market, with the remaining sales to the OEM market.

Sales of automotive batteries generated 12% of the Company’s fiscal 2007 consolidated net sales. Batteries and plastic battery containers are manufactured at wholly and partially owned plants in North America, South America, Asia, the Middle East and Europe (see Item 2 “Properties”).

Competition

Building efficiency

The building efficiency business conducts certain of its operations through thousands of individual contracts that are either negotiated or awarded on a competitive basis. Key factors in the award of contracts include system and service quality, price, design, reputation, technology, efficiency, acoustics, application engineering capability and construction management expertise. Competitors for contracts in the residential and non-residential marketplace include many regional, national and international controls providers; larger competitors include Honeywell International, Inc.; Siemens Building Technologies, an operating group of Siemens AG; Carrier Corporation, a subsidiary of United Technologies Corporation; The Trane Company, a subsidiary of American Standard Companies Inc.; Rheem Manufacturing Company; Lennox International, Inc.; and Goodman Global, Inc. The services market, including global workplace solutions, is highly fragmented. Sales of services are largely dependent upon numerous individual contracts with commercial businesses worldwide; the loss of any individual contract would not have a material adverse effect on the Company.

Automotive experience

The automotive experience business faces competition from other automotive suppliers and, with respect to certain products, from the automobile OEMs who produce or have the capability to produce certain products the business supplies. Competition is based on technology, quality, reliability of delivery and price. Design, engineering and product planning are increasingly important factors. Independent suppliers that represent the principal automotive experience competitors include Lear Corporation, Faurecia SA, and Magna Automotive Inc.

Power solutions

Power solutions is the principal supplier of batteries to many of the largest merchants in the battery aftermarket, including Advance Auto Parts, AutoZone, Robert Bosch GmbH, Costco, Interstate Battery System of America, Pep Boys, Sears, Roebuck & Co and Wal-Mart stores. Automotive batteries are sold throughout the world under private label and under the Company’s brand names (Optima®, Varta®, LTH® and Heliar®) to automotive replacement battery retailers and distributors and to automobile manufacturers as original equipment. The power solutions business competes with a number of major domestic and international manufacturers and distributors of lead-acid batteries, as well as a large number of smaller, regional competitors. The power solutions business primarily competes in the battery market with Exide Technologies, GS Yuasa Corporation, East Penn Manufacturing Company and Fiamm Group. The North American, European and Asian lead-acid battery markets are highly competitive. The manufacturers in these markets compete on price, quality, technical innovation, service and warranty.

Backlog

The Company’s backlog relating to the building efficiency business is applicable to its sales of systems and services. At September 30, 2007, the backlog was $4.2 billion, compared with $3.7 billion as of September 30, 2006, primarily due to continued market share gains. The preceding data does not include amounts associated with contracts in the global workplace solutions business because such contracts are typically multi-year service awards, nor does it include unitary projects. The backlog amount outstanding at any given time is not necessarily indicative of the amount of revenue to be earned in the coming fiscal year.
At September 30, 2007, the Company’s automotive experience backlog of net new incremental business to be executed within the next three fiscal years was approximately $3.9 billion, $0.9 billion of which relates to fiscal 2008. The backlog as of September 30, 2006 was approximately $3.5 billion. The increase in backlog is primarily due to market share gains in Europe and higher vehicle production volumes in Asia. The automotive backlog is generally subject to a number of risks and uncertainties, such as related vehicle production volumes, the timing of related production launches and changes in customer development plans.

**Raw Materials**

Raw materials used by the businesses in connection with their operations, including lead, steel, urethane chemicals, copper, sulfuric acid and polypropylene, were readily available during the year and such availability is expected to continue. In fiscal 2008, the Company expects continued volatility in lead prices, increases in foam chemical, resin and fuel costs due to rising oil prices, and relatively stable copper and steel costs.

**Intellectual Property**

Generally, the Company seeks statutory protection for strategic or financially important intellectual property developed in connection with its business. Certain intellectual property, where appropriate, is protected by contracts, licenses, confidentiality or other agreements.

The Company owns numerous U.S. and non-U.S. patents (and their respective counterparts), the more important of which cover those technologies and inventions embodied in current products, or which are used in the manufacture of those products. While the Company believes patents are important to its business operations and in the aggregate constitute a valuable asset, no single patent, or group of patents, is critical to the success of the business. The Company, from time to time, grants licenses under its patents and technology and receives licenses under patents and technology of others.

The Company’s trademarks, certain of which are material to its business, are registered or otherwise legally protected in the U.S. and many non-U.S. countries where products and services of the Company are sold. The Company, from time to time, becomes involved in trademark licensing transactions.

Most works of authorship produced for the Company, such as computer programs, catalogs and sales literature, carry appropriate notices indicating the Company’s claim to copyright protection under U.S. law and appropriate international treaties.

**Environmental, Health and Safety Matters**

Laws addressing the protection of the environment (Environmental Laws) and workers’ safety and health (Worker Safety Laws) govern the Company’s ongoing global operations. They generally provide for civil and criminal penalties, as well as injunctive and remedial relief, for noncompliance or require remediation of sites where Company-related materials have been released into the environment.

The Company has expended substantial resources globally, both financial and managerial, to comply with Environmental Laws and Worker Safety Laws and maintains procedures designed to foster and ensure compliance. Certain of the Company’s businesses are or have been engaged in the handling or use of substances that may impact workplace health and safety or the environment. The Company is committed to protecting its workers and the environment against the risks associated with these substances.

The Company’s operations and facilities have been, and in the future may become, the subject of formal or informal enforcement actions or proceedings for noncompliance with such laws or for the remediation of Company-related substances released into the environment. Such matters typically are resolved by negotiation with regulatory authorities that result in commitments to compliance, abatement, or remediation programs and, in some cases, payment of penalties. Historically, neither such commitments nor such penalties have been material. (See Item 3 “Legal Proceedings” of this report for a discussion of the Company’s potential environmental liabilities.)
Environmental Capital Expenditures

The Company’s ongoing environmental compliance program often results in capital expenditures. Environmental considerations are a part of all significant capital expenditures; however, expenditures in fiscal 2007 related solely to environmental compliance were not material. It is management’s opinion that the amount of any future capital expenditures related solely to environmental compliance will not have a material adverse effect on the Company’s financial results or competitive position in any one year.

Employees

As of September 30, 2007, the Company employed approximately 140,000 employees, of whom approximately 93,000 were hourly and 47,000 were salaried.

Seasonal Factors

Certain of building efficiency’s sales are seasonal as the demand for residential air conditioning equipment generally increases in the summer months, while the demand for furnaces peaks during the autumn months. This seasonality is mitigated by the other products and services provided by the building efficiency business that have no material seasonal effect.

Sales of automotive seating and interior systems and of batteries to automobile OEMs for use as original equipment are dependent upon the demand for new automobiles. Management believes that demand for new automobiles generally reflects sensitivity to overall economic conditions with no material seasonal effect.

The automotive replacement battery market is affected by weather patterns because batteries are more likely to fail when extremely low temperatures place substantial additional power requirements upon a vehicle’s electrical system. Also, battery life is shortened by extremely high temperatures, which accelerate corrosion rates. Therefore, either mild winter or moderate summer temperatures may adversely affect automotive replacement battery sales.

Financial Information About Geographic Areas

Refer to Note 17, “Segment Information,” of the notes to the consolidated financial statements in Item 8 of this report for financial information about geographic areas.

Research and Development Expenditures

Refer to Note 1, “Summary of Significant Accounting Policies,” of the notes to the consolidated financial statements in Item 8 of this report for research and development expenditures.

Available Information

The Company’s filings with the U.S. Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, definitive proxy statements on Schedule 14A, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13 or 15(d) of the Exchange Act, are made available free of charge through the Investor Relations section of the Company’s Internet website at http://www.johnsoncontrols.com as soon as reasonably practicable after the Company electronically files such material with, or furnishes them to, the SEC. Copies of any materials the Company files with the SEC can also be obtained free of charge through the SEC’s website at http://www.sec.gov, at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, or by calling the SEC’s Office of Investor Education and Assistance at 1-800-732-0330. The Company also makes available, free of charge, its Ethics Policy, Corporate Governance Guidelines, Board of Director committee charters and other information related to the Company on the Company’s Internet website or in printed form upon request. The Company is not including the information contained on the Company’s website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K.
ITEM 1A RISK FACTORS

General Risks

We are subject to pricing pressure from our larger customers.

We face significant competitive pressures in all of our business segments. Because of their purchasing size, our larger customers can influence market participants to compete on price terms. If we are not able to offset pricing reductions resulting from these pressures by improved operating efficiencies and reduced expenditures, those pricing reductions may have an adverse impact on our business.

We are subject to risks associated with our non-U.S. operations which could adversely affect our results of operations.

We have significant operations in a number of countries outside the U.S., some of which are located in emerging markets. Long-term economic uncertainty in some of the regions of the world in which we operate, such as Asia, South America, the Middle East, Central Europe and other emerging markets, could result in the disruption of markets and negatively affect cash flows from our operations to cover our capital needs and debt service.

In addition, as a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than the U.S. dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. Our primary exposures are to the Euro, British pound, Japanese yen, Czech koruna, Mexican peso, Swiss franc and Chinese yuan. While we employ financial instruments to hedge transactional and foreign exchange exposure, these activities do not insulate us completely from those exposures.

There are other risks that are inherent in our non-U.S. operations, including the potential for changes in socio-economic conditions, laws and regulations, including import, export, labor and environmental laws and monetary and fiscal policies, protectionist measures that may prohibit acquisitions or joint ventures, unsettled political conditions and possible terrorist attacks against American interests. These and other factors may have a material adverse effect on our non-U.S. operations and therefore on our business and results of operations.

We are subject to regulation of our international operations that could adversely affect our business and results of operations.

Due to our global operations, we are subject to many laws governing international relations, including those that prohibit improper payments to government officials and restrict where we can do business, what information or products we can supply to certain countries and what information we can provide to a non-U.S. government, including but not limited to the Foreign Corrupt Practices Act and the U.S. Export Administration Act. Violations of these laws, which are complex and often times difficult to interpret and apply, may result in severe criminal penalties or sanctions that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to costly requirements relating to environmental regulation and environmental remediation matters, which could adversely affect our business and results of operations.

Because of uncertainties associated with environmental regulation and environmental remediation activities at sites where we may be liable, future expenses that we may incur to remediate identified sites could be considerably higher than the current accrued liability on our balance sheet, which could have a material adverse effect on our business and results of operations. As of September 30, 2007, we recorded $27 million for environmental liabilities and $81 million in related conditional asset retirement obligations.

Negative or unexpected tax consequences could adversely affect our results of operations.

Adverse changes in the underlying profitability and financial outlook of our operations in several jurisdictions could lead to changes in our valuation allowances against deferred tax assets and other tax reserves on our statement of financial position that could materially and adversely affect our results of operations. Additionally, changes in statutory tax rates in the U.S. or in other countries where the Company has significant operations could materially affect deferred tax assets and liabilities on our balance sheet.
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We are also subject to tax audits by governmental authorities in the U.S. and in non-U.S. jurisdictions. Negative unexpected results from one or more such tax audits could adversely affect our results of operations.

Legal proceedings in which we are, or may be, a party may adversely affect us.

We are currently and may in the future become subject to legal proceedings and commercial or contractual disputes. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes with our suppliers, intellectual property matters and employment claims. There exists the possibility that such claims may have an adverse impact on our results of operations that is greater than we anticipate.

An increase in our level of indebtedness could lead to a downgrade in the ratings of our debt and, in turn, restrict our ability to access the debt capital markets.

Changes in the ratings that rating agencies assign to our debt may ultimately impact our access to the debt capital markets. An increase in the level of our indebtedness in the future, to the extent that we finance future acquisitions with debt, for example, may result in a downgrade in the ratings that are assigned to our debt. If ratings for our debt fall below investment grade, our access to the debt capital markets would become restricted.

Additionally, several of our credit agreements generally include an increase in interest rates if the ratings for our debt are downgraded. Further, an increase in the level of our indebtedness may increase our vulnerability to adverse general economic and industry conditions and may affect our ability to obtain additional financing.

We may be unable to complete or integrate acquisitions effectively, which may adversely affect our growth, profitability and results of operations.

We expect acquisitions of businesses and assets to play a role in our company’s future growth. We cannot be certain that we will be able to identify attractive acquisition targets, obtain financing for acquisitions on satisfactory terms or successfully acquire identified targets. Additionally, we may not be successful in integrating acquired businesses into our existing operations and achieving projected synergies. Competition for acquisition opportunities in the various industries in which we operate may rise, thereby increasing our costs of making acquisitions or causing us to refrain from making further acquisitions. These and other acquisition-related factors may negatively and adversely impact our growth, profitability and results of operations.

Building Efficiency Risks

Our building efficiency business relies to a great extent on contracts and business with U.S. government entities, the loss of which may adversely affect our results of operations.

Our building efficiency business contracts with government entities and is subject to specific rules, regulations and approvals applicable to government contractors. We are subject to routine audits by the Defense Contract Audit Agency to assure our compliance with these requirements. Our failure to comply with these or other laws and regulations could result in contract terminations, suspension or debarment from contracting with the U.S. federal government, civil fines and damages and criminal prosecution. In addition, changes in procurement policies, budget considerations, unexpected U.S. developments, such as terrorist attacks, or similar political developments or events abroad that may change the U.S. federal government’s national security defense posture may affect sales to government entities.

A variety of other factors could adversely affect the results of operations of our building efficiency business.

Any of the following could materially and adversely impact the results of operations of our building efficiency business: loss of, or changes in, building automation or facility management supply contracts with our major customers; delays or difficulties in new product development; the potential introduction of similar or superior technologies; financial instability or market declines of our major or component suppliers; the unavailability of raw materials, primarily steel, copper and electronic components, necessary for production of HVAC equipment; rapid increases and volatility of commodity prices; unseasonable weather conditions in various parts of the world; a significant decline in the construction of new commercial buildings requiring interior control systems; a significant decline in residential housing starts; changes in energy costs or governmental regulations that would decrease the incentive for customers to update or improve their interior control systems;
increased energy efficiency legislation requirements worldwide; a decline in the outsourcing of facility management services; and availability of labor to support growth of our service businesses.

**Automotive Experience Risks**

**Decreased demand from our customers in the automotive industry may adversely affect our results of operations.**

In fiscal 2007, our three largest customers were automobile manufacturers Ford Motor Company, General Motors Corporation and DaimlerChrysler AG (now Daimler AG and Chrysler LLP) (the Detroit 3), with consolidated global net sales to these customers representing approximately 28% of total Company net sales. Sales to the Detroit 3 originating in the U.S. represented approximately 10% of our consolidated net sales in fiscal 2007. Our financial performance depends, in part, on conditions in the automotive industry. The Detroit 3 have experienced declining market shares in North America and have announced significant restructuring actions in an effort to improve profitability. The North American automotive manufacturers are also burdened with substantial structural costs, such as pension and healthcare costs, that have impacted their profitability and labor relations and may ultimately result in severe financial difficulty, including bankruptcy. If our customers, especially the Detroit 3, reduce their orders to us, it would adversely impact our results of operations. Additionally, we have significant component production for manufacturers of motor vehicles in the U.S., Europe, South America, Japan and other Asia/Pacific Rim countries. Continued uncertainty relating to the financial condition of the Detroit 3 and others in the automotive industry may have a negative impact on our business.

**The financial distress of our suppliers could harm our results of operations.**

Automotive industry conditions have adversely affected our supplier base. Lower production levels for some of our key customers and increases in certain raw material, commodity and energy costs have resulted in severe financial distress among many companies within the automotive supply base. Several large suppliers have filed for bankruptcy protection or ceased operations. The continuation of financial distress within the supplier base may lead to increased commercial disputes and possible supply chain interruptions. In addition, the adverse industry environment has required us to provide financial support to distressed suppliers or take other measures to ensure uninterrupted production. The continuation or worsening of these industry conditions may have a negative impact on our business.

**Change in consumer demand may adversely affect our results of operations.**

Recent and any future increases in energy costs that consumers incur is resulting in shifts in consumer demand away from motor vehicles that typically have higher amounts of content that we supply, such as light trucks, cross-over vehicles, minivans and SUVs, to smaller vehicles that have lower amounts of content that we supply. The loss of business with respect to, or a lack of commercial success of, one or more particular vehicle models for which we are a significant supplier could reduce our sales and harm our profitability, thereby adversely affecting our results of operations.

**We may not be able to successfully negotiate pricing terms with our customers in the automotive experience business, which may adversely affect our results of operations.**

We negotiate sales prices annually with our automotive seating and interiors customers. Cost-cutting initiatives that our customers have adopted generally result in increased downward pressure on pricing. Our customer supply agreements generally require reductions in component pricing over the period of production. Pricing pressures may further intensify, particularly in North America, as the Detroit 3 pursue restructuring and cost cutting initiatives to better compete with their non-U.S. competitors. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our results of operations may be adversely affected.

**Increases in commodity prices may adversely affect our results of operations.**

Commodity prices have risen rapidly in the past three years. In our two largest markets, North America and Europe, the cost of commodities, primarily steel, resin and chemicals, has increased (net of recoveries through price increases to customers). If commodity prices continue to rise, and if we are not able to recover these cost increases through price increases to our customers, then such increases may have an adverse effect on our results of operations.
The cyclicality of original equipment automobile production rates may adversely affect the results of operations in our automotive experience business.

Our automotive experience business is directly related to automotive sales and automotive production by our customers. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences. Any significant economic decline that results in a reduction in automotive production and sales by our automotive experience customers may have a material adverse impact on our results of operations.

A variety of other factors could adversely affect the results of operations of our automotive experience business.

Any of the following could materially and adversely impact the results of operations of our automotive experience business: the loss of, or changes in, automobile seating and interiors supply contracts or sourcing strategies with our major customers or suppliers; inability to meet minimum vendor volume requirements; start-up expenses associated with new vehicle programs or delays or cancellations of such programs; underutilization of our manufacturing facilities, which are generally located near, and devoted to, a particular customer’s facility; inability to recover engineering and tooling costs; market and financial consequences of any recalls that may be required on products that we have supplied; delays or difficulties in new product development; the potential introduction of similar or superior technologies; and global overcapacity and vehicle platform proliferation.

Power Solutions Risks

We face increasing competition and pricing pressure from other companies in the power solutions business.

The power solutions business competes with a number of major domestic and international manufacturers and distributors of lead-acid batteries, as well as a large number of smaller, regional competitors. The North American, European and Asian lead-acid battery markets are highly competitive. The manufacturers in these markets compete on price, quality, technical innovation, service and warranty. If we are unable to remain competitive and maintain market share in the regions and markets we serve, our results of operations may be adversely affected.

Increases in commodity prices may adversely affect our results of operations.

Lead is a major component of our lead acid batteries. Lead prices have risen dramatically in the past 18 months. If the price of lead continues to rise, and if we are not able to recover these cost increases through price increases to our customers or with commodity hedging strategies, then such increases may have an adverse effect on our results of operations.

A variety of other factors could adversely affect the results of operations of our power solutions business.

Any of the following could materially and adversely impact the results of operations of our power solutions business: loss of or changes in automobile battery supply contracts with our large original equipment and aftermarket customers; the increasing quality and useful life of batteries or use of alternative battery technologies, both of which may contribute to a growth slowdown in the lead-acid battery market; delays or cancellations of new vehicle programs; market and financial consequences of any recalls that may be required on our products; delays or difficulties in new product development, including nickel-metal-hydride/lithium-ion technology; financial instability or market declines of our customers or suppliers; the increasing global environmental regulation related to the manufacture of lead-acid batteries; and the lack of the development of a market for hybrid vehicles.

ITEM 1B UNRESOLVED STAFF COMMENTS

The Company has received no written comments regarding its periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal 2007 that remain unresolved.
ITEM 2 PROPERTIES

At September 30, 2007, the Company conducted its operations in 65 countries throughout the world, with its world headquarters located in Milwaukee, Wisconsin. The Company’s wholly- and majority-owned facilities, which are listed in the table on the following pages by business and location, totaled approximately 95 million square feet of floor space and are owned by the Company except as noted. The facilities primarily consisted of manufacturing, assembly and/or warehouse space. The Company considers its facilities to be suitable and adequate for their current uses. The majority of the facilities are operating at normal levels based on capacity.

<table>
<thead>
<tr>
<th>Building Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Largo (1),(3)</td>
</tr>
<tr>
<td>Medley (1)</td>
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<tr>
<td>Illinois Dixon (2),(3)</td>
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<tr>
<td>Kentucky Eranger</td>
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<tr>
<td>Maryland Baltimore (1)</td>
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<tr>
<td>Mississippi Hattiesburg</td>
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<tr>
<td>Missouri Albany</td>
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<tr>
<td>Oklahoma Norman (1),(3)</td>
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<tr>
<td>Pennsylvania York</td>
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<tr>
<td>Wayneboro (3)</td>
</tr>
<tr>
<td>Wisconsin Glendale (4)</td>
</tr>
<tr>
<td>Milwaukee (2),(4)</td>
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<tr>
<td>Austria Graz (4)</td>
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<tr>
<td>Vienna (4)</td>
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<tr>
<td>Brazil Pinhais</td>
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<tr>
<td>São Paulo (1),(3)</td>
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<td>Belgium Diegem (1),(4)</td>
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<tr>
<td>Victoria (1),(4)</td>
</tr>
<tr>
<td>China Qingyuan (2),(3)</td>
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<tr>
<td>WuXi (1),(3)</td>
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<tr>
<td>Denmark Aarhus (1),(3)</td>
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<tr>
<td>Hornslet (2),(3)</td>
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<tr>
<td>Vibile</td>
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<tr>
<td>Hampshire</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Automotive Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama Cottondale (1),(3)</td>
</tr>
<tr>
<td>California Livermore (2),(3)</td>
</tr>
<tr>
<td>Georgia Suwanee (1)</td>
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<tr>
<td>Illinois Sycamore (2),(3)</td>
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<td>Indiana Ossian</td>
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<tr>
<td>Kentucky Bardstown (3)</td>
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<td>Cadiz (3)</td>
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<tr>
<td>Georgetown (3)</td>
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<tr>
<td>Shelbyville (1)</td>
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<td>Winchester (1)</td>
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<td>Louisiana Shreveport</td>
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<td>Michigan Battle Creek</td>
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<td>Detroit (3)</td>
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<td>Holland (2),(3)</td>
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<tr>
<td>Lansing (3)</td>
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<tr>
<td>Country</td>
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<tr>
<td>Argentina</td>
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<td>Australia</td>
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</table>
In addition to the above listing, which identifies large properties (greater than 25,000 square feet), there are approximately 565 building efficiency branch offices and other administrative offices located in major cities throughout the world. These offices vary in size in proportion to the volume of business in the particular locality.

**ITEM 3 LEGAL PROCEEDINGS**

As noted in Item 1, liabilities potentially arise globally under various Environmental Laws and Worker Safety Laws for activities that are not in compliance with such laws and for the cleanup of sites where Company-related substances have been released into the environment.
Currently, the Company is responding to allegations that it is responsible for performing environmental remediation, or for the repayment of costs spent by governmental entities or others performing remediation, at approximately 60 sites in the U.S. Many of these sites are landfills used by the Company in the past for the disposal of waste materials; others are secondary lead smelters and lead recycling sites where the Company returned lead-containing materials for recycling; a few involve the cleanup of Company manufacturing facilities; and the remaining fall into miscellaneous categories. The Company may face similar claims of liability at additional sites in the future. Where potential liabilities are alleged, the Company pursues a course of action intended to mitigate them.

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Reserves for environmental costs totaled $27 million and $34 million at September 30, 2007 and 2006, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company’s ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company’s financial position, results of operations or cash flows.

The Company is involved in a number of product liability and various other lawsuits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and lawsuits of this nature. It is management’s opinion that none of these will have a material adverse effect on the Company’s financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

As previously reported, following allegations in a U.N. Oil-For-Food Inquiry Report that, prior to the Company’s acquisition of York International Corporation (York), York had made improper payments to the Iraqi regime, York and the Company jointly undertook to investigate the allegations and offered the companies’ cooperation to the United States Department of Justice (DOJ) and the SEC. After completing the York acquisition, the Company continued the internal inquiry and expanded its scope to include other aspects of York’s Middle East operations, including a review of York’s use of agents, consultants and other third parties, York’s compliance with the Office of Foreign Assets Control licensing requirements, and York’s compliance with other potentially applicable trade laws. The Company also reviewed certain of York’s sales practices in other markets. In October 2007, York reached settlements relating to the SEC and DOJ investigations regarding payments made by York and its subsidiaries in connection with the United Nations’ Oil-for-Food Program and other payments unrelated to the Oil-for-Food Program. Specifically, York entered into an agreement with the SEC under which York consented to the entry of a civil injuction proscribing future violations of law. York also entered into an agreement with the DOJ under which the DOJ agreed to defer prosecuting York for three criminal charges. The DOJ will not pursue the charges if York complies with the agreement for its three-year term. The agreements with both the SEC and DOJ required that York retain an independent compliance monitor for three years. York paid an aggregate of approximately $22 million to the SEC and the DOJ pursuant to these settlements, which payments were characterized as disgorgement of profits, criminal and civil penalties and interest. The Company had reserves adequate for this amount. The Company is offering continued cooperation to other relevant authorities in the U.S. Departments of Treasury, Commerce and Navy. The Company has begun discussions with these relevant authorities to explore how these matters may be resolved and expects that any additional sanctions are not expected to be material. The Company is in the process of evaluating and implementing various remedial measures with respect to York operations.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) of Form 10-K, the following list of executive officers of the Company as of November 15, 2007 is included as an unnumbered Item in Part I of this report in lieu of being included in the Company’s fiscal 2007 Proxy Statement.
Stephen A. Roell, 57, was elected Chief Executive Officer effective in October 2007 and Chairman effective in January 2008. He was first elected to the Board of Directors in October 2004 and served as Executive Vice President from October 2004 through September 2007. Mr. Roell previously served as Chief Financial Officer between 1991 and May 2005, Senior Vice President from September 1998 to October 2004 and Vice President from 1991 to September 1998. Mr. Roell joined the Company in 1982.

John M. Barth, 61, was elected Chairman in January 2004 and a member of the Board of Directors in November 1997. In July 2007, the Company announced that Mr. Barth would retire as Chairman on December 31, 2007. He previously served as Chief Executive Officer from October 2002 through September 2007, President from September 1998 to July 2006, Chief Operating Officer from September 1998 to October 2002 and an Executive Vice President with responsibility for automotive experience from 1993 to 2002. Mr. Barth joined the Company in 1969.

Keith E. Wandell, 57, was elected President and Chief Operating Officer in July 2006. He previously served as Executive Vice President from May 2005 to July 2006, Corporate Vice President from January 1997 to May 2005, President of automotive experience from August 2003 to July 2006 and President of power solutions from October 1998 to August 2003. Mr. Wandell joined the Company in 1988.

Susan F. Davis, 54, was elected Executive Vice President of Human Resources in September 2006. She previously served as Vice President of Human Resources from May 1994 to September 2006 and as Vice President of Organizational Development for automotive experience from August 1992 to April 1994. Ms. Davis joined the Company in 1983.

R. Bruce McDonald, 47, was elected Executive Vice President in September 2006 and Chief Financial Officer in May 2005. He previously served as Corporate Vice President from January 2002 to September 2006, Assistant Chief Financial Officer from October 2004 to May 2005 and Corporate Controller from November 2001 to October 2004. Mr. McDonald joined the Company in 2001.

Beda Bolzenius, 51, was elected a Corporate Vice President in November 2005 and serves as President of the automotive experience business. He previously served as Executive Vice President and General Manager Europe, Africa and South America for automotive experience from November 2004 to November 2005. Dr. Bolzenius joined the Company in November 2004 from Robert Bosch GmbH, a global manufacturer of automotive and industrial technology, consumer goods and building technology, where he most recently served as the president of Bosch’s Body Electronics division.

Alex A. Molinaroli, 48, was elected a Corporate Vice President in May 2004 and has served as President of the power solutions business since January 2007. Previously, Mr. Molinaroli served as Vice President and General Manager for North America Systems & the Middle East for the building efficiency business and has held increasing levels of responsibility for controls systems and services sales and operations. Mr. Molinaroli joined the Company in 1983.

C. David Myers, 44, was elected a Corporate Vice President and President of the building efficiency business in December 2005, when he joined the Company in connection with the acquisition of York. At York, Mr. Myers served as Chief Executive Officer from February 2004 to December 2005, President from June 2003 to December 2005, Executive Vice President and Chief Financial Officer from January 2003 to June 2003 and Vice President and Chief Financial Officer from February 2000 to January 2003.

Jeffrey G. Augustin, 45, was elected a Corporate Vice President in March 2005 and has served as Vice President of Finance for the building efficiency business since December 2005. Previously, Mr. Augustin served as Corporate Controller from March 2005 to March 2007. From 2001 to March 2005, Mr. Augustin was Vice President of Finance and Corporate Controller of Gateway, Inc.

Jeffrey S. Edwards, 45, was elected a Corporate Vice President in May 2004 and serves as Group Vice President and General Manager for Japan and Asia Pacific for the automotive experience business. He previously served as Group Vice President and General Manager for automotive experience North America from August 2002 to May 2004 and Group Vice President and General Manager for product and business development. Mr. Edwards joined the Company in 1984.

Giovanni “John” Fiori, 64, was elected an Executive Vice President in August 2002 and serves as President of Johnson Controls International. He previously served as the President of automotive operations in Europe, Africa, South America and Asia and Vice President of automotive seating operations in Europe. Mr. Fiori joined the Company in 1987.
Charles A. Harvey, 55, was elected Corporate Vice President of Diversity and Public Affairs in November 2005. He previously served as Vice President of human resources for the automotive experience business and in other human resources leadership positions. Mr. Harvey joined the Company in 1991.

Susan M. Kreh, 45, was elected Vice President and Corporate Controller in March 2007 and serves as the Company’s Principal Accounting Officer. Prior to joining the Company, Ms. Kreh served 22 years at PPG Industries, Inc., including as Corporate Treasurer from January 2002 until March 2007.

Jerome D. Okarma, 55, was elected Vice President, Secretary and General Counsel in November 2004 and was named a Corporate Vice President in September 2003. He previously served as Assistant Secretary from 1990 to November 2004 and as Deputy General Counsel from June 2000 to November 2004. Mr. Okarma joined the Company in 1989.

Subhash “Sam” S. Valanju, 64, was elected a Corporate Vice President in 1999 and has served as Chief Information Officer since joining the Company in 1996.

Frank A. Voltolina, 47, was elected a Corporate Vice President and Corporate Treasurer in July 2003 when he joined the Company. Prior to joining the Company, Mr. Voltolina was Vice President and Treasurer at ArvinMeritor, Inc.

Denise M. Zutz, 56, was elected Vice President of Strategy, Investor Relations and Communication in November 2004. She previously served as Vice President, Corporate Communication from 1991 to November 2004. Ms. Zutz joined the Company in 1973.

There are no family relationships, as defined by the instructions to this item, among the Company’s executive officers.

All officers are elected for terms that expire on the date of the meeting of the Board of Directors following the Annual Meeting of Shareholders or until their successors are elected and qualified.

PART II

ITEM 5  MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s shares of common stock are traded on the New York Stock Exchange under the symbol “JCI.”

<table>
<thead>
<tr>
<th>Title of Class</th>
<th>Number of Record Holders as of September 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock, $0.01 7/18 par value</td>
<td>47,810</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Common Stock Price Range</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>$23.84-29.48</td>
<td>$20.09-24.65</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>28.09-33.22</td>
<td>22.25-25.81</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>31.35-39.25</td>
<td>24.67-30.00</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>33.17-43.07</td>
<td>22.80-28.60</td>
</tr>
<tr>
<td>Year</td>
<td>$23.84-43.07</td>
<td>$20.09-30.00</td>
</tr>
</tbody>
</table>

* Due to rounding, all quarterly dividend amounts may not equal the dividend amount for the year.

On July 25, 2007, the Company’s Board of Directors declared a three-for-one stock split of the common stock payable October 2, 2007 to shareholders of record on September 14, 2007. This stock split resulted in an increase of approximately 396 million in the outstanding shares of common stock. All share or per share data in this Form 10-K have been restated to reflect the three-for-one stock split.

15
In September 2006, the Company’s Board of Directors authorized a stock repurchase program to acquire up to $200 million of the Company’s outstanding common stock. Stock repurchases under this program may be made through open market, privately negotiated transactions or otherwise at times and in such amounts as Company management deems appropriate. The stock repurchase program does not have an expiration date and may be limited or terminated by the Board of Directors at any time without prior notice. There were $26 million in common stock repurchases made under the stock repurchase program in the fiscal year ended September 30, 2007.

The Company entered into an Equity Swap Agreement, dated March 18, 2004 and amended March 3, 2006 and May 16, 2006 (Swap Agreement), with Citibank, N.A. (Citibank). The Company selectively uses equity swaps to reduce market risk associated with its stock-based compensation plans, such as its deferred compensation plans and stock appreciation rights. These equity compensation liabilities increase as the Company’s stock price increases and decrease as the Company’s stock price decreases. In contrast, the value of the Swap Agreement moves in the opposite direction of these liabilities, allowing the Company to fix a portion of the liabilities at a stated amount.

Citibank has advised the Company that, in connection with the Swap Agreement, Citibank may purchase shares of the Company’s stock in the market or in privately negotiated transactions up to an amount equal to $200 million in aggregate market value at any given time. The Company disclaims that Citibank is an “affiliated purchaser” of the Company as such term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act or that Citibank is purchasing any shares for the Company. Although the Swap Agreement has a stated expiration date, the Company’s intention is to continually renew the Swap Agreement with Citibank’s consent. The net effect of the change in fair value of the Swap Agreement and the change in equity compensation liabilities was not material to the Company’s earnings for the fiscal years ended September 30, 2007 and 2006. In the three months ended March 31, 2007, Citibank reduced its holding of Company stock by 100,000 shares in connection with the Swap Agreement and Citibank maintained this reduced holding through September 30, 2007.

The following information in the Item 5 is not deemed to be “soliciting material” or the be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 (“Exchange Act”) or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent the Company specifically incorporates it by reference into such a filing:

The line graph below compares the cumulative total shareholder return on our Common Stock with the cumulative total return of companies on the Standard & Poor’s (S&P’s) 500 Stock Index and companies formerly on the S&P’s Manufacturers (Diversified Industrials) Index.* This graph assumes the investment of $100 on September 1, 2002 and the reinvestment of all dividends since that date.
The Company has filed as exhibits to this Annual Report on Form 10-K the CEO and CFO certifications required by Section 302 of the Sarbanes-Oxley Act of 2002. The Company also submitted the Annual CEO certification to the New York Stock Exchange.

The Company’s transfer agent’s contact information is as follows:
Wells Fargo Bank Minnesota, N.A.
Shareowner Services Department
P.O. Box 64856
St. Paul, MN 55164-0856
(877) 602-7397

<table>
<thead>
<tr>
<th>COMPANY/INDEX</th>
<th>Sep02</th>
<th>Sep03</th>
<th>Sep04</th>
<th>Sep05</th>
<th>Sep06</th>
<th>Sep07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson Controls, Inc.</td>
<td>100</td>
<td>125.31</td>
<td>152.90</td>
<td>169.84</td>
<td>199.35</td>
<td>332.67</td>
</tr>
<tr>
<td>Manufacturers (Diversified Industrials) *</td>
<td>100</td>
<td>130.23</td>
<td>173.97</td>
<td>176.79</td>
<td>199.33</td>
<td>259.86</td>
</tr>
<tr>
<td>S&amp;P 500 Comp-Ltd.</td>
<td>100</td>
<td>124.38</td>
<td>141.62</td>
<td>158.97</td>
<td>176.12</td>
<td>205.07</td>
</tr>
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</table>

* The Manufacturers (Diversified Industrials) index was discontinued as a formal index of Standard & Poors effective December 31, 2001. The company has replicated the index using return data for the fourteen companies that comprised the Manufacturers (Diversified Industrials) as of that date.

The Company has filed as exhibits to this Annual Report on Form 10-K the CEO and CFO certifications required by Section 302 of the Sarbanes-Oxley Act of 2002. The Company also submitted the Annual CEO certification to the New York Stock Exchange.

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Shareowner Services Department
P.O. Box 64856
St. Paul, MN 55164-0856
(877) 602-7397
ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data reflects the results of operations, balance sheet data, and common share information for the fiscal years ended September 30, 2003 through September 30, 2007 (in millions, except per share data, number of employees and shareholders).

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<tbody>
<tr>
<td>OPERATING RESULTS</td>
<td></td>
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</tr>
<tr>
<td>Net sales</td>
<td>$34,624</td>
<td>$32,235</td>
<td>$27,479</td>
<td>$24,603</td>
<td>$21,171</td>
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<tr>
<td>Segment income (3)</td>
<td>1,884</td>
<td>1,608</td>
<td>1,326</td>
<td>1,168</td>
<td>1,055</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>1,295</td>
<td>1,033</td>
<td>757</td>
<td>767</td>
<td>645</td>
</tr>
<tr>
<td>Net income</td>
<td>1,252</td>
<td>1,028</td>
<td>909</td>
<td>818</td>
<td>683</td>
</tr>
<tr>
<td>Earnings per share from continuing operations (1)</td>
<td></td>
<td></td>
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<tr>
<td>Basic</td>
<td>$2.19</td>
<td>$1.77</td>
<td>$1.32</td>
<td>$1.36</td>
<td>$1.19</td>
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<tr>
<td>Diluted</td>
<td>2.16</td>
<td>1.75</td>
<td>1.30</td>
<td>1.33</td>
<td>1.13</td>
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<tr>
<td>Earnings per share (1)</td>
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<tr>
<td>Basic</td>
<td>$2.12</td>
<td>$1.76</td>
<td>$1.58</td>
<td>$1.45</td>
<td>$1.26</td>
</tr>
<tr>
<td>Diluted</td>
<td>2.09</td>
<td>1.74</td>
<td>1.56</td>
<td>1.41</td>
<td>1.20</td>
</tr>
<tr>
<td>Return on average shareholders’ equity (4)</td>
<td>16%</td>
<td>15%</td>
<td>13%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$828</td>
<td>$711</td>
<td>$664</td>
<td>$817</td>
<td>$606</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>732</td>
<td>705</td>
<td>639</td>
<td>594</td>
<td>528</td>
</tr>
<tr>
<td>Number of employees</td>
<td>140,000</td>
<td>136,000</td>
<td>114,000</td>
<td>113,000</td>
<td>108,000</td>
</tr>
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</table>

FINANCIAL POSITION

<table>
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<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital (5)</td>
<td>$1,441</td>
<td>$1,357</td>
<td>$892</td>
<td>$520</td>
<td>$479</td>
</tr>
<tr>
<td>Total assets</td>
<td>24,105</td>
<td>21,921</td>
<td>16,144</td>
<td>14,758</td>
<td>12,917</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>3,255</td>
<td>4,166</td>
<td>1,577</td>
<td>1,631</td>
<td>1,777</td>
</tr>
<tr>
<td>Total debt</td>
<td>4,418</td>
<td>4,743</td>
<td>2,342</td>
<td>2,671</td>
<td>2,355</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>8,907</td>
<td>7,355</td>
<td>6,058</td>
<td>5,206</td>
<td>4,261</td>
</tr>
<tr>
<td>Total debt to total capitalization</td>
<td>33%</td>
<td>39%</td>
<td>28%</td>
<td>34%</td>
<td>36%</td>
</tr>
<tr>
<td>Net book value per share (1)</td>
<td>$15.00</td>
<td>$12.52</td>
<td>$10.47</td>
<td>$9.14</td>
<td>$7.74</td>
</tr>
</tbody>
</table>

COMMON SHARE INFORMATION (1)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share</td>
<td>$0.44</td>
<td>$0.37</td>
<td>$0.33</td>
<td>$0.30</td>
<td>$0.24</td>
</tr>
<tr>
<td>Market prices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>$43.07</td>
<td>$30.00</td>
<td>$21.33</td>
<td>$20.77</td>
<td>$16.81</td>
</tr>
<tr>
<td>Low</td>
<td>$23.84</td>
<td>$20.09</td>
<td>$17.52</td>
<td>$15.87</td>
<td>$11.52</td>
</tr>
<tr>
<td>Weighted average shares (in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>590.6</td>
<td>583.5</td>
<td>575.4</td>
<td>563.1</td>
<td>536.1</td>
</tr>
<tr>
<td>Diluted</td>
<td>599.2</td>
<td>589.9</td>
<td>582.9</td>
<td>577.8</td>
<td>567.3</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>47,810</td>
<td>51,240</td>
<td>52,964</td>
<td>55,460</td>
<td>55,823</td>
</tr>
</tbody>
</table>

18
ITEM 7 MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company operates in three primary businesses: building efficiency, automotive experience and power solutions. Building efficiency provides facility systems, services and workplace solutions including comfort, energy and security management for the residential and non-residential buildings markets. Automotive experience designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Power solutions designs and manufactures automotive batteries for the replacement and original equipment markets.

On December 9, 2005, the Company acquired York International Corporation (York), a leading global provider of heating, ventilating, air conditioning (HVAC) equipment and services. The results of York’s operations are included in the Company’s consolidated financial statements from the date of acquisition. As part of the York integration, the Company reorganized its building efficiency business to maximize the synergies related to the York and legacy Johnson Controls operations. The new building efficiency structure is organized by product, service and/or region, with both York and Johnson Controls operations integrated within these segments as applicable.

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity of the Company for the three-year period ended September 30, 2007. This discussion should be read in conjunction with Item 8, the consolidated financial statements and notes to the consolidated financial statements.

Executive Overview

In fiscal 2007, the Company recorded record net sales and record net income. Net sales were $34.6 billion, a 7% increase over the prior year, and net income was $1.3 billion, a 22% increase over the prior year, with such increases primarily due to the Company’s increased share in its global markets and increased operational efficiencies. The Company continues to introduce new and enhanced technology applications in all businesses and markets served, while at the same time improving the quality of its products.

Building efficiency business net sales and segment income increased 24% and 56%, respectively, over the prior year, primarily due to increased commercial market share gains, expansion into emerging markets, revenue synergies and the full year impact of the York acquisition. The prior year period also included $197 million, $210 million and $82 million of restructuring costs in fiscal years 2006, 2005 and 2004, respectively. Additionally, fiscal 2004 includes an $84 million Japanese pension gain.

Improvements in cost structure and productivity have resulted in higher operating margins and a platform for future growth.

The automotive experience business was unfavorably impacted by lower automobile production in North America and Europe, partially offset by the favorable impact of foreign currency translation. Net sales and segment income decreased 4% and 14%, respectively, from the prior year.
Net sales and segment income for the power solutions business increased by 17% and 12%, respectively, over the prior year, primarily due to a higher unit prices resulting from significant increases in the cost of lead and the favorable impact of foreign currency translation.

Since September 30, 2006, the Company has repaid approximately $433 million of debt to reduce its total debt to capitalization ratio to 33% at September 30, 2007 from 39% at September 30, 2006. The Company expects continued reduction of this ratio in fiscal 2008, exclusive of the impact of acquisitions, if any.

In fiscal 2008, the Company anticipates that net sales will grow to approximately $38 billion, an increase of 10% from 2007, which includes expected 40% growth in the power solutions business net sales due to the pass-through of higher lead costs and an increase in worldwide volume, expected 15% growth in the building efficiency business net sales from growth in markets and increase in market share and expected level sales in the automotive experience business. The Company anticipates that diluted earnings per share from continuing operations will be approximately $2.45 to $2.50 in fiscal 2008, an 18% increase over fiscal 2007.

Segment Analysis
Management historically evaluated the performance of its operating segments based primarily on operating income, excluding restructuring costs and other significant gains and losses. For this purpose, consolidated operating income also excluded interest income and expense, equity in earnings of partially-owned affiliates, gains and losses from sales of businesses, foreign currency gains and losses, and certain miscellaneous revenues and expenses.

Beginning in fiscal 2007, Company management, including the chief operating decision maker, adjusted their measurement of business unit performance, changing from operating income to segment income, which represents income from continuing operations before income taxes and minority interests excluding net financing charges and restructuring costs. The primary reason for the modification was to reflect equity income in earnings for each business operation given its growing significance to the Company’s global business strategies.

FISCAL YEAR 2007 COMPARED TO FISCAL YEAR 2006

Summary

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>Year Ended September 30,</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$34,624</td>
<td>$32,235</td>
</tr>
<tr>
<td>Segment income</td>
<td>1,884</td>
<td>1,608</td>
</tr>
</tbody>
</table>

- Net sales increased $2.4 billion, primarily due to growth in the building efficiency business ($2.0 billion) resulting from increased commercial market share gains, expansion into emerging markets, revenue synergies and the full year impact of the December 2005 York acquisition, the favorable impact of foreign currency translation ($1.5 billion) and higher power solutions net sales ($0.5 billion) related to higher unit prices resulting from significant increases in the cost of lead, partially offset by lower sales in the automotive experience business ($1.6 billion) reflecting weaker North American and European automotive markets.

- Excluding the favorable effects of foreign currency translation, consolidated net sales increased 3% as compared to the prior year.

- Segment income increased $276 million, primarily due to higher volumes and margins in the building efficiency business ($272 million) a favorable product mix in the power solutions segment despite increased lead costs ($81 million) and the favorable impact of foreign currency translation ($80 million), partially offset by the impact of lower North American and European automobile production ($148 million).

- Excluding the favorable effects of foreign currency translation, consolidated segment income increased 12% as compared to the prior year.
Building Efficiency

<table>
<thead>
<tr>
<th></th>
<th>Net Sales for the Year Ended September 30,</th>
<th>Segment Income for the Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td>North America Systems</td>
<td>$2,027</td>
<td>$1,609</td>
</tr>
<tr>
<td>North America Service</td>
<td>2,273</td>
<td>1,943</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>953</td>
<td>853</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>2,677</td>
<td>2,046</td>
</tr>
<tr>
<td>Europe</td>
<td>2,406</td>
<td>1,900</td>
</tr>
<tr>
<td>Rest of World</td>
<td>2,401</td>
<td>1,894</td>
</tr>
<tr>
<td></td>
<td>$12,737</td>
<td>$10,245</td>
</tr>
</tbody>
</table>

* Measure not meaningful

Net Sales:
- Europe, Global Workplace Solutions and Rest of World were favorably impacted from the strengthening of foreign currencies against the U.S. dollar by approximately $220 million, $150 million and $80 million, respectively.
- North America Systems, North America Service, Europe and Rest of World increased primarily due to higher volumes, expanded cross-selling opportunities and the full year impact of the December 2005 York acquisition.
- North America Unitary Products increased primarily due to the full year impact of the York acquisition and higher unit selling prices associated with the change over to SEER 13 technology, partially offset by lower unit volumes due to a continued decline in new home construction.
- In addition to favorable foreign currency exchange, Global Workplace Solutions increased primarily due to new and expanded commercial contracts in North America and Europe, including France Telecom, Deloitte Touche Tohmatsu, British Broadcasting Corporation and the full year impact of Royal Dutch Shell plc.

Segment Income:
- For all building efficiency segments, except Global Workplace Solutions, the current period includes two additional months of segment income related to the December 2005 York acquisition. The prior year period also included $53 million of expense related to the York acquisition for the amortization of the write-up of inventory ($5 million for North America Systems, $7 million for North America Service, $14 million for North America Unitary Products, $16 million for Europe and $11 million for Rest of World).
- North America Systems also increased primarily due to higher equipment and branch and product sales volumes, improved pricing, higher margins and realization of synergies from the York acquisition and the effect on prior year results of non-recurring York integration costs, partially offset by higher operating costs to support the business growth.
- North America Service, Europe and Rest of World also increased primarily due to higher volumes, realization of synergies from the York acquisition and the effect on prior year results of non-recurring York integration costs and operational efficiencies from the branch office redesign efforts in Europe in the prior year, partially offset by higher SG&A expenses to support the business growth.
- North America Unitary Products increased due to the full year impact of the York acquisition, partially offset by lower production volumes.
- Global Workplace Solutions increased primarily due to higher volumes and expansion of services.
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Automotive Experience

|                     | Net Sales for the Year Ended September 30, | Segment Income for the Year Ended September 30, | Change | | Change |
|---------------------|-------------------------------------------|-----------------------------------------------|--------||---------|--------|
| North America       | $ 7,276 | $ 8,041 | -10% | $ 72  | $ 188  | -62% |
| Europe              | 8,878  | 8,774  | 1%   | 445   | 405   | 10%  |
| Asia                | 1,398  | 1,459  | -4%  | 2     | 12    | -83% |
|                     | $17,552 | $18,274 | -4% | $ 519 | $ 605  | -14% |

Net Sales:

- North America decreased primarily due to volume reductions with all major U.S. automakers, mainly in the full-size pick-up truck, minivan and sport utility vehicle platforms.
- Europe improved slightly due to the favorable impact of foreign currency translation ($810 million) offset by lower volumes with all major customer platforms ($700 million).
- Asia decreased primarily due to lower volumes in Japan, partially offset by the favorable impact of foreign currency translation ($40 million).

Segment Income:

- North America decreased primarily due to lower sales volume ($165 million), partially offset by lower net engineering expenses and cost reduction programs, purchasing savings, the benefit of restructuring activities and other operational efficiencies.
- Europe increased primarily due to the favorable impact of foreign currency translation ($53 million), cost reduction programs, purchasing savings, the benefit of restructuring activities and other operational efficiencies ($100 million), partially offset by lower volume and unfavorable vehicle sales mix ($53 million) and higher net engineering costs ($20 million) to support new business.
- Asia decreased primarily due to lower volumes ($30 million), mainly in Japan and Malaysia, partially offset by operational efficiencies ($20 million), mainly in Japan and Korea.

Power Solutions

<table>
<thead>
<tr>
<th></th>
<th>Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Net sales</td>
<td>$4,335</td>
</tr>
<tr>
<td>Segment income</td>
<td>515</td>
</tr>
</tbody>
</table>

- Net sales increased primarily due to higher unit prices resulting from significant increases in the cost of lead ($375 million), favorable price/mix in North America and Asia ($160 million), and the favorable impact of foreign currency translation ($115 million). Unit sales of automotive batteries were consistent with prior year levels.
- Segment income increased primarily due to favorable price/mix, operational performance and integration benefits associated with the fiscal 2005 acquisition of Delphi’s battery business, as well as the favorable impact of foreign currency translation ($10 million), partially offset by the impact of higher lead costs ($55 million) and higher SG&A costs in North America ($15 million) mainly resulting from a favorable prior year legal settlement associated with the recovery of previously incurred environmental costs.

Restructuring Costs

As part of its continuing efforts to reduce costs and improve the efficiency of its global operations, the Company committed to a restructuring plan (2006 Plan) in the third quarter of fiscal 2006 and recorded a $197 million restructuring charge. The 2006 Plan primarily included workforce reductions and plant consolidations in the automotive experience and building efficiency businesses. The automotive experience business related restructuring was focused on improving the profitability associated with the manufacturing and supply of instrument panels, headliners and other interior components in North
America and increasing the efficiency of seating component operations in Europe. The charges associated with the building efficiency business primarily related to Europe where the Company launched a systems redesign initiative. During the fourth quarter of fiscal 2006, automotive experience – North America recorded an additional $8 million for employee severance and termination benefits.

The 2006 Plan included workforce reductions of approximately 5,000 employees (2,500 for automotive experience – North America, 1,400 for automotive experience – Europe, 200 for building efficiency – North America, 600 for building efficiency – Europe, 280 for building efficiency – Rest of World and 20 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2007, approximately 4,400 employees have been separated from the Company pursuant to the 2006 Plan. In addition, the 2006 Plan includes 15 plant closures (10 in automotive experience – North America, 3 in automotive experience – Europe, 1 in building efficiency – Europe and 1 in building efficiency – Rest of World). As of September 30, 2007, 14 of the 15 plants have been closed. The charge for the impairment of the long-lived assets associated with the plant closures was determined using an undiscounted cash flow analysis.

**Net Financing Charges**

<table>
<thead>
<tr>
<th>Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>2007</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Net financing charges</td>
</tr>
<tr>
<td>$277</td>
</tr>
</tbody>
</table>

- Net financing charges increased slightly primarily due to higher average debt levels throughout fiscal 2007.

**Provision for Income Taxes**

The Company’s base effective income tax rate for continuing operations for fiscal 2007 and 2006 was 21.0% (prior to certain discrete period items as outlined below).

The Company’s effective tax rate for fiscal 2007 was further reduced as a result of the favorable resolution of certain tax audits ($28 million), a change in tax status of an automotive experience subsidiary in the Netherlands ($22 million) and a nonrecurring tax benefit related to the use of a portion of the Company’s capital loss carryforward valuation allowance ($7 million), partially offset by the impact from the reduction in the German federal income tax rate ($20 million).

The Company’s effective tax rate for fiscal 2006 was further reduced as a result of a reversal of valuation allowances at certain Mexican and German subsidiaries of $32 million and $131 million, respectively, a $19 million discrete period tax benefit related to the third quarter 2006 restructuring charge using a blended statutory tax rate of 30.6%, a $10 million tax benefit related to a favorable tax audit resolution in a non-U.S. country, an $11 million tax benefit related to a change in tax status for subsidiaries in Hungary and the Netherlands and a $4 million tax benefit related to the disposition of an interest in a German joint venture, partially offset by $31 million of tax expense related to the repatriation of non-U.S. earnings.

**Restructuring Charge**

In the third quarter of fiscal 2006, the Company recorded a $19 million discrete period tax benefit related to the third quarter 2006 restructuring charge using a blended statutory tax rate of 30.6%.

**Valuation Allowance Adjustments**

The Company reviews its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company’s valuation allowances may be necessary.

In the fourth quarter of fiscal 2007, the tax provision decreased $7 million due to a nonrecurring tax benefit related to the use of a portion of the Company’s capital loss carryforward valuation allowance.

In the third quarter of fiscal 2006, the Company completed an analysis of its German operations and, based on cumulative income over a 36-month period, an assessment of expected future profitability in Germany and finalization of the 2006 Plan,
determined that it was more likely than not that the tax benefits of certain operating loss and tax credit carryforwards in Germany would be utilized in the future. As such, the Company reversed $131 million attributable to these operating loss and tax credit carryforwards in the quarter ended June 30, 2006 as a credit to income tax expense, net of remaining valuation allowances at certain German subsidiaries and tax reserve requirements.

Based on the Company’s cumulative operating results through the six months ended March 31, 2006 and an assessment of expected future profitability in Mexico, the Company concluded that it was more likely than not that the tax benefits of its operating loss and tax credit carryforwards in Mexico would be utilized in the future. During the second quarter of fiscal 2006, the Company completed a tax reorganization in Mexico which will allow operating loss and tax credit carryforwards to be offset against the future taxable income of the reorganized entities. As such, in the quarter ended March 31, 2006, the Company reversed the valuation allowance of $32 million attributable to these operating loss and tax credit carryforwards as a credit to income tax expense.

**Uncertain Tax Positions**

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Significant judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company’s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5 “Accounting for Contingencies.”

In the second and fourth quarters of fiscal 2007, the Company reduced its income tax liability by $15 million and $13 million, respectively, due to the favorable resolution of certain tax audits. In the third quarter of fiscal 2006, the Company recorded a $10 million tax benefit related to a favorable tax audit resolution in a non-U.S. jurisdiction.

The Company’s federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits are always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2007, the Company had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the consolidated statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts accrued for each year.

Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109,” will be effective for the Company beginning October 1, 2007. The Company has determined that the adoption of FIN 48 will not be material to the Company’s consolidated financial position.

**Change in Statutory Tax Rates**

The German Corporate Tax Reform Act was enacted on August 14, 2007, and resulted in a decrease of the combined Corporate Income Tax and Trade Tax rates. The new rates will apply to the Company’s German entities effective October 1, 2007. The Company’s tax provision increased $20 million in the fourth quarter of fiscal 2007 as a result of this German tax law change.

In March 2007, the People’s National Congress in the People’s Republic of China approved a new tax reform law to align the tax regime applicable to non-U.S.-owned Chinese enterprises with those applicable to domestically-owned Chinese enterprises. The new law will be effective on January 1, 2008. The tax reform law does not have a material impact on the Company’s consolidated financial condition, results of operations or cash flows.

On July 19, 2007, the U.K. enacted a new tax law, which reduces the main corporate income tax rate from 30% to 28%. The reduction goes into effect on April 1, 2008. The U.K. tax rate change will not have a material impact on the company’s consolidated financial condition, results of operations or cash flows.

**Foreign Dividend Repatriation**

In October 2004, the U.S. President signed the American Jobs Creation Act of 2004 (AJCA). The AJCA created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividends received
deduction for certain dividends from controlled non-U.S. operations. The deduction was subject to a number of limitations. During the quarter ended March 31, 2006, the Company completed its evaluation of its repatriation plans and approximately $674 million of non-U.S. earnings were designated for repatriation to the U.S. pursuant to the provisions of the AJCA. The increase in income tax liability related to the Company’s AJCA initiatives totaled $42 million. The Company recorded $31 million of net income tax expense in the quarter ended March 31, 2006, as $11 million had been previously recorded by York prior to the acquisition in accordance with York’s approved repatriation plan.

**Disposition of a Joint Venture**

In the first quarter of fiscal 2006, the tax provision decreased due to a $4 million nonrecurring tax benefit related to the disposition of the Company’s interest in a German joint venture.

**Change in Tax Status of Non-U.S. Subsidiary**

In the second quarter of fiscal 2007, the tax provision decreased as a result of a $22 million tax benefit realized by a change in tax status of an automotive experience subsidiary in the Netherlands. In the first quarter of fiscal 2006, the tax provision decreased as a result of an $11 million tax benefit realized by a change in tax status of an automotive experience subsidiary in Hungary and a building efficiency subsidiary in the Netherlands.

The change in tax status in each respective period resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of these investments. This election changed the tax status of the respective subsidiaries from controlled non-U.S. corporations (i.e., taxable entities) to branches (i.e., flow through entities similar to a partnership) for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provisions of SFAS No. 109.

**Discontinued Operations**

The Company utilized an effective tax rate for discontinued operations of approximately 38%, 39% and 35% for Bristol Compressors, Johnson Controls World Services, Inc. and its engine electronic business, respectively. These effective tax rates approximate the local statutory rate adjusted for permanent differences.

**Minority Interests in Net Earnings of Subsidiaries**

Minority interests in net earnings of subsidiaries were $12 million in fiscal 2007 compared with $42 million in the prior year primarily due to losses at an automotive experience North America start-up joint venture and lower earnings at certain automotive experience Asian joint ventures because of start-up and engineering costs associated with new programs.

**Net Income**

Net income for fiscal 2007 was $1.3 billion, 30% above the prior year’s $1.0 billion, primarily due to higher volumes and improved margins in the building efficiency and power solutions businesses, prior year restructuring costs ($197 million pre-tax) and the full year impact of the York acquisition, partially offset by increased losses from discontinued operations ($45 million), primarily from the sale of the Bristol Compressor business in March 2007, and lower volumes in automotive experience North America and Europe. Fiscal 2007 diluted earnings per share from continuing operations were $2.16, a 23% increase from the prior year’s $1.75.
FISCAL YEAR 2006 COMPARED TO FISCAL YEAR 2005

Summary

<table>
<thead>
<tr>
<th>Net Sales:</th>
<th>Segment Income:</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 31</td>
<td>October 31</td>
</tr>
<tr>
<td>2006</td>
<td>2005</td>
</tr>
</tbody>
</table>

**Net Sales:**
- North America Systems, North America Service, North America Unitary Products, Europe and Rest of World increased primarily due to the impact of the York acquisition.
- The Company did not operate in the North American Unitary Products markets prior to the York acquisition.
- Global Workplace Solutions increased primarily due to new and expanded contracts in North America and Europe, including Royal Dutch Shell plc, British Broadcasting Corporation, DHL International GmbH, Eastman Kodak Company, T-Mobile, and Intel Corporation.

**Segment Income:**
- North America Service, North America Unitary Products and Rest of World increased primarily due to the impact of the York acquisition.
- North America Systems increased primarily due to a higher gross profit percentage resulting from operational efficiencies associated with the Company’s branch office redesign initiative and a favorable legal settlement associated with the recovery of previously incurred environmental costs ($7 million). The benefit from the legal settlement was substantially offset by other unfavorable commercial and legal settlements.

*Measure not meaningful as segment relates to December 2005 York acquisition*
Automotive Experience

<table>
<thead>
<tr>
<th></th>
<th>Net Sales for the Year Ended September 30,</th>
<th>Segment Income for the Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td>North America</td>
<td>$8,041</td>
<td>$8,499</td>
</tr>
<tr>
<td>Europe</td>
<td>8,774</td>
<td>8,935</td>
</tr>
<tr>
<td>Asia</td>
<td>1,459</td>
<td>1,399</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,274</strong></td>
<td><strong>$18,833</strong></td>
</tr>
</tbody>
</table>

Net Sales:

- North America decreased slightly as higher volumes with Chrysler LLP and Hyundai Motor Co. were more than offset by volume reductions with Ford Motor Co., General Motors Corporation and Nissan Motor Co. and an unfavorable mix of production from light trucks to passenger cars.
- Europe declined slightly as higher volumes across all major customer platforms were more than offset by the unfavorable impact of foreign currency translation ($300 million).
- Asia increased primarily due to higher volumes with Honda Motor Co. in Japan, partially offset by volume reductions with Nissan Motor Co. in Japan, seating and interiors businesses in Korea and the unfavorable impact of foreign currency translation ($30 million).

Segment Income:

- North America
  - Unfavorable vehicle volume and sales mix decreased segment income by $139 million as compared to the prior year.
  - Cost reduction programs, purchasing savings and other operational efficiencies contributed $253 million in operating improvements.
  - Operations were unfavorably impacted by customer vehicle program adjustments ($133 million), tooling and launch costs ($68 million), higher labor costs ($48 million) and fuel cost increases ($47 million).
  - Selling, General and Administrative (SG&A) expenses increased primarily due to the timing of customer engineering recoveries ($18 million), employee benefit related expenses ($12 million) and plant closure costs related to a customer closure of an assembly plant to which the Company supplied interior products ($8 million), partially offset by administrative efficiencies and cost reduction programs.

- Europe
  - Cost reduction programs, purchasing savings and other operational efficiencies contributed $134 million in savings as compared to the prior period.
  - SG&A expenses increased $21 million, primarily due to information technology infrastructure expenses ($16 million) and net engineering expenses ($5 million).

- Asia
  - The decrease in segment income is primarily due to lower volumes and product mix, start-up and engineering costs associated with new programs within Japan, Korea and Malaysia and unfavorable material costs.
Power Solutions

Restructuring Costs
As part of its continuing efforts to reduce costs and improve the efficiency of its global operations, the Company committed to a restructuring plan in the third quarter of fiscal 2006 (2006 Plan) and recorded a $197 million restructuring charge. The 2006 Plan primarily included workforce reductions and plant consolidations in the automotive experience and building efficiency businesses. The automotive experience business related restructuring was focused on improving the profitability associated with the manufacturing and supply of instrument panels, headliners and other interior components in North America and increasing the efficiency of seating component operations in Europe. The charges associated with the building efficiency business mostly related to Europe where the Company launched a systems redesign initiative. Please refer to restructuring costs discussed earlier in Item 7 for additional details of the 2006 Plan.

In the second quarter of fiscal 2005, the Company executed a restructuring plan (2005 Plan) involving cost reduction actions and recorded a $210 million restructuring charge. These restructuring charges included workforce reductions of approximately 3,100 employees within automotive experience and power solutions and 800 employees in the building efficiency business. The charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. In addition, the 2005 Plan included eight plant closures within automotive experience and power solutions and four plant closures within building efficiency. The write-downs of the long-lived assets associated with the plant closures were determined using an undiscounted cash flow analysis. The automotive experience and power solutions actions were primarily concentrated in Europe, while the building efficiency restructuring actions involved activities in both North America and Europe.

Net Financing Charges

Net financing charges increased primarily due to the financing associated with the York acquisition, partially offset by debt reduction from operating cash flows.

Provision for Income Taxes
The Company’s base effective income tax rate for continuing operations for fiscal 2006 declined to 21.0% from 25.7% in fiscal 2005, primarily due to continuing global tax planning initiatives, increased income in certain non-U.S. jurisdictions with a rate of tax lower than the U.S. statutory tax rate and decreased income in higher tax jurisdictions, prior to certain discrete period items as outlined below. The Company’s effective tax rate for fiscal 2006 was further reduced as a result of a reversal of valuation allowances at certain Mexican and German subsidiaries of $32 million and $131 million, respectively, a $19 million discrete period tax.
benefit related to the third quarter 2006 restructuring charge using a blended statutory tax rate of 30.6%, a $10 million tax benefit related to a favorable tax audit resolution in a non-U.S. country, an $11 million tax benefit related to a change in tax status for subsidiaries in Hungary and the Netherlands and a $4 million tax benefit related to the disposition of an interest in a German joint venture, partially offset by $31 million of tax expense related to the repatriation of non-U.S. earnings.

The Company’s base effective income tax rate for continuing operations for fiscal year 2005 was 25.7%. For the fiscal year ended September 30, 2005, the effective rate was impacted by an $81 million tax benefit due to a change in tax status of a French and a German subsidiary. This change in tax status for the German subsidiary resulted in a capital loss for tax purposes of $187 million that was utilized during fiscal 2005.

Valuation Allowance Adjustments

In the third quarter of fiscal 2006, the Company completed an analysis of its German operations and, based on cumulative income over a 36-month period, an assessment of expected future profitability in Germany and finalization of the 2006 Plan, determined that it was more likely than not that the tax benefits of certain operating loss and tax credit carryforwards in Germany would be utilized in the future. As such, the Company reversed $131 million attributable to these operating loss and tax credit carryforwards in the third quarter as a credit to income tax expense, net of remaining valuation allowances at certain German subsidiaries and tax reserve requirements.

Based on the Company’s cumulative operating results through the six months ended March 31, 2006 and an assessment of expected future profitability in Mexico, the Company concluded that it was more likely than not that the tax benefits of its operating loss and tax credit carryforwards in Mexico would be utilized in the future. During the second quarter of fiscal 2006, the Company completed a tax reorganization in Mexico which will allow operating loss and tax credit carryforwards to be offset against the future taxable income of the reorganized entities. As such, in the second quarter of fiscal 2006 the Company reversed a valuation allowance of $32 million attributable to these operating loss and tax credit carryforwards as a credit to income tax expense.

In the second quarter of fiscal 2005, the Company’s tax valuation allowance increased $28 million related to restructuring charges for which no tax benefits were recorded in certain countries given the uncertainty of its realization due to restrictive tax loss rules or a lack of sustained profitability in that country.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Significant judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company’s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5 “Accounting for Contingencies.”

The Company’s effective tax rate was reduced in the third quarter of fiscal 2006 by a $10 million tax benefit related to a favorable tax audit resolution in a non-U.S. jurisdiction.

The Company’s federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2006, the Company had recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the consolidated statement of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ.

Foreign Dividend Repatriation

In October 2004, the U.S. President signed the American Jobs Creation Act of 2004 (AJCA). The AJCA created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividends received deduction for certain dividends from controlled non-U.S. operations. The deduction was subject to a number of limitations. During the quarter ended March 31, 2006, the Company completed its evaluation of its repatriation plans and approximately $674 million of non-U.S. earnings were designated for repatriation to the U.S. pursuant to the provisions of the AJCA. The
increase in income tax liability related to the Company’s AJCA initiatives totaled $42 million. The Company recorded $31 million of net income tax expense in the quarter ended March 31, 2006, as $11 million had been previously recorded by York prior to it becoming a subsidiary of the Company in accordance with York’s approved repatriation plan.

Disposition of a Joint Venture

In the first quarter of fiscal 2006, the tax provision decreased due to a $4 million nonrecurring tax benefit related to a $9 million gain from the disposition of the Company’s interest in a German joint venture.

Change in Tax Status of non-U.S. Subsidiaries

During the first quarter of fiscal 2006, the tax provision decreased as a result of an $11 million tax benefit realized by a change in tax status of an automotive experience subsidiary in Hungary and a building efficiency subsidiary in the Netherlands. In fiscal 2005, the tax provision decreased as a result of a $12 million and $69 million tax benefit from a change in tax status of subsidiaries in France and Germany, respectively.

The change in tax status resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of these investments. This election changed the tax status of the respective subsidiaries from controlled non-U.S. corporations (i.e., taxable entities) to branches (i.e., flow through entities similar to a partnership) for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provisions of SFAS No. 109.

Discontinued Operations

The Company utilized an effective tax rate for discontinued operations of approximately 38%, 39% and 35% for Bristol Compressors, Johnson Controls World Services, Inc. and its engine electronic business, respectively. These effective tax rates approximate the local statutory rate adjusted for permanent differences.

Minority Interests in Net Earnings of Subsidiaries

Minority interests in net earnings of subsidiaries for fiscal 2006 was $42 million compared with $41 million for fiscal 2005 primarily due to the acquisition of a minority interest in York’s China operations in December 2005 and higher earnings at certain European and Asian automotive experience joint ventures, partially offset by lower earnings at certain automotive experience and building efficiency subsidiaries in North America.

Net Income

Net income for fiscal 2006 was $1.0 billion, 13% above the prior year’s $909 million, primarily due to the impact from the York and Delphi acquisitions and a reduced effective income tax rate on continuing operations, partially offset by lower North America automobile sales and increased interest expense resulting from financing associated with the York acquisition. Fiscal 2006 diluted earnings per share from continuing operations was $1.75, a 35% increase from 2005 of $1.30.

Fiscal Year 2008 Outlook

Net Sales

In fiscal 2008, the Company anticipates that net sales will grow to approximately $38 billion, an increase of 10% from 2007 net sales. The forecast assumes a Euro to U.S. dollar exchange rate of $1.35, which would be slightly higher than the average exchange rate of $1.33 in fiscal 2007.

The Company expects building efficiency net sales to increase approximately 15% from the prior year, reflecting a strong backlog, expected continued revenue synergies, expected emerging market growth and expected generally strong end markets. Building efficiency’s backlog relates to its control systems and service activity. At September 30, 2007, the unearned backlog was $4.2 billion, compared to $3.7 billion at September 30, 2006, primarily due to continued market share gains.
The Company expects automotive experience net sales to be level with the prior year. Sales in North America and Europe are expected to be flat, with the expected benefit of new programs largely offset by unfavorable vehicle mix and lower production across several large OEM’s. Robust sales growth in Asia, including China, is primarily associated with the Company’s unconsolidated joint ventures.

At September 30, 2007, automotive experience had a backlog of net new incremental business to be executed within the next three fiscal years of $3.9 billion, $0.9 billion of which relates to fiscal 2008. The three year backlog includes approximately $1.0 billion related to unconsolidated joint ventures. The backlog is generally subject to a number of risks and uncertainties, such as related vehicle production volumes and the timing of production launches.

The Company expects power solutions net sales to increase approximately 40% from the prior year, primarily due to the pass-through of higher lead prices. Excluding the year-over-year impact of lead pricing, sales are expected to increase approximately 10%, reflecting expected new contract wins, existing customer growth and benefits of global capacity expansion.

**Segment Income**

The Company anticipates that the business segment income margin percentage in fiscal 2008 will increase from fiscal 2007. Underlying margins (i.e., excluding lead impact in the power solutions segment) are expected to increase in all three businesses.

In fiscal 2008, the Company expects continued volatility in lead prices, increases in foam chemical, resin and fuel costs due to rising oil prices, and relatively stable copper and steel costs.

The Company expects building efficiency’s segment income margin percentage for fiscal 2008 to increase from the prior year, reflecting the impact of the business’ expansion within emerging markets. The Company expects the business to continue to benefit from multiple initiatives, including deployment of best business practices, manufacturing footprint rationalization actions and supply chain management.

The Company expects automotive experience’s segment income margin percentage for 2008 to increase from the prior year. The Company anticipates the increase to be driven by an expected sustained improvement in North American profitability, expected continued strong operating performance in Europe and expected improved results in Asia despite ongoing investments in the region. Automotive experience has supply agreements with certain of its customers that provide for annual sales price reductions and, in some instances, for the recovery of material cost increases. The business expects to continue its historical trend of being able to significantly offset any sales price changes with cost reductions from design changes and productivity improvements and through similar programs with its own suppliers.

The Company expects power solutions’ segment income margin percentage to decline from 2007 due to the dilutive impact of significantly higher projected lead prices. Excluding the lead price impact, segment margin is anticipated to be level in 2008 versus the prior year. The Company anticipates mitigating the impact of lead cost increases through increased pricing and hedging programs. The Company expects that benefits from continued operational excellence will be offset in part due to increasing investments in hybrid technology.

**Other**

The Company expects the base effective income tax rate for fiscal 2008 to be 21.0%, consistent with fiscal 2007.

**GOODWILL AND OTHER INVESTMENTS**

Goodwill at September 30, 2007 was $6.1 billion, $221 million higher than the prior year. The increase was primarily due to the impact of foreign currency translation adjustments and final York purchase accounting adjustments during the first quarter of fiscal 2007.

Investments in partially-owned affiliates at September 30, 2007 were $795 million, $332 million more than the prior year. The increase was primarily due to the Company’s September 2007 investment in US Airconditioning Distributors, Inc. and several new automotive experience and power solutions joint ventures in Asia.
LIQUIDITY AND CAPITAL RESOURCES

Working Capital

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>September 30, 2007</th>
<th>September 30, 2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital</td>
<td>$1,441</td>
<td>$1,357</td>
<td>6%</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6,600</td>
<td>5,697</td>
<td>16%</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,968</td>
<td>1,731</td>
<td>14%</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>5,365</td>
<td>4,216</td>
<td>27%</td>
</tr>
</tbody>
</table>

- Working capital is defined as current assets less current liabilities, excluding cash, short-term debt, the current portion of long-term debt and net assets of discontinued operations.

- The increase in working capital is primarily due to higher accounts receivable ($903 million) resulting from the sales growth experienced in fiscal 2007, higher inventories ($237 million) mainly due to the impact of higher lead costs and higher other current assets ($87 million) resulting from higher derivative assets and tax assets, partially offset by higher accounts payable ($1.1 billion) due to business growth and payment timing.

- Days sales in accounts receivable at September 30, 2007 increased to 58 from 57 in the prior year. There has been no significant deterioration in the credit quality of the Company’s receivables or material changes in revenue recognition methods.

Cash Flow

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>$1,913</td>
</tr>
<tr>
<td>Cash used by investing activities</td>
<td>1,051</td>
</tr>
<tr>
<td>Cash provided (used) by financing activities</td>
<td>(542)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>828</td>
</tr>
</tbody>
</table>

- The increase in cash provided by operating activities primarily reflects increased net income ($224 million), net changes in deferred income taxes ($341 million) and favorable working capital changes in accounts payable and accrued liabilities, partially offset by restructuring reserve usage ($220 million) and unfavorable working capital changes in receivables, inventories and other current assets.

- The decrease in cash used in investing activities primarily relates to the York acquisition in the prior fiscal year.

- Cash used in financing activities during the current fiscal year was primarily used for repayment of debt obligations. In fiscal 2006, cash provided by financing activities was primarily related to the York acquisition financing.

- Consistent with the prior year, the majority of the fiscal 2007 capital expenditures were associated with the automotive experience and power solutions businesses and were related to investments in launches of new business platforms and cost reduction projects. Management expects fiscal 2008 capital expenditures to decrease slightly with a reinvestment ratio, which is calculated as capital expenditures divided by depreciation expense, of 1 to 1, reflecting investment in emerging automotive experience and building efficiency markets offset by normalized spending for power solutions.
Long-Lived Assets

The Company has certain subsidiaries, mainly located in Brazil, Italy, the United Kingdom and the U.S., which have generated operating and capital losses and, in certain circumstances, have limited loss carryforward periods. As a result, the Company has recorded valuation allowances against tax assets for certain of these subsidiaries in accordance with SFAS No. 109. SFAS No. 109 requires the Company to record a valuation allowance for each legal entity or consolidated group based on the tax rules in the applicable jurisdiction and evaluate both positive and negative historical evidences as well as expected future events.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company’s long-lived asset impairment analyses indicate that assets are not impaired based on SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” SFAS No. 144 requires the Company to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. At September 30, 2007, the Company does not have any material assets whose recovery is at risk in accordance with the provisions of SFAS No. 144.

Capitalization

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>September 30, 2007</th>
<th>September 30, 2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term debt</td>
<td>$264</td>
<td>$209</td>
<td>26%</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>4,154</td>
<td>4,534</td>
<td>-8%</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>8,907</td>
<td>7,355</td>
<td>21%</td>
</tr>
<tr>
<td>Total capitalization</td>
<td>$13,325</td>
<td>$12,098</td>
<td>10%</td>
</tr>
</tbody>
</table>

Total debt as a % of total capitalization: 33.2% 39.2%

- In December 2006, the Company entered into a five-year, $2.0 billion revolving credit facility which expires in December 2011. This facility replaced a five-year $1.6 billion revolving credit facility that would have expired in October 2010 and serves as the commercial paper backup facility. There were no draws on the committed credit line during the year ended September 30, 2007.
- In December 2006 the Company entered into a 12 billion yen ($104 million), three year, floating rate loan. The net proceeds of the bank loan were used to repay unsecured commercial paper obligations.
- In November 2006 the Company issued commercial paper to repay a $350 million note that matured.
- The Company also selectively makes use of short-term money market loans in both U.S. dollars and Euros. The Company estimates that, as of September 30, 2007, it could borrow up to $1 billion at its current debt ratings in money market loans.
- The Company is in compliance with all covenants and other requirements set forth in its credit agreements and indentures. None of the Company’s debt agreements requires accelerated repayment in the event of a decrease in credit ratings. Currently, the Company believes it has ample liquidity and full access to the capital markets to support business growth and future acquisitions. The Company believes its capital resources and liquidity position at September 30, 2007 are adequate to meet projected needs. The Company believes requirements for working capital, capital expenditures, dividends, debt maturities and any potential acquisitions in fiscal 2008 will continue to be funded from operations, supplemented by short- and long-term borrowings, if required.
A summary of the Company’s significant contractual obligations as of September 30, 2007 is as follows:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Total</th>
<th>2008</th>
<th>2009-2010</th>
<th>2011-2012</th>
<th>2013 and Beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt (including capital lease obligations)*</td>
<td>$ 4,154</td>
<td>$ 899</td>
<td>$ 399</td>
<td>$ 808</td>
<td>$ 2,048</td>
</tr>
<tr>
<td>Interest on long-term debt (including capital lease obligations)*</td>
<td>882</td>
<td>187</td>
<td>324</td>
<td>250</td>
<td>121</td>
</tr>
<tr>
<td>Operating leases</td>
<td>786</td>
<td>209</td>
<td>293</td>
<td>146</td>
<td>138</td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>6,371</td>
<td>2,077</td>
<td>1,941</td>
<td>1,514</td>
<td>839(1)</td>
</tr>
<tr>
<td>Pension and postretirement contributions</td>
<td>518</td>
<td>125</td>
<td>79</td>
<td>85</td>
<td>229</td>
</tr>
<tr>
<td>Total contractual cash obligations</td>
<td>$12,711</td>
<td>$ 3,497</td>
<td>$ 3,036</td>
<td>$ 2,803</td>
<td>$ 3,375</td>
</tr>
</tbody>
</table>

* See “Capitalization” for additional information related to the Company’s long-term debt.

(1) Amount excludes certain minimum purchase requirements for indefinite future years beyond 2013. These purchase requirements are contained in a contract under which the Company could have liabilities to the other party upon the contract’s termination. These liabilities, if incurred, could be material to the Company’s consolidated financial position, results of operations or cash flows.

### CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. The following policies are considered by management to be the most critical in understanding the judgments that are involved in the preparation of the Company’s consolidated financial statements and the uncertainties that could impact the Company’s results of operations, financial position and cash flows.

#### Revenue Recognition

The Company recognizes revenue from long-term systems installation contracts of the building efficiency business over the contractual period under the percentage-of-completion (POC) method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at the completion of the contract. Recognized revenues that will not be billed under the terms of the contract until a later date are recorded in unbilled accounts receivable. Likewise, contracts where billings to date have exceeded recognized revenues are recorded in other current liabilities. Changes to the original estimates may be required during the life of the contract and such estimates are reviewed monthly. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified. Claims against customers are recognized as revenue upon settlement. The use of the POC method of accounting involves considerable use of estimates in determining revenues, costs and profits and in assigning the amounts to accounting periods. The reviews have not resulted in adjustments that were significant to the Company’s results of operations. The Company continually evaluates all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting.

The building efficiency business enters into extended warranties and long-term service and maintenance agreements with certain customers. For these arrangements, revenue is recognized on a straight-line basis over the respective contract term.

The Company’s building efficiency business also sells certain HVAC products and services in bundled arrangements, where multiple products and/or services are involved. In accordance with Emerging Issues Task Force Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables,” the Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative fair value of all elements or the fair value of undelivered elements.
Goodwill and Other Intangible Assets

In conformity with U.S. GAAP, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be the Company’s reportable segments, using a fair-value method based on management’s judgments and assumptions. The fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arm’s-length basis. In estimating the fair value, the Company uses multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. The estimated fair value is then compared with the carrying amount of the operating unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company at September 30, 2007, indicated that the estimated fair value of each reporting unit exceeded its corresponding carrying amount, including recorded goodwill and as such, no impairment existed at that time. Other intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired. Indefinite lived intangible assets are also subject to impairment testing on at least an annual basis. A considerable amount of management judgment and assumptions are required in performing the impairment tests, principally in determining the fair value of each operating unit. While the Company believes its judgments and assumptions were reasonable, different assumptions could change the estimated fair values and, therefore, impairment charges could be required.

Employee Benefit Plans

The Company provides a range of benefits to its employees and retired employees, including pensions and postretirement health care. Plan assets and obligations are recorded annually based on the Company’s measurement date utilizing various actuarial assumptions such as discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates as of that date. Measurements of net periodic benefit cost are based on the assumptions used for the previous year-end measurements of assets and obligations. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when appropriate. As required by U.S. GAAP, the effects of the modifications are recorded currently or amortized over future periods.

In the fourth quarter of fiscal 2007, the Company adopted all of the provisions of SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R).” SFAS No. 158 requires that companies recognize in its statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or unfunded, or an asset for defined benefit pension and postretirement benefit plans that are overfunded. SFAS No. 158 also requires that companies measure the benefit obligations and fair value of plan assets that determine a postretirement benefit plan’s funded status as of the date of the employer’s fiscal year-end by no later than their fiscal year ending after December 15, 2008. Adjustments relating to this change in measurement date for the period between the early measurement date and the end of the year are made to retained earnings, net of tax. In connection with the Company’s adoption of SFAS No. 158, at September 30, 2007, the Company recorded an asset of $117 million for its defined benefit pension plans that are in overfunded positions and a liability of $629 million for its defined benefit pension plans that are in underfunded positions. In addition, a liability of $280 million was recorded for the Company's health and other postretirement plans that were underfunded positions at September 30, 2007. The Company also early adopted the change in measurement date provisions at September 30, 2007 for its U.S. pension and health and other postretirement plans, which resulted in a $9 million adjustment, net of tax, to retained earnings.

The discount rate used by the Company is based on the interest rate of non-callable high-quality corporate bonds, with appropriate consideration of the Company’s pension plans’ participants’ demographics and benefit payment terms. At both September 30, 2007 and July 31, 2006, the Company’s discount rate on U.S. plans was 6.50%.

In estimating the expected return on plan assets, the Company considers the historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plans' invested assets. Reflecting the relatively long-term nature of the plans' obligations, approximately 60% of the plans' assets were invested in equities, with the balance primarily invested in fixed income instruments. At September 30, 2007 the Company increased its expected long-term return on U.S. plan assets from 8.25% to 8.50%.
The Company uses a market-related value of assets that recognizes the difference between the expected return and the actual return on plan assets over a three-year period. As of September 30, 2007, the Company had approximately $83 million of unrecognized asset losses associated with its U.S. pension plans, which will be recognized in the calculation of the market-related value of assets and subject to amortization in future periods.

Based on information provided by its independent actuaries and other relevant sources, the Company believes that the assumptions used are reasonable; however, changes in these assumptions could impact the Company’s financial position, results of operations or cash flows.

Product Warranties

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate of future warranty-related costs based on actual historical return rates. At September 30, 2007, the Company had recorded $150 million of warranty reserves based on an analysis of return rates and other factors. While the Company’s warranty costs have historically been within its calculated estimates, it is possible that future warranty costs could differ significantly from those estimates.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance that primarily represents non-U.S. operating and other loss carryforwards for which utilization is uncertain. Management judgment is required in determining the Company’s provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company’s net deferred tax assets. In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted as appropriate based upon the actual results as compared to those forecasted at the beginning of the fiscal year. In determining the need for a valuation allowance, the historical and projected financial performance of the operation recording the net deferred tax asset is considered along with any other pertinent information. Since future financial results may differ from previous estimates, periodic adjustments to the Company’s valuation allowance may be necessary. At September 30, 2007, the Company had a valuation allowance of $326 million, of which $206 million relates to net operating loss carryforwards primarily in Brazil, Italy, and the United Kingdom, for which sustainable taxable income has not been demonstrated; $54 million relates to net capital loss carryforwards, primarily in the U.S., for which future capital gains are not assured; and $66 million of other deferred tax assets. The Company does not provide additional U.S. income taxes on undistributed earnings of consolidated non-U.S. subsidiaries included in shareholders’ equity. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company’s intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits.

NEW ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment to FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 will be effective for the Company beginning in fiscal 2009. The Company is assessing the potential impact that the adoption of SFAS No. 159 will have on its consolidated financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R),” which requires that the Company recognize the overfunded or underfunded status of its defined benefit and retiree medical plans as an asset or liability in the balance sheet, with changes in the funded status recognized through accumulated other comprehensive income in the year in which they occur. Additionally, SFAS No. 158 requires the Company to measure the funded status as of the date of its fiscal
year-end. See Item 8, Note 14 for the impact of the Company’s adoption of SFAS No. 158 in the fourth quarter of fiscal 2007.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS No. 157 will be effective for the Company beginning in fiscal 2008. The Company is assessing the potential impact that the adoption of SFAS No. 157 will have on its consolidated financial condition or results of operations.

In June 2006, the FASB issued FASB Interpretation Number (FIN) 48, “Accounting for Uncertainty in Income Taxes – an interpretation of SFAS Statement No. 109,” which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 allows recognition of only those tax benefits that satisfy a greater than 50% probability threshold. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for the Company beginning October 1, 2007. The Company has determined that the adoption of FIN 48 will not be material to the Company’s consolidated financial position.

RISK MANAGEMENT

The Company selectively uses derivative instruments to reduce market risk associated with changes in foreign currency, commodities, compensation expense and interest rates. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which strictly prohibit the use of financial instruments for speculative purposes. At the inception of the hedge, the Company assesses the effectiveness of the hedge instrument and designates the hedge instrument as either (1) a hedge of a recognized asset or liability or of a recognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to an unrecognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a non-U.S. operation (a net investment hedge). The Company performs hedge effectiveness testing on an ongoing basis depending on the type of hedging instrument used.

For all foreign currency derivative instruments designated as cash flow hedges, retrospective effectiveness is tested on a monthly basis using a cumulative dollar offset test. The fair value of the hedged exposures and the fair value of the hedge instruments are revalued and the ratio of the cumulative sum of the periodic changes in the value of the hedge instruments to the cumulative sum of the periodic changes in the value of the hedge is calculated. The hedge is deemed as highly effective if the ratio is between 80% and 125%. For commodity derivative contracts designated as cash flow hedges, effectiveness is tested using a regression calculation. Ineffectiveness is minimal as the Company aligns most of the critical terms of its derivatives with the supply contracts.

For net investment hedges, the Company assesses its net investment positions in the non-U.S. operations and compares it with the outstanding net investment hedges on a quarterly basis. The hedge is deemed effective if the aggregate outstanding principal of the hedge instruments designated as the net investment hedge in a non-U.S. operation does not exceed the Company’s net investment positions in the respective non-U.S. operation.

A discussion of the Company’s accounting policies for derivative financial instruments is included in Note 1, “Summary of Significant Accounting Policies,” in the notes to consolidated financial statements, and further disclosure relating to financial instruments is included in Note 11 to the consolidated financial statements.

Foreign Exchange

The Company has manufacturing, sales and distribution facilities around the world and thus makes investments and enters into transactions denominated in various foreign currencies. In order to maintain strict control and achieve the benefits of the Company’s global diversification, foreign exchange exposures for each currency are netted internally so that only its net foreign exchange exposures are, as appropriate, hedged with financial instruments.

The Company hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. The Company primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities
of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. The Company also selectively hedges anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137, SFAS No. 138, and SFAS No. 149.

The Company selectively finances its foreign operations with local, non-U.S. dollar debt. In those instances, the foreign currency denominated debt serves as a natural hedge of the foreign operations’ net asset positions. The Company has also entered into foreign currency denominated debt obligations and cross-currency interest rate swaps to selectively hedge portions of its net investments in Europe and Japan. The currency effects of the debt obligations and swaps are reflected in the accumulated other comprehensive income account within shareholders’ equity where they offset gains and losses recorded on the net investments in Europe and Japan.

Sensitivity Analysis

The following table indicates the total U.S. dollar equivalents of net foreign exchange contracts (hedging transactional exposure) and non-U.S. dollar denominated cash, debt and cross-currency interest rate swaps (hedging translation exposure) outstanding by currency and the corresponding impact on the value of these instruments assuming a 10% appreciation/depreciation of the U.S. dollar relative to all other currencies on September 30, 2007.

As previously noted, the Company’s policy prohibits the trading of financial instruments for speculative purposes. It is important to note that gains and losses indicated in the sensitivity analysis would be offset by gains and losses on the underlying receivables, payables and net investments in non-U.S. subsidiaries described above (in millions, in U.S. dollar equivalent):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Transactional Foreign Exposure</td>
<td>Translation Foreign Exposure</td>
</tr>
<tr>
<td></td>
<td>Long/ (Short)</td>
<td>Long/ (Short)</td>
</tr>
<tr>
<td>British pound</td>
<td>$ (49)</td>
<td>$ 113</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>(103)</td>
<td>132</td>
</tr>
<tr>
<td>Chinese renminbi</td>
<td>—</td>
<td>91</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>131</td>
<td>79</td>
</tr>
<tr>
<td>Euro</td>
<td>(295)</td>
<td>(1,115)</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>129</td>
<td>(482)</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>166</td>
<td>10</td>
</tr>
<tr>
<td>Polish zloty</td>
<td>(4)</td>
<td>(82)</td>
</tr>
<tr>
<td>Slovenska koruna</td>
<td>134</td>
<td>(49)</td>
</tr>
<tr>
<td>South Korean won</td>
<td>32</td>
<td>—</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>(2)</td>
<td>100</td>
</tr>
<tr>
<td>Other</td>
<td>(4)</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 135</strong></td>
<td><strong>(1,150)</strong></td>
</tr>
</tbody>
</table>

Interest Rates

The Company’s earnings exposure related to adverse movements in interest rates is primarily derived from outstanding floating rate debt instruments that are indexed to short-term market rates. The Company will use interest rate swaps to offset its exposure to interest rate movements. In accordance with SFAS No. 133, the existing swap qualifies and is designated as a fair value hedge. A 10% increase or decrease in the average cost of the Company’s variable rate debt, including outstanding swaps, would result in a change in pre-tax interest expense of approximately $7 million.
Commodities
The Company uses commodity contracts in the financial derivatives market in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. As a cash flow hedge, gains and losses resulting from the hedging instruments offset the gains or losses upon purchase of the underlying commodities that will be used in the business. The maturities of the commodity contracts coincide with the expected purchase of the commodities.

ENVIRONMENTAL, HEALTH AND SAFETY AND OTHER MATTERS
The Company’s global operations are governed by laws addressing protection of the environment (Environmental Laws) and worker safety and health (Worker Safety Laws). Under various circumstances, these laws impose civil and criminal penalties and fines, as well as injunctive and remedial relief, for noncompliance and require remediation at sites where Company-related substances have been released into the environment.

The Company has expended substantial resources globally, both financial and managerial, to comply with applicable Environmental Laws and Worker Safety Laws, and to protect the environment and workers. The Company believes it is in substantial compliance with such laws and maintains procedures designed to foster and ensure compliance. However, the Company has been, and in the future may become, the subject of formal or informal enforcement actions or proceedings regarding noncompliance with such laws or the remediation of Company-related substances released into the environment. Such matters typically are resolved by negotiation with regulatory authorities resulting in commitments to compliance, abatement or remediation programs and in some cases payment of penalties. Historically, neither such commitments nor penalties imposed on the Company have been material.

Environmental considerations are a part of all significant capital expenditure decisions; however, expenditures in fiscal 2007 related solely to environmental compliance were not material. At September 30, 2007 and 2006, the Company recorded environmental liabilities of $27 million and $34 million, respectively. A charge to income is recorded when it is probable that a liability has been incurred and the cost can be reasonably estimated. The Company’s environmental liabilities do not take into consideration any possible recoveries of future insurance proceeds. Because of the uncertainties associated with environmental remediation activities at sites where the Company may be potentially liable, future expenses to remediate identified sites could be considerably higher than the accrued liability. However, while neither the timing nor the amount of ultimate costs associated with known environmental remediation matters can be determined at this time, the Company does not expect that these matters will have a material adverse effect on its financial position, results of operations or cash flows. In addition, the Company has identified asset retirement obligations for environmental matters that are expected to be addressed at the retirement, disposal, removal or abandonment of existing owned facilities, primarily in the power solutions business. At September 30, 2007 and 2006, the Company recorded conditional asset retirement obligations of $81 million and $77 million, respectively.

Additionally, the Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management’s opinion that none of these will have a materially adverse effect on the Company’s financial position, results of operations or cash flows (see Note 18 to the consolidated financial statements). Costs related to such matters were not material to the periods presented.
### QUARTERLY FINANCIAL DATA

<table>
<thead>
<tr>
<th>2007</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$8,210</td>
<td>$8,492</td>
<td>$8,911</td>
<td>$9,011</td>
<td>$34,624</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,074</td>
<td>1,193</td>
<td>1,384</td>
<td>1,425</td>
<td>5,076</td>
</tr>
<tr>
<td>Income before the cumulative effect of a change in accounting principle</td>
<td>162</td>
<td>228</td>
<td>396</td>
<td>466</td>
<td>1,252</td>
</tr>
<tr>
<td>Net income</td>
<td>162</td>
<td>228</td>
<td>396</td>
<td>466</td>
<td>1,252</td>
</tr>
<tr>
<td>Earnings per share before the cumulative effect of a change in accounting principle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic*</td>
<td>0.28</td>
<td>0.39</td>
<td>0.67</td>
<td>0.79</td>
<td>2.12</td>
</tr>
<tr>
<td>Diluted*</td>
<td>0.27</td>
<td>0.38</td>
<td>0.66</td>
<td>0.77</td>
<td>2.09</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic*</td>
<td>0.28</td>
<td>0.39</td>
<td>0.67</td>
<td>0.79</td>
<td>2.12</td>
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<td>Diluted*</td>
<td>0.27</td>
<td>0.38</td>
<td>0.66</td>
<td>0.77</td>
<td>2.09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2006</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$7,528</td>
<td>$8,167</td>
<td>$8,390</td>
<td>$8,150</td>
<td>$32,235</td>
</tr>
<tr>
<td>Gross profit</td>
<td>922</td>
<td>1,048</td>
<td>1,212</td>
<td>1,247</td>
<td>4,429</td>
</tr>
<tr>
<td>Income before the cumulative effect of a change in accounting principle</td>
<td>165</td>
<td>165</td>
<td>338</td>
<td>367</td>
<td>1,035</td>
</tr>
<tr>
<td>Net income</td>
<td>165</td>
<td>165</td>
<td>338</td>
<td>360</td>
<td>1,028</td>
</tr>
<tr>
<td>Earnings per share before the cumulative effect of a change in accounting principle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic*</td>
<td>0.29</td>
<td>0.28</td>
<td>0.58</td>
<td>0.62</td>
<td>1.77</td>
</tr>
<tr>
<td>Diluted*</td>
<td>0.28</td>
<td>0.28</td>
<td>0.57</td>
<td>0.62</td>
<td>1.75</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic*</td>
<td>0.29</td>
<td>0.28</td>
<td>0.58</td>
<td>0.61</td>
<td>1.76</td>
</tr>
<tr>
<td>Diluted*</td>
<td>0.28</td>
<td>0.28</td>
<td>0.57</td>
<td>0.61</td>
<td>1.74</td>
</tr>
</tbody>
</table>

* Due to the use of the weighted-average shares outstanding for each quarter for computing earnings per share, the sum of the quarterly per share amounts may not equal the per share amount for the year.

### ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Risk Management” included in Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations.
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ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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<td>2007, 2006 and 2005</td>
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<td>Consolidated Statements of Financial Position as of September 30,</td>
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<td>2007 and 2006</td>
<td></td>
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<td>Consolidated Statements of Cash Flows for the years ended September</td>
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<td>30, 2007, 2006 and 2005</td>
<td></td>
</tr>
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<td>Consolidated Statements of Shareholders’ Equity for the years ended</td>
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<td>September 30, 2007, 2006 and 2005</td>
<td></td>
</tr>
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<td>Notes to Consolidated Financial Statements</td>
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<td>Valuation and Qualifying Accounts</td>
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</table>

41
To the Board of Directors and Shareholders of Johnson Controls, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Johnson Controls, Inc. and its subsidiaries at September 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.


A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
November 26, 2007
## Johnson Controls, Inc.
### Consolidated Statements of Income

#### (In millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*<em>Products and systems</em></td>
<td>$27,849</td>
<td>$27,108</td>
<td>$24,337</td>
</tr>
<tr>
<td>*<em>Services</em></td>
<td>6,775</td>
<td>5,127</td>
<td>3,142</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34,624</td>
<td>32,235</td>
<td>27,479</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Products and systems</strong></td>
<td>24,253</td>
<td>23,861</td>
<td>21,463</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>5,295</td>
<td>3,945</td>
<td>2,534</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,548</td>
<td>27,806</td>
<td>23,997</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>5,076</td>
<td>4,429</td>
<td>3,482</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>(3,281)</td>
<td>(2,933)</td>
<td>(2,228)</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>—</td>
<td>(197)</td>
<td>(210)</td>
</tr>
<tr>
<td><strong>Net financing charges</strong></td>
<td>(277)</td>
<td>(273)</td>
<td>(113)</td>
</tr>
<tr>
<td><strong>Equity income</strong></td>
<td>89</td>
<td>112</td>
<td>72</td>
</tr>
<tr>
<td><strong>Income before income taxes and minority interests</strong></td>
<td>1,607</td>
<td>1,138</td>
<td>1,003</td>
</tr>
<tr>
<td><strong>Provision for income taxes</strong></td>
<td>(300)</td>
<td>63</td>
<td>205</td>
</tr>
<tr>
<td><strong>Minority interests in net earnings of subsidiaries</strong></td>
<td>12</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td><strong>Income from continuing operations</strong></td>
<td>1,295</td>
<td>1,033</td>
<td>757</td>
</tr>
<tr>
<td><strong>Income (loss) from discontinued operations, net of income taxes</strong></td>
<td>(10)</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td><strong>Gain (loss) on sale of discontinued operations, net of income taxes</strong></td>
<td>(33)</td>
<td>—</td>
<td>136</td>
</tr>
<tr>
<td><strong>Income before the cumulative effect of a change in accounting principle</strong></td>
<td>1,252</td>
<td>1,035</td>
<td>909</td>
</tr>
<tr>
<td><strong>Cumulative effect of a change in accounting principle, net of income taxes</strong></td>
<td>—</td>
<td>(7)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$1,252</td>
<td>$1,028</td>
<td>$909</td>
</tr>
<tr>
<td><strong>Earnings available for common shareholders</strong></td>
<td>$1,252</td>
<td>$1,028</td>
<td>$909</td>
</tr>
<tr>
<td><strong>Earnings per share from continuing operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>$2.19</td>
<td>$1.77</td>
<td>$1.32</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>$2.16</td>
<td>$1.75</td>
<td>$1.30</td>
</tr>
<tr>
<td><strong>Earnings per share before the cumulative effect of a change in accounting principle</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>$2.12</td>
<td>$1.77</td>
<td>$1.58</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>$2.09</td>
<td>$1.75</td>
<td>$1.56</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>$2.12</td>
<td>$1.76</td>
<td>$1.58</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>$2.09</td>
<td>$1.74</td>
<td>$1.56</td>
</tr>
</tbody>
</table>

* Products and systems consist of automotive experience and power solutions products and systems and building efficiency installed systems. Services are building efficiency technical and global workplace solutions.

The accompanying notes are an integral part of the financial statements.
**Johnson Controls, Inc.**

**Consolidated Statements of Financial Position**

(In millions, except par value and share data)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$674</td>
<td>$293</td>
</tr>
<tr>
<td>Accounts receivable, less allowance for doubtful accounts of $75 and $80, respectively</td>
<td>6,600</td>
<td>5,697</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,968</td>
<td>1,731</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,630</td>
<td>1,543</td>
</tr>
<tr>
<td>Current assets</td>
<td>10,872</td>
<td>9,264</td>
</tr>
<tr>
<td>Property, plant and equipment — net</td>
<td>4,208</td>
<td>3,968</td>
</tr>
<tr>
<td>Goodwill</td>
<td>6,131</td>
<td>5,910</td>
</tr>
<tr>
<td>Other intangible assets — net</td>
<td>773</td>
<td>799</td>
</tr>
<tr>
<td>Investments in partially-owned affiliates</td>
<td>795</td>
<td>463</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>1,326</td>
<td>1,517</td>
</tr>
<tr>
<td>Total assets</td>
<td>$24,105</td>
<td>$21,921</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Shareholders’ Equity</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term debt</td>
<td>$264</td>
<td>$209</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>899</td>
<td>368</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>5,365</td>
<td>4,216</td>
</tr>
<tr>
<td>Accrued compensation and benefits</td>
<td>978</td>
<td>919</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>97</td>
<td>229</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,317</td>
<td>2,205</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>9,920</td>
<td>8,146</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>3,255</td>
<td>4,166</td>
</tr>
<tr>
<td>Postretirement health and other benefits</td>
<td>256</td>
<td>349</td>
</tr>
<tr>
<td>Minority interests in equity of subsidiaries</td>
<td>128</td>
<td>129</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>1,639</td>
<td>1,776</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>5,278</td>
<td>6,420</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitments and contingencies (Note 18)</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock, $.01 7/18 par value</td>
<td>$1,800,000,000</td>
<td>$8</td>
</tr>
<tr>
<td>shares authorized; 1,800,000,000</td>
<td>1,800,000,000</td>
<td>8</td>
</tr>
<tr>
<td>shares issued: 2007 - 595,384,212; 2006 - 588,035,361</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Capital in excess of par value</td>
<td>1,452</td>
<td>1,273</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>6,698</td>
<td>5,715</td>
</tr>
<tr>
<td>Treasury stock, at cost (2007 - 1,617,978 shares; 2006 - 713,394 shares)</td>
<td>(33)</td>
<td>(7)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>782</td>
<td>366</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>8,907</td>
<td>7,355</td>
</tr>
</tbody>
</table>

Total liabilities and shareholders’ equity | $24,105 | $21,921 |

The accompanying notes are an integral part of the financial statements.
## Johnson Controls, Inc.
### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>September 30,</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$1,252</td>
<td>$1,028</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile net income to cash provided by operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>687</td>
<td>661</td>
</tr>
<tr>
<td>Amortization of intangibles</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>Equity in earnings of partially-owned affiliates, net of dividends received</td>
<td>(1)</td>
<td>(15)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(63)</td>
<td>(404)</td>
</tr>
<tr>
<td>Minority interests in net earnings of subsidiaries</td>
<td>12</td>
<td>42</td>
</tr>
<tr>
<td>Non-cash restructuring costs</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>Pension contributions in excess of expense</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss/(gain) on sale of discontinued operations</td>
<td>33</td>
<td>—</td>
</tr>
<tr>
<td>Equity-based compensation</td>
<td>48</td>
<td>61</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>Changes in working capital, excluding acquisitions and divestitures of businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(617)</td>
<td>244</td>
</tr>
<tr>
<td>Inventories</td>
<td>(150)</td>
<td>(77)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(262)</td>
<td>(32)</td>
</tr>
<tr>
<td>Restructuring reserves</td>
<td>(161)</td>
<td>59</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>1,052</td>
<td>(379)</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>13</td>
<td>116</td>
</tr>
<tr>
<td><strong>Cash provided by operating activities</strong></td>
<td><strong>1,913</strong></td>
<td><strong>1,417</strong></td>
</tr>
<tr>
<td><strong>Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(828)</td>
<td>(711)</td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>83</td>
<td>90</td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash acquired</td>
<td>(17)</td>
<td>(2,629)</td>
</tr>
<tr>
<td>Business divestitures</td>
<td>89</td>
<td>—</td>
</tr>
<tr>
<td>Settlement of cross-currency interest rate swaps</td>
<td>(145)</td>
<td>66</td>
</tr>
<tr>
<td>Changes in long-term investments</td>
<td>(233)</td>
<td>108</td>
</tr>
<tr>
<td><strong>Cash used by investing activities</strong></td>
<td><strong>(1,051)</strong></td>
<td><strong>(3,076)</strong></td>
</tr>
<tr>
<td><strong>Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in short-term debt — net</td>
<td>(43)</td>
<td>(531)</td>
</tr>
<tr>
<td>Increase in long-term debt</td>
<td>115</td>
<td>2,739</td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>(505)</td>
<td>(359)</td>
</tr>
<tr>
<td>Payment of cash dividends</td>
<td>(195)</td>
<td>(218)</td>
</tr>
<tr>
<td>Proceeds from the exercise of stock options</td>
<td>104</td>
<td>97</td>
</tr>
<tr>
<td>Other</td>
<td>(18)</td>
<td>13</td>
</tr>
<tr>
<td><strong>Cash provided (used) by financing activities</strong></td>
<td><strong>(542)</strong></td>
<td><strong>1,741</strong></td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>61</td>
<td>40</td>
</tr>
<tr>
<td><strong>Increase in cash and cash equivalents</strong></td>
<td><strong>$381</strong></td>
<td><strong>$122</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## Johnson Controls, Inc.
### Consolidated Statements of Shareholders’ Equity

<table>
<thead>
<tr>
<th>(In millions, except per share data)</th>
<th>Total</th>
<th>Common Stock</th>
<th>Capital in Excess of Par Value</th>
<th>Retained Earnings</th>
<th>Treasury Stock, at Cost</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At September 30, 2004</strong></td>
<td>$5,206</td>
<td>$8</td>
<td>$953</td>
<td>$4,188</td>
<td>$(15)</td>
<td>72</td>
</tr>
<tr>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>909</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(29)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(29)</td>
</tr>
<tr>
<td>Realized and unrealized gains/losses on derivatives</td>
<td>34</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>34</td>
</tr>
<tr>
<td>Minimum pension liability adjustment</td>
<td>(17)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(17)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>897</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common ($0.33 per share)</td>
<td>(192)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other, including options exercised</td>
<td>147</td>
<td>—</td>
<td>139</td>
<td>—</td>
<td>8</td>
<td>—</td>
</tr>
<tr>
<td><strong>At September 30, 2005</strong></td>
<td>6,058</td>
<td>8</td>
<td>1,092</td>
<td>4,905</td>
<td>(7)</td>
<td>60</td>
</tr>
<tr>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,028</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>274</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>274</td>
</tr>
<tr>
<td>Realized and unrealized gains/losses on derivatives</td>
<td>20</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>20</td>
</tr>
<tr>
<td>Minimum pension liability adjustment</td>
<td>12</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>12</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>306</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>1,334</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common ($0.37 per share)</td>
<td>(218)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other, including options exercised</td>
<td>181</td>
<td>—</td>
<td>181</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>At September 30, 2006</strong></td>
<td>7,355</td>
<td>8</td>
<td>1,273</td>
<td>5,715</td>
<td>(7)</td>
<td>366</td>
</tr>
<tr>
<td>Comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>1,252</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>479</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>479</td>
</tr>
<tr>
<td>Realized and unrealized gains/losses on derivatives</td>
<td>(4)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>Minimum pension liability adjustment</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>476</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>1,728</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjustment to initially adopt SFAS No. 158, net of tax</strong></td>
<td>(60)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>Adjustment for the change in measurement date due to the adoption of SFAS No. 158, net of tax</strong></td>
<td>(9)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(9)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common ($0.44 per share)</td>
<td>(260)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(26)</td>
<td>—</td>
</tr>
<tr>
<td>Other, including options exercised</td>
<td>153</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(26)</td>
<td>—</td>
</tr>
<tr>
<td><strong>At September 30, 2007</strong></td>
<td>$8,907</td>
<td>$8</td>
<td>$1,452</td>
<td>$6,698</td>
<td>$(33)</td>
<td>$782</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

    Principles of Consolidation

    The consolidated financial statements include the accounts of Johnson Controls, Inc. and its domestic and non-U.S. subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany transactions have been eliminated. Investments in partially-owned affiliates are accounted for by the equity method when the Company’s interest is between 20% and 50% and the Company does not have a controlling interest. Under certain criteria as provided for in Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46(R), “Consolidation of Variable Interest Entities,” the Company may consolidate a partially-owned affiliate when it has less than a 50% ownership. Gains and losses from the translation of substantially all foreign currency financial statements are recorded in the accumulated other comprehensive income account within shareholders’ equity.

    Use of Estimates

    The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

    Fair Value of Financial Instruments

    The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The fair value of long-term debt, which was $4.0 billion and $4.6 billion at September 30, 2007 and 2006, respectively, was determined using market quotes. See Note 11 for fair value of derivative instruments.

    Cash and Cash Equivalents

    The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

    Receivables

    Receivables consist of amounts billed and currently due from customers and unbilled costs and accrued profits related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers. The Company extends credit to customers in the normal course of business and maintains an allowance for doubtful accounts resulting from the inability or unwillingness of customers to make required payments. The allowance for doubtful accounts is based on historical experience, existing economic conditions and any specific customer collection issues the Company has identified.

    Inventories

    Inventories are stated at the lower of cost or market. Cost is determined using either the last-in, first-out (LIFO) method or the first-in, first-out (FIFO) method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs.

    Pre-Production Costs Related to Long-Term Supply Arrangements

    The Company’s policy for engineering, research and development, and other design and development costs related to products that will be sold under long-term supply arrangements requires such costs to be expensed as incurred. Customer reimbursements are recorded as an increase in cash and a reduction of selling, general and administrative expense when reimbursement from the customer is received. Costs for molds, dies, and other tools used to make products that will be sold under long-term supply arrangements are capitalized within property, plant and equipment if the Company has title to the assets or has the non-cancelable right to use the assets during the term of the supply arrangement. Capitalized items, if specifically designed for a supply arrangement, are amortized over the term of the arrangement; otherwise, amounts are
amortized over the estimated useful lives of the assets. The carrying values of assets capitalized in accordance with the foregoing policy are periodically reviewed for evidence of impairment. At September 30, 2007 and 2006, approximately $215 million and $270 million, respectively, of costs for molds, dies and other tools were capitalized within property, plant and equipment which represented assets to which the Company had title. In addition, at September 30, 2007 and 2006, the Company recorded within other current assets approximately $171 million and $136 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is assured.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives range from 10 to 40 years for buildings and improvements and from 3 to 20 years for machinery and equipment.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

**Goodwill and Other Intangible Assets**

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The Company performs an annual goodwill impairment review of its operating segments during the fourth fiscal quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired, using a fair-value method based on management’s judgments and assumptions. The fair value represents the amount at which an operating segment could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value, the Company uses historical, published multiples of earnings of comparable entities with similar operations and economic characteristics. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company in the fourth quarter of fiscal 2007 indicated that the estimated fair value of each operating segment exceeded its corresponding carrying amount, including recorded goodwill and as such, no impairment exists.

Indefinite lived other intangible assets are also subject to at least annual impairment testing. A considerable amount of management judgment and assumptions are required in performing the impairment tests. The Company believes the judgments and assumptions used in the impairment tests are reasonable and no impairment exists at September 30, 2007.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. At September 30, 2007, the Company does not have any material long-lived assets whose recovery is at risk.

**Percentage-of-Completion Contracts**

The building efficiency business records certain long term contracts under the percentage-of-completion method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. The Company records costs and earnings in excess of billings on uncompleted contracts within accounts receivable and billings in excess of costs and earnings on uncompleted contracts within other current liabilities in the consolidated statements of financial position. Amounts included within accounts receivable related to these contracts were $633 million and $455 million at September 30, 2007 and 2006, respectively. Amounts included within other current liabilities were $538 million and $314 million at September 30, 2007 and 2006, respectively.

**Revenue Recognition**

The Company’s building efficiency business recognizes revenue from long-term systems installation contracts over the contractual period under the percentage-of-completion method of accounting. This method of accounting recognizes sales and gross profit as work is performed based on the relationship between actual costs incurred and total estimated costs at
completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified. Claims against customers are recognized as revenue upon settlement. The amount of accounts receivable due after one year is not significant.

The building efficiency business enters into extended warranties and long-term service and maintenance agreements with certain customers. For these arrangements, revenue is recognized on a straight-line basis over the respective contract term.

The Company’s building efficiency business also sells certain heating, ventilating, and air conditioning (HVAC) products and services in bundled arrangements, where multiple products and/or services are involved. In accordance with Emerging Issues Task Force Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables,” the Company divides bundled arrangements into separate deliverables and revenue is allocated to each deliverable based on the relative fair value of all elements or the fair value of undelivered elements.

In all other cases, the Company recognizes revenue at the time products are shipped and title passes to the customer or as services are performed.

**Research and Development Costs**

Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statement of income. Such expenditures for the fiscal years ended September 30, 2007, 2006 and 2005 were $767 million, $743 million and $817 million, respectively.

A portion of the costs associated with these activities is reimbursed by customers and, for the fiscal years ended September 30, 2007, 2006 and 2005, were $276 million, $323 million and $402 million, respectively.

**Earnings Per Share**

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by diluted weighted average shares outstanding. Diluted weighted average shares include the dilutive effect of common stock equivalents which would arise from the exercise of stock options (see Note 19 regarding stock split).

**Foreign Currency Translation**

Substantially all of the Company’s international operations use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period.

**Accumulated Other Comprehensive Income**

Accumulated other comprehensive income is defined as the sum of net income and all other non-owner changes in equity. The components of the non-owner changes in equity, or accumulated other comprehensive income, were as follows (in millions, net of tax):

<table>
<thead>
<tr>
<th>September 30</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency translation adjustments</td>
<td>$ 882</td>
<td>$ 403</td>
</tr>
<tr>
<td>Realized and unrealized gains/losses on derivatives</td>
<td>59</td>
<td>63</td>
</tr>
<tr>
<td>Minimum pension liability adjustment</td>
<td>—</td>
<td>(100)</td>
</tr>
<tr>
<td>Adjustment pursuant to SFAS No. 158</td>
<td>(159)</td>
<td>—</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>$ 782</td>
<td>$ 366</td>
</tr>
</tbody>
</table>
Derivative Financial Instruments

The Company has written policies and procedures that place all financial instruments under the direction of corporate treasury and restrict all derivative transactions to those intended for hedging purposes. The use of financial instruments for speculative purposes is strictly prohibited. The Company uses financial instruments to manage the market risk from changes in foreign exchange rates, commodity prices, compensation liabilities and interest rates.

The fair values of all derivatives are recorded in the consolidated statement of financial position. The change in a derivative’s fair value is recorded each period in current earnings or accumulated other comprehensive income (OCI), depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction.

The Company hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional net exposures. The Company primarily enters into forward exchange contracts to reduce the earnings and cash flow impact of non-functional currency denominated receivables and payables. Gains and losses resulting from these contracts offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the underlying exposure. Gains and losses on these contracts are recorded in cost of sales in the consolidated statement of income and are recognized in the same period as gains and losses on the hedged items.

Cash Flow Hedges - The Company selectively hedges anticipated transactions that are subject to foreign exchange exposure or commodity price exposure, primarily using foreign currency exchange contracts and commodity contracts, respectively. These instruments are designated as cash flow hedges in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137, No. 138 and No. 149 and are recorded in the consolidated statement of financial position at fair value. The effective portion of the contracts’ gains or losses due to changes in fair value are initially recorded as a component of accumulated OCI and are subsequently reclassified into earnings when the hedged transactions, typically sales or costs related to sales, occur and affect earnings. These contracts are highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates or commodity price changes. As of September 30, 2005, the Company entered into three forward treasury lock agreements designated as cash flow hedges to reduce the market risk associated with changes in interest rates related to the Company’s fixed-rate note issuance (see Note 11).

For the fiscal years ended September 30, 2007, 2006 and 2005, the net amounts recognized in earnings due to ineffectiveness were not material. The amount reported as unrealized gains/losses on derivatives in the accumulated OCI account within shareholders’ equity represents the net gain/loss on derivatives designated as cash flow hedges.

Fair Value Hedges — The Company had one interest rate swap outstanding at September 30, 2007 designated as a hedge of the fair value of a portion of fixed-rate bonds (see Note 11). Both the swap and the hedged portion of the debt are recorded in the consolidated statement of financial position. The change in fair value of the swaps exactly offsets the change in fair value of the hedged debt, with no net impact on earnings. A second interest rate swap that was outstanding as of September 30, 2006 matured in conjunction with the maturity of the hedged debt on November 15, 2006.

Net Investment Hedges - The Company has cross-currency interest rate swaps and foreign currency-denominated debt obligations that are designated as hedges of the foreign currency exposure associated with its net investments in non-U.S. operations. The currency effects of the debt obligations are reflected in the accumulated OCI account where they offset translation gains and losses recorded on the Company’s net investments in Europe and Japan. The cross-currency interest rate swaps are recorded in the consolidated statement of financial position at fair value, with changes in value attributable to changes in foreign exchange rates recorded in the foreign currency translation adjustments component of accumulated OCI. Net interest payments or receipts from the interest rate swaps are recorded as adjustments to interest expense in earnings on a current basis. A net loss of approximately $38 million associated with hedges of net investments in non-U.S. operations was recorded in the accumulated OCI account for the periods ended September 30, 2007 and 2006.

New Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment to FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure many financial
instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 will be effective for the Company beginning in fiscal 2009. The Company is assessing the potential impact that the adoption of SFAS No. 159 will have on its consolidated financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R),” which requires that the Company recognize the overfunded or underfunded status of its defined benefit and retiree medical plans as an asset or liability in the balance sheet, with changes in the funded status recognized through accumulated other comprehensive income in the year in which they occur. Additionally, SFAS No. 158 requires the Company to measure the funded status as of the date of its fiscal year-end. See Note 14 for the impact of the Company’s adoption of SFAS No. 158 in the fourth quarter of fiscal 2007.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS No. 157 will be effective for the Company beginning in fiscal 2008. The Company is assessing the potential impact that the adoption of SFAS No. 157 will have on its consolidated financial condition or results of operations.

In June 2006, the FASB issued FIN 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109,” which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 allows recognition of only those tax benefits that satisfy a greater than 50% probability threshold. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for the Company beginning October 1, 2007. The Company has determined that the adoption of FIN 48 will not be material to the Company’s consolidated financial position.

Reclassification

Certain prior year amounts have been revised to conform to the current year’s presentation. The Company has revised its consolidated statements of income for the fiscal years ended September 30, 2006 and 2005 to reclassify certain amounts previously reported within miscellaneous-net to cost of sales, selling, general and administrative expenses, and net financing charges. Additionally, the Company has revised its consolidated statements of cash flows for the fiscal year ended September 30, 2005 to combine cash flows from discontinued operations with cash flows from continuing operations. The Company had previously separated these amounts from continuing operations and reported them as cash flows from discontinued operations.

2. ACQUISITIONS

In September 2007, the Company recorded a $200 million equity investment in a joint venture with US Airconditioning Distributors, Inc., a California based, privately-owned HVAC distributor serving five western U.S. states, in order to enhance the distribution of residential and light-commercial products in that geography. This investment will be accounted for under the equity method as the Company does not have a controlling interest.

In December 2005, the Company completed its acquisition of York International Corporation (York). The total cost of the acquisition, excluding cash acquired, was approximately $3.1 billion, including the assumption of $563 million of debt, change in control payments and direct costs of the transaction. The Company initially financed the acquisition by issuing unsecured commercial paper, which was refinanced with long-term debt in January 2006. York’s results of operations have been included in the Company’s consolidated financial statements since the date of acquisition.

The acquisition of York enabled the Company to become a single source supplier of integrated products and services for building owners to optimize comfort and energy efficiency. The acquisition enhanced the Company’s HVAC equipment, controls, fire and security capabilities and positioned the Company in a strategic leadership position in the global building environment industry which the Company believes offers significant growth potential.
During the first quarter of fiscal 2007, the Company completed its York purchase price allocation. The adjustments to the initial purchase price allocation were primarily related to the finalization of the restructuring plans, fixed asset valuations and other immaterial adjustments. The following table summarizes the fair values of the York assets acquired and liabilities assumed at the date of acquisition (in millions):

<table>
<thead>
<tr>
<th>Current assets, net of cash acquired</th>
<th>$1,919</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>390</td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,075</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>507</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>381</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>5,272</td>
</tr>
</tbody>
</table>

| Current liabilities                 | 1,379  |
| Noncurrent liabilities              | 1,360  |
| **Total liabilities**               | 2,739  |

**Net assets acquired** $2,533

In conjunction with the York acquisition, the Company recorded goodwill of approximately $2.1 billion, none of which is tax deductible, with allocation to the building efficiency business reporting segments as follows: $427 million to North America Systems; $602 million to North America Service; $480 million to North America Unitary Products; $149 million to Europe; and $417 million to Rest of World. In addition, intangible assets subject to amortization were valued at $251 million with useful lives between 1.5 and 30 years, of which $199 million was assigned to customer relationships with useful lives between 20 and 30 years. Intangible assets not subject to amortization, primarily trademarks, were valued at $256 million.

The Company recorded restructuring reserves of $161 million related to the York acquisition, including workforce reductions of approximately 3,150 building efficiency employees (850 for North America Systems, 300 for North America Service, 60 for North America Unitary Products, 1,150 for Europe and 790 for Rest of World), the closure of two manufacturing plants (one in North America Systems and one in Rest of World), the merging of other plants and branch offices with existing Company facilities and contract terminations. These restructuring activities were recorded as costs of the acquisition and were provided for in accordance with FASB Emerging Issues Task Force Issue No. 95-3, “Recognition of Liabilities in Connection with a Purchase Business Combination.” The Company anticipates that substantially all of the remaining non-contractual restructuring actions will be completed in the first half of fiscal 2008.

As of September 30, 2007, approximately 2,150 employees have been separated from the Company pursuant to the York restructuring, including 275 for North America Systems, 50 for North America Unitary Products, 1,090 for Europe and 735 for Rest of World.

The following table summarizes the changes in the Company’s York restructuring reserves, included within other current liabilities in the consolidated statements of financial position (in millions):

<table>
<thead>
<tr>
<th>Employee Severance and Termination Benefits</th>
<th>Other</th>
<th>Currency Translation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at September 30, 2006</td>
<td>$50</td>
<td>$49</td>
<td>$6</td>
</tr>
<tr>
<td>Adjustments</td>
<td>(3)</td>
<td>6</td>
<td>—</td>
</tr>
<tr>
<td>Utilized — Cash</td>
<td>(24)</td>
<td>(25)</td>
<td>—</td>
</tr>
<tr>
<td>Utilized — Noncash</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at September 30, 2007</strong></td>
<td>$23</td>
<td>$30</td>
<td>$3</td>
</tr>
</tbody>
</table>

Included within the “other” category are exit costs for terminating supply contracts associated with changes in the Company’s manufacturing footprint and strategies, lease termination costs and other direct costs.
Also in fiscal year 2006, the Company completed six additional acquisitions for a combined purchase price of $111 million, including the assumption of debt, none of which were material to the Company’s consolidated financial statements. In connection with these acquisitions, the Company recorded goodwill of $57 million.

In fiscal year 2005, the Company completed six acquisitions for a combined purchase price of approximately $333 million, including the assumption of debt. In conjunction with the fiscal 2005 acquisitions, the Company recorded goodwill of $155 million. The most significant of these acquisitions are as follows:

- In July 2005, the Company completed the acquisition of Delphi Corporation’s global battery business. This acquisition enables the Company to participate in the rapidly growing Asian automotive battery market, particularly in China.
- In June 2005, the Company completed its acquisition of USI Companies, Inc. This acquisition provides clients with an expanded, integrated mix of global corporate real estate services and enables the Company to further align new and existing customers’ real estate assets with their business objectives.

### 3. DISCONTINUED OPERATIONS

In March 2007, the Company completed the sale of the Bristol Compressor business, which was acquired in December 2005 as part of the York transaction (see Note 2), for approximately $40 million, of which $35 million was received in cash in the three months ended March 31, 2007 and $5 million was received in cash in the three months ended September 30, 2007 after final purchase price adjustments. The sale of the Bristol Compressor business resulted in a loss of approximately $49 million ($30 million after-tax), including related costs.

In March 2005, the Company completed the sale of its Johnson Controls World Services, Inc. subsidiary, which had been included in the Company’s former building efficiency segment, to IAP Worldwide Services, Inc. for $260 million. The sale resulted in a gain of approximately $139 million ($85 million after-tax), net of related costs.

In February 2005, the Company completed the sale of its engine electronics business, which had been included in the automotive experience—Europe segment, to Valeo for €316 million. This non-core business was acquired in fiscal 2002 from Sagem SA. The sale of the engine electronics business resulted in a gain of $81 million ($51 million after-tax), net of related costs, in fiscal 2005. In the second quarter of fiscal 2007, the Company settled a claim related to the engine electronics business that resulted in a loss of approximately $4 million ($3 million after-tax).

The following summarizes the net sales, income (loss) before income taxes and minority interests, and income (loss) per share from discontinued operations amounts for the fiscal years ended September 30, 2007, 2006 and 2005 (in millions, except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Net sales</td>
<td>$54</td>
</tr>
<tr>
<td>Income (loss) before income taxes and minority interests</td>
<td>(16)</td>
</tr>
<tr>
<td>Income (loss) per share from discontinued operations</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>Gain (loss) per share on sale of discontinued operations</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$(0.06)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(0.06)</td>
</tr>
</tbody>
</table>

Net assets of the Bristol Compressor business at the disposal date totaled approximately $86 million, which consisted of current assets of $97 million, fixed assets of $6 million and liabilities of $17 million.
4. INVENTORIES

Inventories consisted of the following (in millions):

<table>
<thead>
<tr>
<th></th>
<th>September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>$774</td>
<td>$655</td>
</tr>
<tr>
<td>Work-in-process</td>
<td>329</td>
<td>294</td>
</tr>
<tr>
<td>Finished goods</td>
<td>930</td>
<td>834</td>
</tr>
<tr>
<td>FIFO inventories</td>
<td>2,033</td>
<td>1,783</td>
</tr>
<tr>
<td>LIFO reserve</td>
<td>(65)</td>
<td>(52)</td>
</tr>
<tr>
<td>Inventories</td>
<td>$1,968</td>
<td>$1,731</td>
</tr>
</tbody>
</table>

Inventories valued by the LIFO method of accounting were approximately 25% of total inventories at September 30, 2007 and 2006.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in millions):

<table>
<thead>
<tr>
<th></th>
<th>September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2006</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>$2,159</td>
<td>$1,794</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>6,026</td>
<td>5,787</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>536</td>
<td>589</td>
</tr>
<tr>
<td>Land</td>
<td>322</td>
<td>295</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>$9,043</td>
<td>$8,465</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(4,835)</td>
<td>(4,497)</td>
</tr>
<tr>
<td>Property, plant and equipment — net</td>
<td>$4,208</td>
<td>$3,968</td>
</tr>
</tbody>
</table>

Interest costs capitalized during the fiscal years ended September 30, 2007, 2006, and 2005 were $13 million, $21 million and $11 million, respectively.

In March 2005, the FASB issued FIN 47, which clarified that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation (ARO) if the fair value can be reasonably estimated even though uncertainty exists about the timing and/or method of settlement. Under FIN 47, companies must accrue for costs related to legal obligations associated with the retirement, disposal, removal or abandonment of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event and if the liability’s fair value can be reasonably estimated. FIN 47 requires that the ARO estimate be recorded as a liability and as an increase to the related asset. The capitalized asset is depreciated over the remaining useful life of the asset.

The Company has identified certain legal and future environmental obligations at owned properties in the power solutions business as conditional AROs. In the fourth quarter of fiscal 2006, the Company adopted FIN 47 and, using site-specific surveys and other historical information, recorded an increase in net property, plant and equipment of $16 million, an ARO liability of $28 million and a non-cash, after-tax charge of $7 million ($0.01 per share), which is reported in the fiscal 2006 consolidated statement of income as a cumulative effect of a change in accounting principle, net of income taxes. Changes to the ARO assets and liabilities in fiscal 2007 were not significant.
6. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill in each of the Company’s reporting segments for the fiscal years ended September 30, 2007 and 2006 were as follows (in millions):

<table>
<thead>
<tr>
<th>Segment</th>
<th>September 30, 2005</th>
<th>Business Acquisitions</th>
<th>Currency Translation and Other</th>
<th>September 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America Systems</td>
<td>$ 45</td>
<td>$ 451</td>
<td>$ —</td>
<td>$ 496</td>
</tr>
<tr>
<td>North America Service</td>
<td>11</td>
<td>601</td>
<td>3</td>
<td>615</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>—</td>
<td>473</td>
<td>—</td>
<td>473</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>182</td>
<td>—</td>
<td>(16)</td>
<td>166</td>
</tr>
<tr>
<td>Europe</td>
<td>207</td>
<td>147</td>
<td>16</td>
<td>370</td>
</tr>
<tr>
<td>Rest of World</td>
<td>71</td>
<td>411</td>
<td>5</td>
<td>487</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,733</td>
<td>$ 2,104</td>
<td>$ 73</td>
<td>$ 5,910</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>September 30, 2006</th>
<th>Business Acquisitions</th>
<th>Currency Translation and Other</th>
<th>September 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America Systems</td>
<td>$ 496</td>
<td>—</td>
<td>$ 1</td>
<td>$ 497</td>
</tr>
<tr>
<td>North America Service</td>
<td>615</td>
<td>1</td>
<td>6</td>
<td>622</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>473</td>
<td>—</td>
<td>8</td>
<td>481</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>166</td>
<td>8</td>
<td>7</td>
<td>181</td>
</tr>
<tr>
<td>Europe</td>
<td>370</td>
<td>—</td>
<td>22</td>
<td>392</td>
</tr>
<tr>
<td>Rest of World</td>
<td>487</td>
<td>1</td>
<td>40</td>
<td>528</td>
</tr>
<tr>
<td>Total</td>
<td>$ 5,910</td>
<td>$ 22</td>
<td>$ 199</td>
<td>$ 6,131</td>
</tr>
</tbody>
</table>

56
The Company’s other intangible assets, primarily from business acquisitions, are valued based on independent appraisals and consisted of (in millions):

<table>
<thead>
<tr>
<th>Amortized intangible assets</th>
<th>September 30, 2007</th>
<th>September 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Carrying Amount</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td>Patented technology</td>
<td>$315</td>
<td>$(147)</td>
</tr>
<tr>
<td>Unpatented technology</td>
<td>21</td>
<td>(8)</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>306</td>
<td>(24)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>47</td>
<td>(32)</td>
</tr>
<tr>
<td>Total amortized intangible assets</td>
<td>689</td>
<td>(211)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unamortized intangible assets</th>
<th>Year Ended September 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks</td>
<td>Beginning balance $162</td>
</tr>
<tr>
<td></td>
<td>Accruals for warranties issued during the period</td>
</tr>
<tr>
<td></td>
<td>Accruals from business acquisition</td>
</tr>
<tr>
<td></td>
<td>Accruals related to pre-existing warranties (including changes in estimates)</td>
</tr>
<tr>
<td></td>
<td>Settlements made (in cash or in kind) during the period</td>
</tr>
<tr>
<td></td>
<td>Currency translation</td>
</tr>
<tr>
<td></td>
<td>Ending balance</td>
</tr>
</tbody>
</table>

Amortization of other intangible assets for the fiscal years ended September 30, 2007 and 2006 was $45 million and $44 million, respectively. Excluding the impact of any future acquisitions, the Company anticipates amortization of other intangible assets will average approximately $36 million per year over the next five years.

7. PRODUCT WARRANTIES

The Company offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that the Company replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty-related costs based on actual historical return rates. Based on analysis of return rates and other factors, the adequacy of the Company’s warranty provisions are adjusted as necessary. While the Company’s warranty costs have historically been within its calculated estimates, it is possible that future warranty costs could exceed those estimates. The Company’s product warranty liability is included in other current liabilities in the consolidated statement of financial position.

The changes in the carrying amount of the Company’s total product warranty liability for the fiscal years ended September 30, 2007 and 2006 were as follows (in millions):

<table>
<thead>
<tr>
<th>Year Ended September 30, 2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$ 162</td>
</tr>
<tr>
<td>Accruals for warranties issued during the period</td>
<td>117</td>
</tr>
<tr>
<td>Accruals from business acquisition</td>
<td>5</td>
</tr>
<tr>
<td>Accruals related to pre-existing warranties (including changes in estimates)</td>
<td>(4)</td>
</tr>
<tr>
<td>Settlements made (in cash or in kind) during the period</td>
<td>(136)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>6</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$ 150</td>
</tr>
</tbody>
</table>
8. LEASES

Certain administrative and production facilities and equipment are leased under long-term agreements. Most leases contain renewal options for varying periods, and certain leases include options to purchase the leased property during or at the end of the lease term. Leases generally require the Company to pay for insurance, taxes and maintenance of the property. Leased capital assets included in net property, plant and equipment, primarily buildings and improvements, were $60 million and $57 million at September 30, 2007 and 2006, respectively.

Other facilities and equipment are leased under arrangements that are accounted for as operating leases. Total rental expense for the fiscal years ended September 30, 2007, 2006 and 2005 was $336 million, $288 million and $242 million, respectively.

Future minimum capital and operating lease payments and the related present value of capital lease payments at September 30, 2007 were as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Leases</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 15</td>
<td>$ 209</td>
</tr>
<tr>
<td>2009</td>
<td>50</td>
<td>170</td>
</tr>
<tr>
<td>2010</td>
<td>8</td>
<td>123</td>
</tr>
<tr>
<td>2011</td>
<td>7</td>
<td>85</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>61</td>
</tr>
<tr>
<td>After 2012</td>
<td>19</td>
<td>138</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>100</td>
<td>$ 786</td>
</tr>
<tr>
<td>Interest</td>
<td>(12)</td>
<td></td>
</tr>
<tr>
<td>Present value of net minimum lease payments</td>
<td>$ 88</td>
<td></td>
</tr>
</tbody>
</table>

9. SHORT-TERM DEBT AND CREDIT AGREEMENTS

Short-term debt consisted of the following (in millions):

<table>
<thead>
<tr>
<th>September 30, 2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank borrowings</td>
<td>$ 264</td>
</tr>
</tbody>
</table>

Weighted average interest rate on short-term debt outstanding  

4.99%  5.85%

The Company has a $2.0 billion committed five-year credit facility to support its outstanding commercial paper. The facility expires in December 2011. Average outstanding commercial paper for the fiscal year ended September 30, 2007 was $770 million. There were no draws against the $2.0 billion facility during the year ended September 30, 2007.

In addition, the Company had uncommitted lines of credit from banks totaling approximately $1.7 billion at September 30, 2007 of which approximately $1.4 billion remained unused. The lines of credit are subject to the customary terms and conditions applied by banks.
10. LONG-TERM DEBT

Long-term debt consisted of the following (in millions; due dates by fiscal year):

<table>
<thead>
<tr>
<th>Unsecured notes</th>
<th>September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>5.0% due in 2007 ($350 million par value)</td>
<td>$</td>
</tr>
<tr>
<td>6.3% due in 2008 ($175 million par value)</td>
<td>173</td>
</tr>
<tr>
<td>6.7% due in 2008 ($200 million par value)</td>
<td>202</td>
</tr>
<tr>
<td>5.25% due in 2011 ($800 million par value)</td>
<td>800</td>
</tr>
<tr>
<td>5.8% due in 2013 ($100 million par value)</td>
<td>100</td>
</tr>
<tr>
<td>4.875% due in 2013 ($300 million par value)</td>
<td>299</td>
</tr>
<tr>
<td>7.7% due in 2015 ($125 million par value)</td>
<td>125</td>
</tr>
<tr>
<td>5.5% due in 2016 ($800 million par value)</td>
<td>799</td>
</tr>
<tr>
<td>7.125% due in 2017 ($150 million par value)</td>
<td>150</td>
</tr>
<tr>
<td>6.0% due in 2036 ($400 million par value)</td>
<td>395</td>
</tr>
<tr>
<td>6.95% due in 2046 ($125 million par value)</td>
<td>125</td>
</tr>
<tr>
<td>Floating rate notes due in 2008 ($500 million par value)</td>
<td>500</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>—</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>88</td>
</tr>
<tr>
<td>Foreign-denominated debt</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>86</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>312</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
</tr>
<tr>
<td>Gross long-term debt</td>
<td>4,154</td>
</tr>
<tr>
<td>Less: current portion</td>
<td>899</td>
</tr>
<tr>
<td>Net long-term debt</td>
<td>$3,255</td>
</tr>
</tbody>
</table>

At September 30, 2007, the Company’s euro-denominated long-term debt was at fixed rates with a weighted-average interest rate of 8.3% and the Company’s yen-denominated debt was at floating rates with a weighted average interest rate of 1.2%.

The installments of long-term debt maturing in subsequent fiscal years are: 2008 — $899 million; 2009 — $276 million; 2010 — $123 million; 2011 — $807 million; 2012 — $1 million; 2013 and thereafter — $2 billion. The Company’s long-term debt includes various financial covenants, none of which are expected to restrict future operations.

Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2007, 2006 and 2005 was $273 million, $234 million and $133 million, respectively. The Company uses financial instruments to manage its interest rate exposure (see Note 11). These instruments affect the weighted average interest rate of the Company’s debt and interest expense.

11. FINANCIAL INSTRUMENTS

The Company selectively uses derivative instruments to reduce market risk associated with changes in foreign currency, commodities, compensation expense and interest rates. Under Company policy, the use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. See Note 1 for additional information regarding the Company’s objectives for holding certain derivative instruments, its strategies for achieving those objectives, and its risk management and accounting policies applicable to these instruments.

The Company has global operations and participates in the foreign exchange markets to minimize its risk of loss from fluctuations in currency exchange rates. The Company primarily uses foreign currency exchange contracts to hedge certain of its foreign currency exposure.
The Company selectively uses interest rate swaps to reduce market risk associated with changes in interest rates (fair value hedges). In October 2003, the Company entered into a four-year and three-month interest rate swap to hedge the Company’s 6.3% notes maturing in February 2008 ($175 million). Under the swap, the Company receives interest based on a fixed U.S. dollar rate of 6.3% and pays interest based on a floating three-month U.S. dollar LIBOR rate plus 283.5 basis points. A second interest rate swap that was outstanding as of September 30, 2006 matured in conjunction with the maturity of the hedged debt on November 15, 2006.

The Company also selectively uses cross-currency interest rate swaps to hedge the foreign currency exposure associated with its net investment in certain non-U.S. operations (net investment hedges). Under the swaps, the Company receives interest based on a variable U.S. dollar rate and pays interest based on variable euro rates on the outstanding notional principal amounts in dollars and euro, respectively.

In addition, the Company selectively uses equity swaps to reduce market risk associated with certain of its stock-based compensation plans, such as its deferred compensation plans and stock appreciation rights. These equity compensation liabilities increase as the Company’s stock price increases and decrease as the Company’s stock price decreases. In contrast, the value of the swap agreement moves in the opposite direction of these liabilities, allowing the Company to fix a portion of the liabilities at a stated amount. In March 2004, the Company entered into an equity swap agreement. In connection with the swap agreement, as amended, a third party may purchase shares of the Company’s stock in the market or in privately negotiated transactions up to an amount equal to $200 million in aggregate market value at any given time. Although the swap agreement has a stated expiration date, the Company’s intention is to continually renew the swap agreement with the counterparty’s consent. The net effect of the change in the fair value of the swap agreement and the change in equity compensation liabilities was not material to the Company’s earnings for the fiscal years ended September 30, 2007 or 2006. The Company does not apply hedge accounting for this particular hedge.

In September 2005, the Company entered into three forward treasury lock agreements to reduce the market risk associated with changes in interest rates associated with the Company’s anticipated fixed-rate note issuance to finance the acquisition of York (cash flow hedge). The three forward treasury lock agreements, which had a combined notional amount of $1.3 billion, fixed a portion of the future interest cost for 5-year, 10-year and 30-year bonds. The fair value of each treasury lock agreement, or the difference between the treasury lock reference rate and the fixed rate at time of note issuance, is being amortized to interest expense over the life of the respective note issuance. In January 2006, in connection with the Company’s debt refinancing, the three forward lock treasury agreements were terminated.

The Company uses commodity contracts in the financial derivatives market in cases where commodity price risk cannot be naturally offset or hedged through supply base fixed price contracts. Commodity risks are systematically managed pursuant to policy guidelines. As a cash flow hedge, gains and losses resulting from the hedging instruments offset the gains or losses upon purchase of the underlying commodities that will be used in the business. The maturities of the commodity contracts coincide with the expected purchase of the commodities. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the sales.

The Company’s derivative instruments are recorded at fair value in the consolidated statement of financial position as follows (in millions at U.S. dollar equivalent):

60
Johnson Controls, Inc.
Notes to Consolidated Financial Statements

<table>
<thead>
<tr>
<th>Other current assets</th>
<th>September 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Notional Amount</td>
<td>Fair Value Asset (Liability)</td>
<td>Notional Amount</td>
</tr>
<tr>
<td>Foreign currency exchange contracts</td>
<td>$1,634</td>
<td>$(3)</td>
<td>$2,801</td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>—</td>
<td>—</td>
<td>150</td>
</tr>
<tr>
<td>Commodity contracts</td>
<td>333</td>
<td>64</td>
<td>278</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other noncurrent assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity contracts</td>
<td>5</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-currency interest rate swaps</td>
<td>1,301</td>
<td>(63)</td>
</tr>
<tr>
<td>Interest rate swap</td>
<td>175</td>
<td>(2)</td>
</tr>
<tr>
<td>Equity swap</td>
<td>189</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other noncurrent liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap</td>
<td>—</td>
<td>175</td>
</tr>
</tbody>
</table>

It is important to note that the Company’s derivative instruments are hedges protecting against underlying changes in foreign currency, interest rates, compensation liabilities and commodity price changes. Accordingly, the implied gains/losses associated with the fair values of foreign currency exchange contracts and cross-currency interest rate swaps would be offset by gains/losses on underlying payables, receivables and net investments in non-U.S. subsidiaries. Similarly, implied gains/losses associated with interest rate swaps offset changes in interest rates and the fair value of long-term debt. The Company will not enter into any derivative for speculative purposes.

The fair values of interest rate swaps were determined using dealer quotes. The fair values of cross-currency interest rate swaps and foreign currency exchange contracts were determined using the Company’s treasury management system, which is based on market exchange rates.

12. STOCK-BASED COMPENSATION

Effective October 1, 2005, the Company adopted SFAS No. 123(R), “Share-Based Payment,” using the modified prospective method. The modified prospective method requires compensation cost to be recognized beginning on the effective date (a) based on the requirements of SFAS No. 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS No. 123 for all awards granted to employees prior to the effective date of SFAS No. 123(R) that remain unvested on the effective date. As such, 2005 results will not reflect restated amounts. The cumulative impact of adopting SFAS 123(R) was not significant to the Company’s operating results since the Company had previously adopted SFAS No. 123. Pro forma net income and basic and diluted earnings per share have not been disclosed as the impact of applying the fair value based method to all outstanding and unvested awards is not material to the Company’s consolidated results of operations.

The Company has two share-based compensation plans, which are described below. The compensation cost charged against income for those plans was approximately $82 million, $67 million and $38 million for the fiscal years ended September 30, 2007, 2006 and 2005, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was approximately $32 million, $27 million and $15 million for the fiscal years ended September 30, 2007, 2006 and 2005, respectively.

Prior to the adoption of SFAS No. 123(R), the Company applied a nominal vesting approach for employee stock-based compensation awards with retirement eligible provisions. Under the nominal vesting approach, the Company recognized compensation cost over the vesting period and, if the employee retired before the end of the vesting period, the Company recognized any remaining unrecognized compensation cost at the date of retirement. For stock-based payments issued after the adoption of SFAS No. 123(R), the Company applies a non-substantive vesting period approach whereby expense is accelerated for those employees that receive awards and are eligible to retire prior to the award vesting. Had the Company applied the non-substantive vesting period approach prior to the adoption of SFAS No. 123(R), an approximate $8 million, $11 million and $5 million reduction of pre-tax compensation cost would have been recognized for the fiscal years ended September 30, 2007, 2006 and 2005, respectively.
Stock Option Plan

Stock Options

The Company’s 2000 Stock Option Plan, as amended (the 2000 Plan), which is shareholder-approved, permitted the grant of stock options to the Company’s employees for up to approximately 38 million shares of new common stock. Option awards were granted with an exercise price equal to the market price of the Company’s stock at the date of grant; those option awards vest between two and three years after the grant date and expire 10 years from the grant date.

In January 2007, the Company’s shareholders approved replacement of the 2000 Plan with the 2007 Stock Option Plan (the 2007 Plan). The terms of the 2007 Plan are substantially similar to those of the 2000 Plan, and upon adoption of the 2007 Plan, the remaining shares under the 2000 Plan became available for grant under the 2007 Plan. The maximum number of shares of common stock the Company may issue under the 2007 Plan is approximately 38 million shares (post stock split; see Note 19) consisting of approximately 8 million shares that remained available under the 2000 Plan prior to its termination plus an additional 30 million shares (approximately 38 million shares of common stock remained available to be granted at September 30, 2007).

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company’s stock and other factors. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods during the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected life of option (years)</td>
<td>4.75</td>
<td>4.75</td>
<td>5.00</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>4.56%</td>
<td>4.46%</td>
<td>3.48%</td>
</tr>
<tr>
<td>Expected volatility of the Company’s stock</td>
<td>22.00%</td>
<td>22.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Expected dividend yield on the Company’s stock</td>
<td>1.60%</td>
<td>1.70%</td>
<td>1.76%</td>
</tr>
<tr>
<td>Expected forfeiture rate</td>
<td>12.25%</td>
<td>12.75%</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

A summary of stock option activity at September 30, 2007, and changes for the fiscal year then ended, is presented below:

<table>
<thead>
<tr>
<th></th>
<th>Weighted Average Option Price</th>
<th>Shares Subject to Option</th>
<th>Weighted Average Contractual Life (in millions)</th>
<th>Aggregate Intrinsic Value (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, September 30, 2006</td>
<td>$18.03</td>
<td>31,023,954</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>24.12</td>
<td>7,495,017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>14.46</td>
<td>(7,488,051)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited or expired</td>
<td>22.29</td>
<td>(1,278,222)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, September 30, 2007</td>
<td>$20.28</td>
<td>29,752,698</td>
<td>7.3</td>
<td>$567</td>
</tr>
</tbody>
</table>

The weighted-average grant-date fair value of options granted during the fiscal years ended September 30, 2007, 2006 and 2005 was $5.59, $5.12 and $4.64, respectively.

The total intrinsic value of options exercised during the fiscal years ended September 30, 2007, 2006 and 2005 was approximately $125 million, $106 million and $57 million, respectively.

In conjunction with the exercise of stock options granted, the Company received cash payments for the fiscal years ended September 30, 2007, 2006, and 2005 of approximately $104 million, $97 million and $66 million, respectively.
In November 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, “Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards.” The Company has elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of stock-based compensation pursuant to SFAS 123(R). The alternative transition method includes computational guidance to establish the beginning balance of the additional paid-in capital pool (APIC Pool) related to the tax effects of employee stock-based compensation, and a simplified method to determine the subsequent impact on the APIC Pool for employee stock-based compensation awards that are vested and outstanding upon adoption of SFAS 123(R). The tax benefit from the exercise of stock options, which is recorded in capital in excess of par value, was $39 million, $33 million and $28 million, respectively, for the fiscal years ended September 30, 2007, 2006 and 2005. The Company does not settle equity instruments granted under share-based payment arrangements for cash.

At September 30, 2007, the Company had approximately $26 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under both of the plans. That cost is expected to be recognized over a weighted-average period of 0.8 years.

**Stock Appreciation Rights (SARs)**

The 2000 Plan permitted, and the 2007 Plan permits SARs to be separately granted to certain employees. SARs vest under the same terms and conditions as option awards; however, they are settled in cash for the difference between the market price on the date of exercise and the exercise price. As a result, SARs are recorded in the Company’s consolidated statements of financial position as a liability until the date of exercise.

The fair value of each SAR award is estimated using a similar method described for option awards. In accordance with SFAS No. 123(R), the fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value. Prior to the effective date of SFAS No. 123(R), the SAR liability and expense was determined based on the intrinsic value of each award at the end of each reporting period. The difference between the fair value and intrinsic value of SAR awards on the date of adoption of SFAS No. 123(R) was not material to the Company’s consolidated results of operations.

The assumptions used to determine the fair value of the SAR awards at September 30, 2007 were as follows:

<table>
<thead>
<tr>
<th>SAR Award Assumption</th>
<th>0.5 - 2.8</th>
<th>3.97 - 4.09%</th>
<th>22.00%</th>
<th>1.60%</th>
<th>0-20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected life of SAR (years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected volatility of the Company’s stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected dividend yield on the Company’s stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected forfeiture rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A summary of SAR activity at September 30, 2007, and changes for the fiscal year then ended, is presented below:

<table>
<thead>
<tr>
<th>SAR Activity</th>
<th>Weighted Average SAR Price</th>
<th>Shares Subject to SAR</th>
<th>Weighted Average Remaining Contractual Life (years)</th>
<th>Aggregate Intrinsic Value (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, September 30, 2006</td>
<td>18.05</td>
<td>2,992,518</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>23.97</td>
<td>898,950</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>16.15</td>
<td>(654,831)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited or expired</td>
<td>18.37</td>
<td>(167,880)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, September 30, 2007</td>
<td>20.18</td>
<td>3,068,757</td>
<td>7.1</td>
<td>59</td>
</tr>
<tr>
<td>Exerciseable, September 30, 2007</td>
<td>15.47</td>
<td>1,111,701</td>
<td>5.0</td>
<td>27</td>
</tr>
</tbody>
</table>

In conjunction with the exercise of SARs granted, the Company made payments of $10 million for each of the fiscal years ended September 30, 2007 and 2006.
Restricted (Nonvested) Stock

In fiscal 2002, the Company adopted a restricted stock plan that provides for the award of restricted shares of common stock or restricted share units to certain key employees. Awards under the restricted stock plan vest 50% after two years from the grant date and 50% after four years from the grant date.

A summary of the status of the Company’s nonvested restricted shares at September 30, 2007, and changes for the fiscal year then ended, is presented below:

<table>
<thead>
<tr>
<th>Nonvested, September 30, 2006</th>
<th>Weighted Average Price</th>
<th>Shares Subject to Restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonvested</td>
<td>$22.81</td>
<td>1,315,500</td>
</tr>
<tr>
<td>Granted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vested</td>
<td>13.45</td>
<td>(42,000)</td>
</tr>
<tr>
<td>forfeited or expired</td>
<td>23.34</td>
<td>(60,000)</td>
</tr>
<tr>
<td>Nonvested, September 30, 2007</td>
<td>$23.11</td>
<td>1,213,500</td>
</tr>
</tbody>
</table>

At September 30, 2007, the Company had approximately $4 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the restricted stock plan. That cost is expected to be recognized over a weighted-average period of 1.0 year.

13. EARNINGS PER SHARE

The Company presents both basic and diluted earnings per share (EPS) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net income by the weighted average number of common shares and common equivalent shares outstanding during the year that are calculated using the treasury-stock method for stock options. The treasury stock method assumes that the Company uses the proceeds from the exercise of awards to repurchase common stock at the average market price during the period. The assumed proceeds under the treasury stock method include the purchase price that the grantee will pay in the future, compensation cost for future service that the Company has not yet recognized and any windfall tax benefits that would be credited to additional paid-in capital when the award generates a tax deduction. If there would be a shortfall resulting in a charge to additional paid-in capital, such an amount would be a reduction of the assumed proceeds.

The following table reconciles the numerators and denominators used to calculate basic and diluted earnings per share for the fiscal years ended September 30, 2007, 2006 and 2005 (in millions):

<table>
<thead>
<tr>
<th>Year Ended September 30, 2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted income available to common shareholders</td>
<td>$1,252</td>
<td>$1,028</td>
</tr>
</tbody>
</table>

Weighted Average Shares Outstanding

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic weighted average shares outstanding</td>
<td>590.6</td>
<td>583.5</td>
<td>575.4</td>
</tr>
<tr>
<td>Effect of dilutive securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock options</td>
<td>8.6</td>
<td>6.4</td>
<td>7.5</td>
</tr>
<tr>
<td>Diluted weighted average shares outstanding</td>
<td>599.2</td>
<td>589.9</td>
<td>582.9</td>
</tr>
</tbody>
</table>

Antidilutive Securities

| Options to purchase common shares | 0.1 | 0.4 | 1.7 |

64
14. RETIREMENT PLANS

Pension Benefits

The Company has non-contributory defined benefit pension plans covering certain U.S. and non-U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. Effective January 1, 2006, certain of the Company’s U.S. pension plans were amended to prohibit new participants from entering the plans. Active participants will continue to accrue benefits under the amended plans. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974. Funding for non-U.S. plans observes the local legal and regulatory limits. Also, the Company makes contributions to union-trusteed pension funds for construction and service personnel.

The Company’s investment policies employ an approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed-income investments. Equity investments are diversified across domestic and non-domestic stocks, as well as growth, value, and small to large capitalizations. Fixed income investments include corporate and government issues, with short-, mid- and long-term maturities, with a focus on investment grade when purchased. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

The Company’s actual asset allocations are in line with target allocations. The Company rebalances asset allocations monthly, or as appropriate, in order to stay within a range of allocation for each asset category.

The Company’s pension plan asset allocations by asset category are shown below:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. plans</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td>Non-U.S. plans</td>
<td>52%</td>
<td>51%</td>
</tr>
<tr>
<td>Debt securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. plans</td>
<td>30%</td>
<td>31%</td>
</tr>
<tr>
<td>Non-U.S. plans</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>Real estate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. plans</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Non-U.S. plans</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Cash/liquidity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. plans</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Non-U.S. plans</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

The expected return on plan assets is based on the Company’s expectation of the long-term average rate of return of the capital markets in which the plans invest. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category.

For pension plans with accumulated benefit obligations (ABO) that exceed plan assets, the projected benefit obligation (PBO), ABO and fair value of plan assets of those plans were $1,090 million, $996 million and $562 million, respectively, as of September 30, 2007 and $1,360 million, $1,263 million and $802 million, respectively, as of September 30, 2006.

The Company expects to contribute approximately $100 million in cash to its defined benefit pension plans in fiscal 2008. Projected benefit payments from the plans as of September 30, 2007 are estimated as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$132</td>
</tr>
<tr>
<td>2009</td>
<td>135</td>
</tr>
<tr>
<td>2010</td>
<td>142</td>
</tr>
<tr>
<td>2011</td>
<td>148</td>
</tr>
<tr>
<td>2012</td>
<td>161</td>
</tr>
<tr>
<td>2013-2017</td>
<td>971</td>
</tr>
</tbody>
</table>
Savings and Investment Plans

The Company sponsors various defined contribution savings plans primarily in the U.S. that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, the Company will contribute to certain savings plans based on the employees’ eligible pay and/or will match a percentage of the employee contributions up to certain limits. Matching contributions charged to expense amounted to $76 million, $60 million and $42 million for the fiscal years ended September 30, 2007, 2006 and 2005, respectively.

Postretirement Health and Other Benefits

The Company provides certain health care and life insurance benefits for eligible retirees and their dependents primarily in the U.S. Most non-U.S. employees are covered by government sponsored programs, and the cost to the Company is not significant. The U.S. benefits are paid as incurred. No change in the Company’s practice of funding these benefits on a pay-as-you-go basis is anticipated.

Eligibility for coverage is based on meeting certain years of service and retirement age qualifications. These benefits may be subject to deductibles, co-payment provisions and other limitations, and the Company has reserved the right to modify these benefits. Effective January 31, 1994, the Company modified certain salaried plans to place a limit on the Company’s cost of future annual retiree medical benefits at no more than 150% of the 1993 cost.

The September 30, 2007 accumulated postretirement benefit obligation (APBO) for both pre-65 and post-65 years of age employees was determined using assumed medical care cost trend rates of 9.0% decreasing one half percent each year to an ultimate rate of 5% and prescription drug trend rates of 11.0% decreasing one half percent each year to an ultimate rate of 6%. The September 30, 2006 APBO for both pre-65 and post-65 years of age employees was determined using medical care cost trend rates of 9.5% decreasing one half percent each year to an ultimate rate of 5% and prescription drug trend rates of 11.5% decreasing one half percent each year to an ultimate rate of 6%. The health care cost trend assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by $9 million at September 30, 2007 and the sum of the service and interest costs in fiscal 2007 by $1 million. A one percentage point decrease in the assumed health care cost trend rate would have decreased the accumulated benefit obligation by $11 million at September 30, 2007 and the sum of the service and interest costs by $1 million.

The Company expects to contribute approximately $25 million in cash to its postretirement health and other benefit plans in fiscal 2008. Projected benefit payments from the plans as of September 30, 2007 are estimated as follows (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$22</td>
</tr>
<tr>
<td>2009</td>
<td>22</td>
</tr>
<tr>
<td>2010</td>
<td>23</td>
</tr>
<tr>
<td>2011</td>
<td>24</td>
</tr>
<tr>
<td>2012</td>
<td>25</td>
</tr>
<tr>
<td>2013-2017</td>
<td>125</td>
</tr>
</tbody>
</table>

In December 2003, the U.S. Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) for employers sponsoring postretirement health care plans that provide prescription drug benefits. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans providing a benefit that is at least actuarially equivalent to Medicare Part D.1. Under the Act, the Medicare subsidy amount is received directly by the plan sponsor and not the related plan. Further, the plan sponsor is not required to use the subsidy amount to fund postretirement benefits and may use the subsidy for any valid business purpose. Projected subsidy receipts are estimated to be approximately $4 million per year over the next ten years.

The table that follows contains the accumulated benefit obligation and reconciliations of the changes in the PBO, the changes in plan assets and the funded status (in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Accumulated Benefit Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$22</td>
</tr>
<tr>
<td>2009</td>
<td>22</td>
</tr>
<tr>
<td>2010</td>
<td>23</td>
</tr>
<tr>
<td>2011</td>
<td>24</td>
</tr>
<tr>
<td>2012</td>
<td>25</td>
</tr>
<tr>
<td>2013-2017</td>
<td>125</td>
</tr>
</tbody>
</table>

66
<table>
<thead>
<tr>
<th></th>
<th>U.S. Plans</th>
<th>Non-U.S. Plans</th>
<th>Postretirement Health and Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accumulated Benefit Obligation</strong></td>
<td>$1,938</td>
<td>$1,810</td>
<td>$1,336</td>
</tr>
<tr>
<td><strong>Change in Projected Benefit Obligation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation at beginning of year</td>
<td>2,018</td>
<td>1,749</td>
<td>1,340</td>
</tr>
<tr>
<td>Service cost</td>
<td>74</td>
<td>87</td>
<td>38</td>
</tr>
<tr>
<td>Interest cost</td>
<td>129</td>
<td>112</td>
<td>63</td>
</tr>
<tr>
<td>Plan participant contributions</td>
<td>—</td>
<td>—</td>
<td>4</td>
</tr>
<tr>
<td>Acquisitions (1)</td>
<td>—</td>
<td>423</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial loss (gain)</td>
<td>64</td>
<td>(287)</td>
<td>(29)</td>
</tr>
<tr>
<td>Amendments made during the year</td>
<td>(4)</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>Benefits paid (113)</td>
<td>(79)</td>
<td>(57)</td>
<td>(38)</td>
</tr>
<tr>
<td>Special termination benefits</td>
<td>1</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Settlement</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Measurement date change</td>
<td>34</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td>—</td>
<td>—</td>
<td>90</td>
</tr>
<tr>
<td>Projected benefit obligation at end of year</td>
<td>$2,202</td>
<td>$2,018</td>
<td>$1,452</td>
</tr>
<tr>
<td><strong>Change in Plan Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$1,853</td>
<td>$1,453</td>
<td>$914</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>329</td>
<td>103</td>
<td>55</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>—</td>
<td>328</td>
<td>—</td>
</tr>
<tr>
<td>Employer and employee contributions</td>
<td>8</td>
<td>48</td>
<td>94</td>
</tr>
<tr>
<td>Benefits paid (113)</td>
<td>(79)</td>
<td>(57)</td>
<td>(38)</td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td>—</td>
<td>—</td>
<td>90</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>$2,077</td>
<td>$1,853</td>
<td>$1,065</td>
</tr>
<tr>
<td><strong>Funded status</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized net transition obligation</td>
<td>—</td>
<td>(2)</td>
<td>—</td>
</tr>
<tr>
<td>Unrecognized net actuarial loss (gain)</td>
<td>—</td>
<td>282</td>
<td>—</td>
</tr>
<tr>
<td>Unrecognized prior service cost (credit)</td>
<td>—</td>
<td>20</td>
<td>—</td>
</tr>
<tr>
<td>Employer contributions paid between the measurement date and September 30</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Net accrued benefit (cost) recognized at end of year</td>
<td>(125)</td>
<td>$136</td>
<td>$387</td>
</tr>
<tr>
<td><strong>Amounts recognized in the statement of financial position consist of:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid benefit cost</td>
<td>$78</td>
<td>$240</td>
<td>$39</td>
</tr>
<tr>
<td>Accrued benefit liability</td>
<td>(203)</td>
<td>(129)</td>
<td>(426)</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>—</td>
<td>6</td>
<td>—</td>
</tr>
<tr>
<td>Minimum pension liability</td>
<td>—</td>
<td>19</td>
<td>119</td>
</tr>
<tr>
<td>Net amount recognized</td>
<td>(125)</td>
<td>$136</td>
<td>$387</td>
</tr>
<tr>
<td><strong>Weighted Average Assumptions (2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>6.50%</td>
<td>6.50%</td>
<td>4.90%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.30%</td>
<td>3.60%</td>
<td>3.00%</td>
</tr>
</tbody>
</table>
The acquisitions for the U.S. and non-U.S. pension plans for the fiscal year ended September 30, 2006 include $617 million of projected benefit obligations, $440 million of plan assets and $177 million of accumulated postretirement benefit obligations primarily related to the York acquisition.

Plan assets and obligations are determined based on a September 30 measurement date at September 30, 2007. Plan assets and obligations are determined based on a July 31 measurement date at September 30, 2006 for U.S. plans and a September 30 measurement date at September 30, 2006 for non-U.S. plans, utilizing assumptions as of those dates.

The amounts in accumulated in other comprehensive income on the balance sheet, excluding tax effects, that have not yet been recognized as components of net periodic benefit cost at September 30, 2007 are as follows (in millions):

The incremental effects of adoption of SFAS No. 158 on individual line items in the September 30, 2007 consolidated balance sheet are shown below (in millions):

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year are shown below (in millions):

<table>
<thead>
<tr>
<th>Postretirement</th>
<th>Pension Benefits</th>
<th>Health and Other Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>$325</td>
<td>(60)</td>
</tr>
<tr>
<td>Health</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Before Application of SFAS No. 158 | Adjustments | After Application of SFAS No. 158 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other intangible assets, net</td>
<td>$779</td>
<td>$6</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>1,226</td>
<td>100</td>
</tr>
<tr>
<td>Postretirement health and other benefits</td>
<td>324</td>
<td>(68)</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>1,408</td>
<td>231</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>842</td>
<td>(60)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>6,707</td>
<td>(9)</td>
</tr>
</tbody>
</table>

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year are shown below (in millions):

<table>
<thead>
<tr>
<th>Postretirement</th>
<th>Pension Benefits</th>
<th>Health and Other Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>$11</td>
<td>$2</td>
</tr>
<tr>
<td>Health</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

Total | $13 | $9 |
15. RESTRUCTURING COSTS

As part of its continuing efforts to reduce costs and improve the efficiency of its global operations, the Company committed to a restructuring plan (2006 Plan) in the third quarter of fiscal 2006 and recorded a $197 million restructuring charge in that quarter. During the fourth quarter of fiscal 2006, the Company increased its 2006 Plan restructuring charge by $8 million for additional employee severance and termination benefits. The 2006 Plan, which primarily includes workforce reductions and plant consolidations in the automotive experience and building efficiency businesses, is expected to be substantially completed by the end of the first quarter of fiscal 2008. The automotive experience business related restructuring is focused on improving the profitability associated with the manufacturing and supply of instrument panels, headliners and other interior components in North America and increasing the efficiency of seating component operations in Europe. The charges associated with the building efficiency business mostly relate to Europe where the Company has launched a systems redesign initiative.

The 2006 Plan included workforce reductions of approximately 5,000 employees (2,500 for automotive experience – North America, 1,400 for automotive experience – Europe, 200 for building efficiency – North America, 600 for building efficiency – Europe, 280 for building efficiency – Rest of World and 20 for power solutions). Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee and on a lump sum basis when required in accordance with individual severance agreements. As of September 30, 2007, approximately 4,400 employees have been separated from the Company pursuant to the 2006 Plan. In addition, the 2006 Plan includes 15 plant closures (10 in automotive experience – North America, 3 in automotive experience – Europe, 1 in building efficiency – Europe and 1 in building efficiency – Rest of World). As of September 30, 2007, 14 of the 15 plants have been closed. The charge for the impairment of the long-lived assets associated with the plant closures was determined using an undiscounted cash flow analysis.

The following table summarizes the changes in the Company’s 2006 Plan reserve, included within other current liabilities in the consolidated statement of financial position (in millions):
16. INCOME TAXES

An analysis of effective income tax rates for continuing operations is shown below:

<table>
<thead>
<tr>
<th>Year Ended September 30,</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal statutory rate</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>State income taxes, net of federal benefit</td>
<td>0.8</td>
<td>2.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Foreign income tax expense at different rates and foreign losses without tax benefits</td>
<td>(10.7)</td>
<td>(22.5)</td>
<td>(11.6)</td>
</tr>
<tr>
<td>U.S. tax on foreign income</td>
<td>(5.6)</td>
<td>(2.6)</td>
<td>(17.6)</td>
</tr>
<tr>
<td>Reserve and valuation allowance adjustments</td>
<td>(0.9)</td>
<td>(8.3)</td>
<td>15.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>1.2</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>18.7%</td>
<td>5.5%</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

The Company’s base effective income tax rate for continuing operations for fiscal years 2007 and 2006 was 21.0% as compared to 25.7% in fiscal 2005. The rate remained stable and below the U.S. statutory rate due to continuing global tax planning initiatives and income in certain non-U.S. jurisdictions with a rate of tax lower than the U.S. statutory tax rate. The Company’s effective tax rates were further reduced as a result of the following discrete items:
Restructuring Charge

In the third quarter of fiscal 2006, the Company recorded a $19 million discrete period tax benefit related to the third quarter 2006 restructuring charge using a blended statutory tax rate of 30.6%.

Valuation Allowance Adjustments

The Company reviews its deferred tax asset valuation allowances on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to the Company’s valuation allowances may be necessary.

In the fourth quarter of fiscal 2007, the tax provision decreased $7 million due to a nonrecurring tax benefit related to the use of a portion of the Company’s capital loss carryforward valuation allowance.

In the third quarter of fiscal 2006, the Company completed an analysis of its German operations and, based on cumulative income over a 36-month period, an assessment of expected future profitability in Germany and finalization of the 2006 Plan, determined that it was more likely than not that the tax benefits of certain operating loss and tax credit carryforwards in Germany would be utilized in the future. As such, the Company reversed $131 million attributable to these operating loss and tax credit carryforwards in the quarter ended June 30, 2006 as a credit to income tax expense, net of remaining valuation allowances at certain German subsidiaries and tax reserve requirements.

Based on the Company’s cumulative operating results through the six months ended March 31, 2006 and an assessment of expected future profitability in Mexico, the Company concluded that it was more likely than not that the tax benefits of its operating loss and tax credit carryforwards in Mexico would be utilized in the future. During the second quarter of fiscal 2006, the Company completed a tax reorganization in Mexico which will allow operating loss and tax credit carryforwards to be offset against the future taxable income of the reorganized entities. As such, in the quarter ended March 31, 2006, the Company reversed the valuation allowance of $32 million attributable to these operating loss and tax credit carryforwards as a credit to income tax expense.

In fiscal 2005, there was an increase in the tax valuation allowance of $28 million. The increase related to restructuring charges for which no tax benefit was received in certain countries (primarily Germany and the U.K.) given the uncertainty of its realization due to restrictive tax loss rules or a lack of sustained profitability in the country at that time.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous non-U.S. jurisdictions. Significant judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of the Company’s business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5 “Accounting for Contingencies.”
In the second and fourth quarters of fiscal 2007, the Company reduced its income tax liability by $15 million and $13 million, respectively, due to the favorable resolution of certain tax audits. In the third quarter of fiscal 2006, the Company recorded a $10 million tax benefit related to a favorable tax audit resolution in a non-U.S. jurisdiction.

The Company’s federal income tax returns and certain non-U.S. income tax returns for various fiscal years remain under various stages of audit by the Internal Revenue Service and respective non-U.S. tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At September 30, 2007, the Company has recorded a liability for its best estimate of the probable loss on certain of its tax positions, the majority of which is included in other noncurrent liabilities in the consolidated statements of financial position. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, may differ materially from the amounts accrued for each year.

FIN 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109,” will be effective for the Company on October 1, 2007. The Company has determined that the adoption of FIN 48 will not be material to the Company’s consolidated financial position.

Change in Statutory Tax Rates

The German Corporate Tax Reform Act was enacted on August 14, 2007, and resulted in a decrease of the combined Corporate Income Tax and Trade Tax rates. The new rates will apply to the Company’s German entities effective October 1, 2007. The Company’s tax provision increased $20 million in the fourth quarter of fiscal 2007 as a result of this German tax law change.

In March 2007, the People’s National Congress in the People’s Republic of China approved a new tax reform law to align the tax regime applicable to non-U.S.-owned Chinese enterprises with those applicable to domestically-owned Chinese enterprises. The new law will be effective on January 1, 2008. The tax reform law will not have a material impact on the Company’s consolidated financial condition, results of operations or cash flows.

On July 19, 2007, the U.K. enacted a new tax law, which reduces the main corporate income tax rate from 30% to 28%. The reduction goes into effect on April 1, 2008. The U.K. tax rate change will not have a material impact on the company’s consolidated financial condition, results of operations or cash flows.

Foreign Dividend Repatriation

In October 2004, the U.S. President signed the American Jobs Creation Act of 2004 (AJCA). The AJCA created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled non-U.S. operations. The deduction was subject to a number of limitations. During the quarter ended March 31, 2006, the Company completed its evaluation of its repatriation plans and approximately $674 million of non-U.S. earnings were designated for repatriation to the U.S. pursuant to the provisions of the AJCA. The increase in income tax liability related to the Company’s AJCA initiatives totaled $42 million. The Company recorded $31 million of net income tax expense in the quarter ended March 31, 2006 as $11 million had been previously recorded by York prior to the acquisition in accordance with York’s approved repatriation plan.

Disposition of a Joint Venture

In the first quarter of fiscal 2006, the tax provision decreased due to a $4 million nonrecurring tax benefit related to a $9 million gain from the disposition of the Company’s interest in a German joint venture.

Change in Tax Status of non-U.S. Subsidiary

For the second quarter of fiscal 2007, the tax provision decreased as a result of a $22 million tax benefit realized by a change in tax status of an automotive experience subsidiary in the Netherlands. During the first quarter of fiscal 2006, the tax provision decreased as a result of an $11 million tax benefit realized by a change in tax status of an automotive experience subsidiary in Hungary and a building efficiency subsidiary in the Netherlands. In fiscal 2005, the tax provision decreased as
The change in tax status in each respective period resulted from a voluntary tax election that produced a deemed liquidation for U.S. federal income tax purposes. The Company received a tax benefit in the U.S. for the loss from the decrease in value from the original tax basis of these investments. This election changed the tax status of the respective subsidiaries from controlled non-U.S. corporations (i.e., taxable entities) to branches (i.e., flow through entities similar to a partnership) for U.S. federal income tax purposes and is thereby reported as a discrete period tax benefit in accordance with the provisions of SFAS No. 109.

Discontinued Operations
The Company utilized an effective tax rate for discontinued operations of approximately 38%, 39% and 35% for Bristol Compressors, Johnson Controls World Services, Inc, and its engine electronic business, respectively. These effective tax rates approximate the local statutory rate adjusted for permanent differences.

Continuing Operations
Components of the provision for income taxes on continuing operations were as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>Current</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>95</td>
</tr>
<tr>
<td>State</td>
<td>28</td>
</tr>
<tr>
<td>Foreign</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>363</td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(64)</td>
</tr>
<tr>
<td>State</td>
<td>(2)</td>
</tr>
<tr>
<td>Foreign</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(63)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>300</td>
</tr>
</tbody>
</table>

Consolidated domestic income from continuing operations before income taxes and minority interests for the fiscal years ended September 30, 2007, 2006 and 2005 was $883 million, $754 million and $826 million, respectively. Consolidated non-U.S. income from continuing operations before income taxes and minority interests for the fiscal years ended September 30, 2007, 2006 and 2005 was $724 million, $384 million and $177 million, respectively.

Income taxes paid for the fiscal years ended September 30, 2007, 2006 and 2005 were $306 million, $156 million, and $177 million, respectively.

The Company has not provided additional U.S. income taxes on approximately $2,142 million of undistributed earnings of consolidated non-U.S. subsidiaries included in stockholders’ equity. Such earnings could become taxable upon the sale or liquidation of these non-U.S. subsidiaries or upon dividend repatriation. The Company’s intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits. It is not practicable to estimate the amount of unrecognized withholding taxes and deferred tax liability on such earnings.
Deferred taxes were classified in the consolidated statements of financial position as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2007</th>
<th>September 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current assets</td>
<td>$388</td>
<td>$459</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>932</td>
<td>964</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>(30)</td>
<td>(48)</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>(134)</td>
<td>(502)</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>$1,156</td>
<td>$873</td>
</tr>
</tbody>
</table>

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities included (in millions):

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th>September 30, 2007</th>
<th>September 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses and reserves</td>
<td>$727</td>
<td>$593</td>
</tr>
<tr>
<td>Employee and retiree benefits</td>
<td>246</td>
<td>149</td>
</tr>
<tr>
<td>Net operating loss and other carryforwards</td>
<td>898</td>
<td>819</td>
</tr>
<tr>
<td>Research and development</td>
<td>173</td>
<td>131</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td>2,044</td>
<td>1,806</td>
</tr>
<tr>
<td>Valuation allowances</td>
<td>(326)</td>
<td>(355)</td>
</tr>
<tr>
<td></td>
<td>1,718</td>
<td>1,451</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>65</td>
<td>81</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>35</td>
<td>8</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>282</td>
<td>300</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>155</td>
<td>189</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>562</td>
<td>578</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>$1,156</td>
<td>$873</td>
</tr>
</tbody>
</table>

At September 30, 2007, the Company had available non-U.S. net operating loss carryforwards of approximately $2.3 billion, of which $756 million will expire at various dates between 2008 and 2022, and the remainder have an indefinite carryforward period. The valuation allowance, generally, represents loss carryforwards for which utilization is uncertain because it is unlikely that the losses will be utilized given the lack of sustained profitability and/or limited carryforward periods in certain countries.

17. SEGMENT INFORMATION

SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” establishes the standards for reporting information about segments in financial statements. In applying the criteria set forth in SFAS No. 131, the Company has determined that it has ten reportable segments for financial reporting purposes. Certain segments are aggregated or combined based on materiality within building efficiency — rest of world and power solutions in accordance with the standard. The Company’s ten reportable segments are presented in the context of its three primary businesses — building efficiency, automotive experience and power solutions.
Building efficiency

North America Systems designs, produces, markets and installs HVAC and control systems that monitor, automate and integrate critical building segment equipment and conditions including HVAC, fire-safety and security in commercial buildings and in various industrial applications in North America.

- North America systems designs, produces, markets and installs mechanical equipment that provides heating and cooling in North American non-residential buildings and industrial applications as well as control systems that integrate the operation of this equipment with other critical building systems.
- North America service provides technical services including inspection, scheduled maintenance, repair and replacement of mechanical and control systems in North America, as well as the retrofit and service components of performance contracts and other solutions.
- North America unitary products designs and produces heating and air conditioning solutions for residential and light commercial applications and markets products to the replacement and new construction markets.
- Global workplace solutions provides on-site staff for complete real estate services, facility operation and management to improve the comfort, productivity, energy efficiency and cost effectiveness of building systems around the globe.
- Europe provides HVAC and refrigeration systems and technical services to the European marketplace.
- Rest of world provides HVAC and refrigeration systems and technical services to markets in Asia, the Middle East and Latin America.

Automotive experience

Automotive experience designs and manufactures interior systems and products for passenger cars and light trucks, including vans, pick-up trucks and sport/crossover vehicles in North America, Europe and Asia. Automotive experience systems and products include complete seating systems and components; cockpit systems, including instrument panels and clusters, information displays and body controllers; overhead systems, including headliners and electronic convenience features; floor consoles; and door systems.

Power solutions

Power solutions services both automotive original equipment manufacturers and the battery aftermarket by providing advanced battery technology, coupled with systems engineering, marketing and service expertise.

The accounting policies applicable to the reportable segments are the same as those described in Note 1, Summary of Significant Accounting Policies. Management evaluates the performance of the segments based primarily on segment income, which represents income from continuing operations before income taxes and minority interests excluding net financing charges and restructuring costs. Segment revenues and expenses are allocated to business segments in determining segment income. Unallocated assets are corporate cash and cash equivalents, investments in partially-owned affiliates and other non-segment assets. Financial information relating to the Company’s reportable segments is as follows (in millions):
Johnson Controls, Inc.
Notes to Consolidated Financial Statements

Net Sales

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America Systems</td>
<td>$2,027</td>
<td>$1,609</td>
<td>$1,158</td>
</tr>
<tr>
<td>North America Service</td>
<td>2,273</td>
<td>1,943</td>
<td>1,186</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>953</td>
<td>853</td>
<td>—</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>2,677</td>
<td>2,046</td>
<td>1,863</td>
</tr>
<tr>
<td>Europe</td>
<td>2,406</td>
<td>1,900</td>
<td>899</td>
</tr>
<tr>
<td>Rest of World</td>
<td>2,401</td>
<td>1,894</td>
<td>612</td>
</tr>
<tr>
<td></td>
<td>12,737</td>
<td>10,245</td>
<td>5,718</td>
</tr>
<tr>
<td>Automotive experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>7,276</td>
<td>8,041</td>
<td>8,499</td>
</tr>
<tr>
<td>Europe</td>
<td>8,878</td>
<td>8,774</td>
<td>8,935</td>
</tr>
<tr>
<td>Asia</td>
<td>1,398</td>
<td>1,459</td>
<td>1,399</td>
</tr>
<tr>
<td></td>
<td>17,552</td>
<td>18,274</td>
<td>18,833</td>
</tr>
<tr>
<td>Power solutions</td>
<td>4,335</td>
<td>3,716</td>
<td>2,928</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$34,624</td>
<td>$32,235</td>
<td>$27,479</td>
</tr>
</tbody>
</table>

Segment Income

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America Systems (1)</td>
<td>$216</td>
<td>$131</td>
<td>$111</td>
</tr>
<tr>
<td>North America Service (2)</td>
<td>197</td>
<td>146</td>
<td>85</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>65</td>
<td>62</td>
<td>—</td>
</tr>
<tr>
<td>Global Workplace Solutions (3)</td>
<td>79</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Europe (4)</td>
<td>77</td>
<td>2</td>
<td>(1)</td>
</tr>
<tr>
<td>Rest of World (5)</td>
<td>216</td>
<td>136</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>850</td>
<td>544</td>
<td>301</td>
</tr>
<tr>
<td>Automotive experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America (6)</td>
<td>72</td>
<td>188</td>
<td>382</td>
</tr>
<tr>
<td>Europe (7)</td>
<td>445</td>
<td>405</td>
<td>246</td>
</tr>
<tr>
<td>Asia (8)</td>
<td>2</td>
<td>12</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>519</td>
<td>605</td>
<td>680</td>
</tr>
<tr>
<td>Power solutions (9)</td>
<td>515</td>
<td>459</td>
<td>345</td>
</tr>
<tr>
<td></td>
<td>1,884</td>
<td>1,608</td>
<td>1,326</td>
</tr>
<tr>
<td>Net financing charges</td>
<td>(277)</td>
<td>(273)</td>
<td>(113)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>—</td>
<td>(197)</td>
<td>(210)</td>
</tr>
<tr>
<td>Income from continuing operations before income taxes and minority interests</td>
<td>$1,607</td>
<td>$1,138</td>
<td>$1,003</td>
</tr>
</tbody>
</table>
## Assets

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building efficiency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America Systems</td>
<td>$1,424</td>
<td>$1,550</td>
<td>$450</td>
</tr>
<tr>
<td>North America Service</td>
<td>1,575</td>
<td>1,442</td>
<td>382</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>1,316</td>
<td>1,055</td>
<td>—</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>689</td>
<td>707</td>
<td>547</td>
</tr>
<tr>
<td>Europe</td>
<td>1,971</td>
<td>1,850</td>
<td>534</td>
</tr>
<tr>
<td>Rest of World</td>
<td>1,897</td>
<td>1,986</td>
<td>559</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,872</td>
<td>8,590</td>
<td>2,472</td>
</tr>
<tr>
<td><strong>Automotive experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>3,721</td>
<td>3,284</td>
<td>4,050</td>
</tr>
<tr>
<td>Europe</td>
<td>5,047</td>
<td>5,224</td>
<td>5,260</td>
</tr>
<tr>
<td>Asia</td>
<td>965</td>
<td>851</td>
<td>866</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,733</td>
<td>9,359</td>
<td>10,176</td>
</tr>
<tr>
<td><strong>Power solutions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>4,509</td>
<td>2,827</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,733</td>
<td>9,359</td>
<td>10,176</td>
</tr>
<tr>
<td><strong>Unallocated</strong></td>
<td>991</td>
<td>1,145</td>
<td>496</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,724</td>
<td>10,505</td>
<td>10,672</td>
</tr>
</tbody>
</table>

## Depreciation/Amortization

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building efficiency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America Systems</td>
<td>$10</td>
<td>$15</td>
<td>$3</td>
</tr>
<tr>
<td>North America Service</td>
<td>15</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>22</td>
<td>20</td>
<td>—</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>10</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Europe</td>
<td>28</td>
<td>24</td>
<td>7</td>
</tr>
<tr>
<td>Rest of World</td>
<td>17</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>102</td>
<td>114</td>
<td>47</td>
</tr>
<tr>
<td><strong>Automotive experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>212</td>
<td>201</td>
<td>207</td>
</tr>
<tr>
<td>Europe</td>
<td>238</td>
<td>226</td>
<td>238</td>
</tr>
<tr>
<td>Asia</td>
<td>29</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>479</td>
<td>456</td>
<td>470</td>
</tr>
<tr>
<td><strong>Power solutions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>151</td>
<td>135</td>
<td>122</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>732</td>
<td>705</td>
<td>639</td>
</tr>
</tbody>
</table>
### Capital Expenditures

#### Building efficiency

<table>
<thead>
<tr>
<th>Segment</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America Systems</td>
<td>$43</td>
<td>$6</td>
<td>$7</td>
</tr>
<tr>
<td>North America Service</td>
<td>15</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>North America Unitary Products</td>
<td>10</td>
<td>13</td>
<td>–</td>
</tr>
<tr>
<td>Global Workplace Solutions</td>
<td>5</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Europe</td>
<td>52</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Rest of World</td>
<td>20</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>145</strong></td>
<td><strong>89</strong></td>
<td><strong>41</strong></td>
</tr>
</tbody>
</table>

#### Automotive experience

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>116</td>
<td>218</td>
<td>267</td>
</tr>
<tr>
<td>Europe</td>
<td>217</td>
<td>182</td>
<td>203</td>
</tr>
<tr>
<td>Asia</td>
<td>14</td>
<td>25</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>347</strong></td>
<td><strong>425</strong></td>
<td><strong>526</strong></td>
</tr>
</tbody>
</table>

#### Power solutions

<table>
<thead>
<tr>
<th>Segment</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power solutions</td>
<td>336</td>
<td>197</td>
<td>97</td>
</tr>
</tbody>
</table>

**Total** | **$828** | **$711** | **$664**

---

(1) Building efficiency — North America Systems segment income for the fiscal year ended September 30, 2005 excludes $3 million of restructuring costs.

(2) Building efficiency — North America Service segment income for the fiscal year ended September 30, 2006 excludes $1 million of restructuring costs.

(3) Building efficiency — Global Workplace Solutions segment income for the fiscal years ended September 30, 2006 and 2005 excludes $7 million and $13 million, respectively, of restructuring costs.

(4) Building efficiency — Europe segment income for the fiscal years ended September 30, 2006 and 2005 excludes $40 million and $8 million, respectively, of restructuring costs.

(5) Building efficiency — Rest of world segment income for the fiscal years ended September 30, 2006 and 2005 excludes $17 million and $27 million, respectively, of restructuring costs.

(6) Automotive experience — North America segment income for the fiscal years ended September 30, 2006 and 2005 excludes $75 million and $12 million, respectively, of restructuring costs.

(7) Automotive experience — Europe segment income for the fiscal years ended September 30, 2006 and 2005 excludes $53 million and $130 million, respectively, of restructuring costs.

(8) Automotive experience — Asia segment income for the fiscal year ended September 30, 2006 excludes $1 million of restructuring costs.

(9) Power solutions segment income for the fiscal years ended September 30, 2006 and 2005 excludes $3 million and $17 million, respectively, of restructuring costs.

In fiscal 2006, the Company recorded income related to a favorable legal settlement associated with the recovery of previously incurred environmental costs in the power solutions segment ($33 million). The Company also recorded income related to this legal settlement in building efficiency — North America Systems ($7 million) and other segments ($6 million), which was offset by other unfavorable commercial and legal settlements.
The Company has significant sales to the automotive industry. The following is a summary of the percentages of net sales from major customers:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ford Motor Company</td>
<td>*</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>General Motors Corporation</td>
<td>*</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>DaimlerChrysler AG</td>
<td>*</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

* Sales to customer were less than 10% of consolidated net sales in fiscal 2007

As of September 30, 2007 and 2006, the Company had accounts receivable totaling approximately $1.0 billion and $1.4 billion, respectively, from these customers.

**Geographic Segments**

Financial information relating to the Company’s operations by geographic area is as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$13,753</td>
<td>$12,822</td>
<td>$11,000</td>
</tr>
<tr>
<td>Germany</td>
<td>4,335</td>
<td>3,390</td>
<td>3,271</td>
</tr>
<tr>
<td>Other European countries</td>
<td>8,701</td>
<td>9,208</td>
<td>8,066</td>
</tr>
<tr>
<td>Other foreign</td>
<td>7,835</td>
<td>6,815</td>
<td>5,142</td>
</tr>
<tr>
<td>Total</td>
<td>$34,624</td>
<td>$32,235</td>
<td>$27,479</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$1,547</td>
<td>$1,563</td>
<td>$1,355</td>
</tr>
<tr>
<td>Germany</td>
<td>578</td>
<td>448</td>
<td>640</td>
</tr>
<tr>
<td>Other European countries</td>
<td>1,052</td>
<td>1,044</td>
<td>723</td>
</tr>
<tr>
<td>Other foreign</td>
<td>1,031</td>
<td>913</td>
<td>863</td>
</tr>
<tr>
<td>Total</td>
<td>$4,208</td>
<td>$3,968</td>
<td>$3,581</td>
</tr>
</tbody>
</table>

Net sales attributed to geographic locations are based on the location of the assets producing the sales. Long-lived assets by geographic location consist of net property, plant and equipment.

### 18. COMMITMENTS AND CONTINGENCIES

As previously reported, following allegations in a U.N. Oil-For-Food Inquiry Report that, prior to the Company’s acquisition of York, York had made improper payments to the Iraqi regime, York and the Company jointly undertook to investigate the allegations and offered the companies’ cooperation to the United States Department of Justice (the “DOJ”) and the U.S. Securities and Exchange Commission (SEC). After completing the York acquisition, the Company continued the internal inquiry and expanded its scope to include other aspects of York’s Middle East operations, including a review of York’s use of agents, consultants and other third parties, York’s compliance with the Office of Foreign Assets Control licensing requirements, and York’s compliance with other potentially applicable trade laws. The Company also reviewed certain of York’s sales practices in other markets. In October 2007, York reached settlements relating to the SEC and DOJ investigations regarding payments made by York and its subsidiaries in connection with the United Nations’ Oil-for-Food Program and other payments unrelated to the Oil-for-Food Program. Specifically, York entered into an agreement with the SEC under which York consented to the entry of a civil injunction proscribing future violations of law. York also entered into an agreement with the DOJ under which the DOJ agreed to defer prosecuting York for three criminal charges. The DOJ will not pursue the charges if York complies with the agreement for its three-year term. The agreements with both the SEC and DOJ required that York retain an independent compliance monitor for three years. York paid an aggregate of approximately $22 million to the SEC and the DOJ pursuant to these settlements, which payments were characterized as disgorgement of profits, criminal and civil penalties and interest. The Company had reserves adequate for this amount. The
Company is offering continued cooperation to other relevant authorities in the U.S. Departments of Treasury, Commerce and Navy. The Company has begun discussions with these relevant authorities to explore how these matters may be resolved and expects that any additional sanctions are not expected to be material. The Company is in the process of evaluations and implementing various remedial measures with respect to York operations.

The Company accrues for potential environmental losses in a manner consistent with accounting principles generally accepted in the United States; that is, when it is probable a loss has been incurred and the amount of the loss is reasonably estimable. Reserves for environmental costs totaled $27 million and $34 million at September 30, 2007 and 2006, respectively. The Company reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by the Company do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate the Company’s ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, and the often quite lengthy periods over which eventual remediation may occur. Nevertheless, the Company has no reason to believe at the present time that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on the Company’s financial position, results of operations or cash flows.

The Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages are maintained and estimated costs are recorded for claims and suits of this nature. It is management’s opinion that none of these will have a material adverse effect on the Company’s financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

The Company has entered into supply contracts with certain vendors that include minimum volume requirements which, if not met, could subject the Company to potential liabilities. At the end of fiscal 2007, there were no known volume shortfalls for which the Company was contractually obligated. If terminated, these supply contracts could result in liabilities that, if incurred, could be material to the Company’s consolidated financial condition, results of operations or cash flows.

A significant portion of the Company’s sales are to customers in the automotive industry. Future adverse developments in the automotive industry could impact the Company’s liquidity position and/or require additional restructuring of the Company’s operations or impairment charges. In addition, a downturn in the North America automotive market may also impact certain vendors’ financial solvency, including the ability to meet restrictive debt covenants, resulting in potential liabilities or additional costs to the Company to ensure uninterrupted supply to its customers.

19. STOCK SPLIT

On July 25, 2007, the Company’s Board of Directors declared a three-for-one split of the Company’s outstanding common stock payable October 2, 2007 to shareholders of record on September 14, 2007. All prior year share and per share amounts disclosed in this document have been restated to reflect the three-for-one stock split. The stock split resulted in an increase of approximately 396 million in the outstanding shares of common stock. In connection with the stock split, the par value of the common stock was changed from $.04 1/6 per share to $.01 7/18 per share.

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ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (“the Exchange Act”)) as of the end of the period covered by this report. Based on such evaluations, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the company’s management has concluded that, as of September 30, 2007, the Company’s internal control over financial reporting was effective.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the Company’s consolidated financial statements and the effectiveness of internal controls over financial reporting as of September 30, 2007 as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting
There has not been any change in the Company’s internal control over financial reporting during the quarter ended September 30, 2007, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B OTHER INFORMATION
None

PART III
The information required by Part III, Items 10, 11, 13 and 14, and certain of the information required by Item 12, is incorporated herein by reference to the Company’s Proxy Statement for its 2008 Annual Meeting of Shareholders (fiscal 2007 Proxy Statement), dated and to be filed with the SEC on or about December 7, 2007, as follows:

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11 EXECUTIVE COMPENSATION
ITEM 12  SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to sections entitled “Johnson Controls Share Ownership” and “Schedule 13G Filings” of the fiscal 2007 Proxy Statement.

The following table provides information about the Company’s equity compensation plans as of October 31, 2007:

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>(a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</th>
<th>(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</th>
<th>(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by shareholders</td>
<td>32,752,363 $</td>
<td>22.59</td>
<td>36,156,929</td>
</tr>
<tr>
<td>Equity compensation plans not approved by shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32,752,363 $</td>
<td>22.59</td>
<td>36,156,929</td>
</tr>
</tbody>
</table>

(c) Includes shares of Common Stock that remain available for grant under Company Plans as follows: 33,983,711 shares under the 2007 Stock Option Plan, 1,977,000 shares under the 2001 Restricted Stock Plan, as amended, and 196,218 shares under the 2003 Stock Plan for Outside Directors, as amended and restated.

As of October 31, 2007, the Company had issued and outstanding 593,815,378 shares of Common Stock (including 709,500 shares of unvested restricted stock).

ITEM 13  CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to sections entitled “Board Information — Related Person Transactions” and Board Information — Board Independence of the fiscal 2007 Proxy Statement.

ITEM 14  PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the section entitled “Relationship with Independent Auditors” of the fiscal 2007 Proxy Statement.
PART IV

ITEM 15  EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Form 10-K:

(1) Financial Statements

   Report of Independent Registered Public Accounting Firm 42
   Consolidated Statements of Income for the years ended September 30, 2007, 2006 and 2005 44
   Consolidated Statements of Financial Position at September 30, 2007 and 2006 45
   Consolidated Statements of Cash Flows for the years ended September 30, 2007, 2006 and 2005 46
   Consolidated Statements of Shareholders’ Equity for the years ended September 30, 2007, 2006 and 2005 47
   Notes to Consolidated Financial Statements 48

(2) Financial Statement Schedule

   For the years ended September 30, 2007, 2006 and 2005:

      Schedule II — Valuation and Qualifying Accounts 81

(3) Exhibits

   Reference is made to the separate exhibit index contained on pages 86 through 88 filed herewith.

All other schedules are omitted because they are not applicable, or the required information is shown in the financial statements or notes thereto.

Financial statements of 50% or less-owned companies have been omitted because the proportionate share of their profit before income taxes and total assets are less than 20% of the respective consolidated amounts, and investments in such companies are less than 20% of consolidated total assets.

Other Matters

For the purposes of complying with the amendments to the rules governing Form S-8 under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant’s Registration Statements on Form S-8 Nos. 33-30309, 33-31271, 33-58092, 33-58094, 333-10707, 333-66073, 333-41564, 333-117898 and 333-141578.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JOHNSON CONTROLS, INC.

By /s/ R. Bruce McDonald
R. Bruce McDonald
Executive Vice President and
Chief Financial Officer

Date: November 29, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below as of November 29, 2007, by the following persons on behalf of the registrant and in the capacities indicated:

/s/ John M. Barth
John M. Barth
Director (Chairman)

/s/ R. Bruce McDonald
R. Bruce McDonald
Executive Vice President and
Chief Financial Officer

/s/ Stephen A. Roell
Stephen A. Roell
Chief Executive Officer
Director

/s/ John M. Barth
John M. Barth
Director

/s/ R. Bruce McDonald
R. Bruce McDonald
Executive Vice President and
Chief Financial Officer

/s/ Susan M. Kreh
Susan M. Kreh
Vice President and Corporate
Controller (Principal Accounting
Officer)

/s/ Dennis W. Archer
Dennis W. Archer
Director

/s/ Robert L. Barnett
Robert L. Barnett
Director

/s/ Natalie A. Black
Natalie A. Black
Director

/s/ Paul A. Brunner
Paul A. Brunner
Director

/s/ Robert A. Cornog
Robert A. Cornog
Director

/s/ Jeffrey A. Joerres
Jeffrey A. Joerres
Director

/s/ William H. Lacy
William H. Lacy
Director

/s/ Southwood J. Morcott
Southwood J. Morcott
Director

/s/ Richard F. Teerlink
Richard F. Teerlink
Director
### Johnson Controls, Inc.
#### Index to Exhibits

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.A</td>
<td>Miscellaneous long-term debt agreements and financing leases with banks and other creditors and debenture indentures.*</td>
</tr>
<tr>
<td>4.D</td>
<td>Indenture for debt securities dated January 17, 2006 between Johnson Controls, Inc. and US Bank N.A. as successor trustee to JPMorgan Chase (incorporated by reference to Exhibit 4.1 to Johnson Controls, Inc. Registration Statement on Form S-3ASR [Reg. No. 333-130714]).</td>
</tr>
<tr>
<td>10.A</td>
<td>Johnson Controls, Inc. 1992 Stock Option Plan, amended as of September 14, 2007, filed herewith.**</td>
</tr>
<tr>
<td>10.K</td>
<td>Form of employment agreement between Johnson Controls, Inc. and all elected officers and named executives, amended and restated effective January 1, 2008, filed herewith.**</td>
</tr>
<tr>
<td>10.L</td>
<td>Form of indemnity agreement effective October 16, 2006, between Johnson Controls, Inc. and each of the directors and elected officers, filed herewith.**</td>
</tr>
<tr>
<td>10.M</td>
<td>Johnson Controls, Inc. Director Share Unit Plan, amended and restated effective January 1, 2008, filed herewith.**</td>
</tr>
<tr>
<td>10.N</td>
<td>Johnson Controls, Inc. 2000 Stock Option Plan, amended as of September 14, 2007, filed herewith.**</td>
</tr>
<tr>
<td>Exhibit</td>
<td>Title</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>10.S</td>
<td>Johnson Controls, Inc. Executive Deferred Compensation Plan, amended and restated effective January 1, 2008, filed herewith.**</td>
</tr>
<tr>
<td>10.X</td>
<td>Johnson Controls, Inc. Retirement Restoration Plan, amended and restated effective January 1, 2008, filed herewith.**</td>
</tr>
<tr>
<td>10.Y</td>
<td>Compensation Summary for Non-Employee Directors approved on November 14, 2007, filed herewith.**</td>
</tr>
</tbody>
</table>

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**Johnson Controls, Inc.**  
**Index to Exhibits**

<table>
<thead>
<tr>
<th>Exhibit</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.BB</td>
<td>Johnson Controls, Inc. Long Term Incentive Performance Plan, amended and restated effective January 1, 2008, filed herewith.**</td>
</tr>
<tr>
<td>10.CC</td>
<td>Johnson Controls, Inc. 2007 Stock Option Plan, amended as of September 14, 2007, filed herewith. **</td>
</tr>
<tr>
<td>21</td>
<td>Subsidiaries of the Registrant, filed herewith.</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</td>
</tr>
<tr>
<td>32</td>
<td>Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.</td>
</tr>
</tbody>
</table>

* These instruments are not being filed as exhibits herewith because none of the long-term debt instruments authorizes the issuance of debt in excess of 10% of the total assets of Johnson Controls, Inc. and its subsidiaries on a consolidated basis. Johnson Controls, Inc. agrees to furnish a copy of each such agreement to the Securities and Exchange Commission upon request.  
** Denotes a management contract or compensatory plan.
JOHNSON CONTROLS, INC.
1992 Stock Option Plan
(Adjusted to reflect 3-for-1 stock split effective September 14, 2007)

1. Establishment. JOHNSON CONTROLS, INC. (the “Company”) hereby establishes a stock option plan for certain officers and other key employees, as described herein, which shall be known as the JOHNSON CONTROLS, INC. 1992 STOCK OPTION PLAN (the “Plan”). It is intended that certain of the stock options issued pursuant to the Plan may constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code (“Incentive Stock Options”) and the remainder of the options issued pursuant to the Plan shall constitute nonqualified options. Incentive Stock Options and nonqualified stock options are hereinafter jointly referred to as “Options.” The Committee may also award stock appreciation rights along with Options issued pursuant to the Plan and, subject to certain limitations, apart from Options issued pursuant to the Plan.

2. Purpose. The purpose of the Plan is to induce certain officers and other key employees to remain in the employ of the Company or its subsidiaries and to encourage such employees to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the “Board of Directors”) believes that the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are responsible for shaping and carrying out the long-range plans of the Company and securing its continued growth and financial success.

3. Effective Date of the Plan. The effective date of the Plan is the date of its adoption by the Board of Directors, September 23, 1992, subject to the approval of the Plan by the shareholders of the Company within twelve months of the effective date. Any and all Options granted prior to such approval shall be subject to such approval.

4. Stock Subject to the Plan. Subject to adjustment in accordance with the provisions of paragraph 19, the total number of shares of the common stock of the Company (“Common Stock”), available for awards during the term of this Plan shall not exceed 22,775,274 shares. Shares of Common Stock to be delivered upon exercise of Options or settlement of stock appreciation rights under the Plan shall be made available from presently authorized but unissued Common Stock of the Company or authorized and issued shares of Common Stock reacquired and held as treasury shares, or a combination thereof. If any Option or stock appreciation right shall be canceled, expire or terminate without having been exercised in full, or to the extent a stock appreciation right is settled in cash, the shares of Common Stock allocable to the unexercised, canceled, forfeited portion of such Option or stock appreciation right, or portion of such stock appreciation right which is settled in cash, shall again be available for the purpose of the Plan. The surrender of any Options (and the surrender of any related stock appreciation rights granted under paragraph 18) in connection with the receipt of stock appreciation rights as
provided in paragraph 18A shall, as to such Options, have the same effect under this paragraph 4 as the cancellation or termination of such Options without having been exercised. If any stock appreciation rights are granted under the Plan separate and apart from Options (including any grant in connection with the surrender of outstanding Options), as provided in paragraph 18A, and shares of Common Stock may be issuable in connection with such stock appreciation rights, then the grant of such stock appreciation rights shall be deemed to have the same effect under this paragraph 4 as the grant of Options; provided, however, if any such stock appreciation rights shall be canceled, expire or terminate without having been exercised in full, or to the extent a stock appreciation right is settled in cash, the shares of Common Stock allocable to the unexercised, canceled, forfeited portion of such stock appreciation right, or portion of such stock appreciation right which is settled in cash, shall again be available for the purpose of the Plan. If the exercise price of any Option granted under the Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan. If any Participant satisfies the Company’s withholding tax requirements upon the exercise of an Option by properly electing to have the Company withhold shares of Common Stock, then the shares of Common Stock so withheld shall again be available for the purpose of the Plan, except that such shares shall not be available for the granting of Incentive Stock Options.

5. **Administration.** (a) The Plan shall be administered by the Compensation Committee (the “Committee”) consisting of not less than three members of the Board of Directors appointed from time to time by the Board of Directors. No member of the Committee shall be, nor at any time during the preceding one-year period have been, eligible to receive stock, stock options or stock appreciation rights of the Company or of its subsidiaries pursuant to the Plan or any other plan of the Company or its subsidiaries, other than a plan for directors of the Company who are not officers or employees of the Company which provides for automatic grants without exercise of discretion by any member of the Board of Directors, or by any officer or employee of the Company.

(b) Subject to the express provisions of the Plan, the Committee shall have authority to establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and in its discretion, to determine the individuals (the “Participants”) to whom, and the time or times at which, Options and stock appreciation rights shall be granted, the type of Options, the Option periods, limitations on Option exercise, and the number of shares to be subject to each Option. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company or its subsidiaries, and such other factors as the Committee, in its discretion, shall deem relevant.
(c) Subject to the express provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Option Agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee’s determinations on the matters referred to in this paragraph 5 shall be conclusive and binding upon all parties.

(d) Neither the Committee nor any member thereof shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys fees) arising therefrom to the full extent permitted by law and under any directors and officers liability insurance that may be in effect from time to time.

(e) A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee without a meeting, shall be the acts of the Committee.

6. **Eligibility.** Options and stock appreciation rights may be granted to officers and other key employees of the Company and of any of its present and future subsidiaries. The maximum number of shares of Common Stock covered by Options which may be granted to any Participant within any two consecutive calendar year periods shall not exceed 1.5 million shares in the aggregate. No Option or stock appreciation right shall be granted to any person who owns, directly or indirectly, shares of stock possessing more than 10% of the total combined voting power of all classes of stock of the Company. A director of the Company or of a subsidiary who is not also an employee of the Company or of a subsidiary will not be eligible to receive any Option or stock appreciation right hereunder.

7. **Rights of Employees.** Nothing in this Plan or in any Option or stock appreciation right shall interfere with or limit in any way the right of the Company and any of its subsidiaries to terminate any Participant’s or employee’s employment at any time, nor confer upon any Participant or employee any right to continue in the employ of the Company and its subsidiaries.

8. **Option Agreements.** All Options and stock appreciation rights granted under the Plan shall be evidenced by written agreements (an “Option Agreement”) in such form or forms as the Committee shall determine.

9. **Option Price.** The per share Option price for Options and for stock appreciation rights granted under paragraph 18, and the per share grant price for stock appreciation rights granted under paragraph 18A, as determined by the Committee, shall be an amount not less than 100% of the fair market value of the stock on the date such Options or stock appreciation rights are granted (or, if the Committee so determines, in the case of any
stock appreciation right granted under paragraph 18A upon the surrender of any outstanding Option, on the date of grant of such Option). The fair market value of a share of stock on any date shall be the average of the highest and lowest market prices of sales of the Common Stock on that date, or on the next preceding trading day if such date was not a trading day as reported on the New York Stock Exchange or as otherwise determined by the Committee. However, effective January 1, 2007, in connection with an exercise of options, to the extent the Participant sells any Shares acquired upon such exercise in a market transaction on the date of exercise, the sale price(s) for any such Shares shall be the fair market value.

10. **Option Period.** The term of each Option and stock appreciation right shall be as determined by the Committee but in no event shall the term of an Option or stock appreciation right exceed a period of ten (10) years from the date of its grant. Each Option and stock appreciation right granted hereunder may granted at any time on or after the effective date of the Plan, and prior to its termination, provided that no Option or stock appreciation right may be granted later than ten years after the date this Plan is adopted. The Committee shall determine whether any Option or stock appreciation right shall become exercisable in cumulative or non-cumulative installments or in full at any time. An exercisable Stock Option or stock appreciation right, or portion thereof, may be exercised in whole or in part only with respect to whole shares of Common Stock.

11. **Maximum Value of Incentive Stock Options.** The aggregate fair market value (as defined in paragraph 9) of the Common Stock for which any Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan or any other plan of the Company or any subsidiary shall not exceed $100,000. To the extent the fair market value of the shares of Common Stock attributable to Incentive Stock Options first exercisable in any calendar year exceeds $100,000, the excess portion of the Incentive Stock Options shall be treated as nonqualified options.

12. **Transferability of Option or Stock Appreciation Right.** No Option or stock appreciation right granted hereunder shall be transferable other than options specifically designated by the Compensation Committee as such and meeting the following requirements of transfer:

   (a) by will or by the laws of descent and distribution; or

   (b) in the case of a nonqualified option:

      (i) pursuant to a “Qualified Domestic Relations Order” as defined in Section 414(p) of the Internal Revenue Code; or

      (ii) to (A) his or her spouse, children or grandchildren (“Immediate Family Members”), (B) a partnership in which the only partners are the Participant’s Immediate Family Members, or (C) a trust or trusts established solely for the benefit of one or more of the Participant’s Immediate Family.
Members (collectively, the Permitted Transferees), provided that there may be no consideration for any such transfer by a Participant

Following transfer (if applicable), such Options and stock appreciation rights shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that such Options and stock appreciation rights may be exercised during the life of the Participant only by the Participant or, if applicable, by the alternate payee designated under a Qualified Domestic Relations Order or the Participant’s Permitted Transferees.

13. **Exercise of Option; Deferral of Shares.**

(a) The Committee shall prescribe the manner in which a Participant may exercise an Option which is not inconsistent with the provisions of this Plan. An Option may be exercised, subject to limitations on its exercise contained in the Option Agreement and in this Plan, in full, at any time, or in part, from time to time, only by (A) written notice of intent to exercise the Option with respect to a specified number of shares, and (B) by payment in full to the Company at the time of exercise of the Option, of the option price of the shares being purchased. Payment of the Option price may be made (i) in cash, (ii) if permitted by the applicable Option Agreement, by tendering of shares of Common Stock equivalent in fair market value (as defined in paragraph 9), or (iii) if permitted by the applicable Option Agreement, partly in cash and partly in shares of Common Stock. Common Stock may be tendered either by actual delivery of shares of Common Stock or by attestation.

(b) The Committee may provide one or more means to enable Participants and the Company to defer delivery of shares of Common Stock deliverable upon exercise of an Option, on such terms and conditions as the Committee may determine, including by way of example the manner and timing of making a deferral election, the treatment of dividends paid on shares of Common Stock during the deferral period and the permitted distribution dates or events. No such deferral means may result in any increase in the number of shares of Common Stock issuable hereunder other than as contemplated by paragraph 4 or paragraph 19 hereof.

14. **Withholding.** If permitted by the applicable Option Agreement, a Participant may be permitted to satisfy the Company’s withholding tax requirements by electing (i) to have the Company withhold shares of Common Stock of the Company, or (ii) to deliver to the Company shares of Common Stock of the Company having a fair market value on the date income is recognized on the exercise of a nonqualified option equal to the minimum amount required to be withheld, or such greater amount as may be requested by the Participant. The election shall be made in writing and according to such rules and in such form as the Committee shall determine.

Notwithstanding the foregoing, the election and satisfaction of any withholding requirement through the withholding of Common Stock or the tender of shares of
Company Stock may be made only at such times as are permitted, without incurring liabilities, by Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or such other securities laws, rules or regulations as may be applicable.

15. [intentionally omitted]

16. [intentionally omitted]

17. **Termination of Employment.** (a) In the event a Participant’s employment with the Company or any of its subsidiaries shall be terminated for any reason, except early retirement or total and permanent disability, all rights to exercise an Option or stock appreciation right shall terminate immediately.

(b) If the Participant should die while employed by the Company or any subsidiary prior to the expiration of the term of the Option or stock appreciation right, the Option or stock appreciation right may be exercised by the person to whom it is transferred by will or by the applicable laws of descent and distribution to the extent it could have been exercised by the Participant had he lived, by giving notice as provided in paragraph 13, at any time within twelve months after the date of death unless such Option or stock appreciation right expires earlier under the terms of the Option Agreement.

(c) In the event of termination of employment with the Company due to early or normal retirement, or due to total and permanent disability prior to the expiration of the term of an Option or stock appreciation right, the Option or stock appreciation right may be exercised by the Participant, to the extent it could have been exercised had the Participant remained actively employed, at any time within thirty-six months (except Incentive Stock Options which may be exercised within three months) after the date of such early or normal retirement or total permanent disability, as the case may be, unless such Option or stock appreciation right expires earlier under the terms of the Option Agreement. Provided, however, that for certain participants who are officers of the corporation or who are selected by the Compensation Committee of the Board, nonqualified options granted after July 27, 1999, may be exercised by the Participant for five years of the Option or stock appreciation right in the event of termination of employment with the Company due to early or normal retirement, or due to total and permanent disability, prior to the expiration of the term of the Option or stock appreciation right. For purposes hereof, a Participant’s employment shall be deemed to have terminated due to (a) early or normal retirement if such Participant is then eligible to receive early or normal retirement benefits under the provisions of any of the Company’s or its subsidiaries pension plans; or, in the absence of a pension plan, provided such Participant retires with ten years of service and is at least 55 years old or retires with five years of service and is at least 65 years old and (b) total and permanent disability if he is permanently disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code, as in effect from time to time.

For purposes of this Plan: (a) a transfer of an employee from the Company to a 50% or more owned subsidiary, partnership, joint venture or other affiliate (whether or not
incorporated) or vice versa, or from one subsidiary, partnership, joint venture or other affiliate to another or (b) a leave of absence duly authorized in writing by the Company, provided the employee’s right to re-employment is guaranteed either by statute or by contract, shall not be deemed a termination of employment under the Plan. Notwithstanding the foregoing, from and after a Change of Control, as defined in paragraph 22, Options (other than Incentive Stock Options granted prior to May 24, 1989) and stock appreciation rights shall continue to be exercisable for three months after a Participant’s termination of employment.

18. **Stock Appreciation Rights.** Stock appreciation rights may be granted in conjunction with all or part of any Option granted under the Plan. Stock appreciation rights may be exercised by a Participant by surrendering the related Option or applicable portion thereof. Upon such exercise and surrender, the Participant shall be entitled to receive the economic value of such stock appreciation rights determined in the manner prescribed in subparagraph (b) of the Paragraph 18 and in the form prescribed in subparagraph (c) of this Paragraph 18. Options which have been so surrendered, in whole or in part, shall no longer be exercisable. Stock appreciation rights shall be subject to such terms and conditions not inconsistent with other provisions of the Plan as shall be determined by the Committee, which shall include the following:

(a) Stock appreciation rights shall be exercisable or transferable at such time or times and only to the extent that the Option to which they relate is exercisable or transferable.

(b) Upon the exercise of stock appreciation rights, a Participant shall be entitled to receive the economic value thereof, which value shall be equal to the excess of the fair market value of one share of Common Stock of the Company on the date of exercise over the Option price per share, multiplied by the number of shares in respect of which the stock appreciation rights shall have been exercised.

(c) The Committee shall have sole discretion either (i) to determine the form in which payment of such economic value will be made (i.e. cash, stock, or any combination thereof) or (ii) to consent to or disapprove the election of the Participant to receive cash in full or partial payment of such economic value.

(d) The exercise of stock appreciation rights by a Participant pursuant to the Plan may be made only at such times as are permitted by Rule 16b-3 of the Securities Exchange Act of 1934, without liabilities, or such other securities laws or rules as may be applicable.

(e) Common Stock subject to the Option to which the stock appreciation rights relate exceeds the exercise price of such Option.

18A. **Other Stock Appreciation Rights.** Stock appreciation rights may also be granted separate from any Option granted under the Plan to any Participant who at the time of grant is not then an officer of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended (a “Section 16 Officer”). The Committee may also
grant stock appreciation rights under this paragraph 18A to any person who is not then a Section 16 Officer in connection with the surrender of any outstanding Option granted under the Plan prior to September 22, 1993 (and the surrender of any related stock appreciation rights granted under paragraph 18). Such stock appreciation rights may be exercised by a Participant by written notice of intent to exercise the stock appreciation rights delivered to the Committee, which notice shall state the number of shares of stock in respect of which the stock appreciation rights are being exercised. Upon such exercise, the Participant shall be entitled to receive the economic value of such stock appreciation rights determined in the manner described in subparagraph (b) of this paragraph 18A and in the form prescribed in subparagraph (c) of this paragraph 18A.

Stock appreciation rights shall be subject to terms and conditions not inconsistent with other provisions of the Plan as shall be determined by the Committee, which shall include the following:

(a) Stock appreciation rights granted in connection with the surrender of an Option shall be exercisable or transferable at such time or times and only to the extent that the Option to which they related was exercisable or transferable. The Committee shall have complete authority to determine the terms and conditions applicable to other stock appreciation rights, including the periods applicable to such rights, limitations on exercise and the number of shares of stock in respect to which such stock appreciation rights are exercisable.

(b) Upon the exercise of stock appreciation rights, a Participant shall be entitled to receive the economic value thereof, which value shall be equal to the excess of the fair market value of one share of Common Stock of the Company on the date of exercise over the grant price per share, multiplied by the number of shares in respect of which the stock appreciation rights shall have been exercised. Stock appreciation rights which have been so exercised shall no longer be exercisable in respect of such number of shares.

(c) The Committee shall have the sole discretion either (i) to determine the form in which payment of such economic value will be made (i.e., cash, stock, or any combination thereof) or (ii) to consent to or disapprove the election of the Participant to receive cash in full or partial payment of such economic value.

(d) The exercise of stock appreciation rights by a Participant pursuant to the Plan may be made only at such times as are permitted by Rule 16b-3 of the Securities Exchange Act of 1934, without liabilities, or such other securities laws or rules as may be applicable.

(e) Stock appreciation rights shall be exercisable only when the fair market value of the Common Stock to which the stock appreciation rights relate exceeds the grant price of such stock appreciation rights.

19. **Adjustment Provisions.** In the event of any change in the shares of the Common Stock of the Company by reason of a declaration of a stock dividend (other than a stock dividend declared in lieu of an ordinary cash dividend), spin-off, merger, consolidation, recapitalization, or split-up, combination or exchange of shares, or otherwise, the aggregate number and class of shares available under this Plan (including the per
Participant limit on awards in Section 6), the number and class of shares subject to each outstanding Option and stock appreciation right, and the option price or grant price and economic value of any stock appreciation rights shall be appropriately adjusted by the Committee, whose determination shall be final and conclusive. Unless the Committee determines otherwise, any such adjustment to an award that is exempt from Code Section 409A shall be made in manner that permits the award to continue to be so exempt, and any adjustment to an award that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. Notwithstanding the foregoing, in the case of a stock dividend (other than a stock dividend declared in lieu of an ordinary cash dividend) or split-up (including a reverse stock split), if no action is taken by the Committee, adjustments contemplated by this subsection that are proportionate shall nevertheless automatically be made as of the date of such stock dividend or split-up.

20. Termination and Amendment of Plan. The Plan shall terminate on September 22, 2002, unless sooner terminated as hereinafter provided. The Board of Directors may at any time terminate the Plan, or amend the Plan as it shall deem advisable including (without limiting the generality of the foregoing) any amendments deemed by the Board of Directors to be necessary or advisable to assure conformity of the Plan and any Incentive Stock Options granted thereunder to the requirements of Section 422 of the Internal Revenue Code as now or hereafter in effect and to assure conformity with any requirements of other state and federal laws or regulations now or hereafter in effect; provided, however, that the Board of Directors may not, without further approval by the shareholders of the Company, make any modifications which, by applicable law, require such approval. No termination or amendment of the Plan may, without the consent of the Participant to whom any Option or stock appreciation rights shall have been granted, adversely affect the rights of such Participant under such Option or stock appreciation rights. The Board of Directors may also, in its discretion, permit any Option or stock appreciation right to be exercised prior to the earliest date fixed for exercise thereof under the Option Agreement. Notwithstanding the foregoing, unless determined otherwise by the Board or Committee, any such amendment shall be made in a manner that will enable an award intended to be exempt from Code Section 490A to continue to be so exempt, or to enable an award intended to comply with Code Section 409A to continue to so comply.

21. Rights of a Shareholder. A Participant shall have no rights as a shareholder with respect to shares covered by his or her Option until the date of issuance of the stock certificate to the participant and only after such shares are fully paid or with respect to stock appreciation rights. No adjustment will be made for dividends or other rights for which the record date is prior to the date such stock is issued.

22. Change of Control. Notwithstanding the foregoing, upon Change of Control, all previously granted Options and stock appreciation rights shall immediately become exercisable to the full extent of the original grant. For purposes of this Plan, a “Change of Control” means any of the following events: (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13(d) or
14(d)(2) of the Securities Exchange Act of 1934, as amended from time to time) (the “Exchange Act”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”); or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”), provided, however, that any acquisition by (x) the Company of any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than 60% of respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a change in control of the Company; or (ii) individuals who, as of May 24, 1989, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to May 24, 1989, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act); or (iii) approval by the shareholders of the Company of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporations resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination or the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or (iv) (A) a complete liquidation or dissolution of the company or a (B) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of
the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

23. **Termination of Awards.** Notwithstanding the foregoing, upon a Change in Control, the Committee may in its discretion, commencing at the time of a Change in Control and continuing for a period of sixty days thereafter, cancel each outstanding Option or stock appreciation right in exchange for a cash payment to the holder thereof in an amount equal to the number of Options or stock appreciation rights that have not been exercised multiplied by the excess of the fair market value per Share on the date of the Change in Control (or, if the Change in Control is the result of a transaction or a series of transactions described in paragraphs (i) or (ii) of the definition of Change in Control and the Option or stock appreciation right is cancelled on the date of the Change in Control, the highest price per Share paid in such transaction or series of transactions on the date of the Change in Control) over the exercise price of the Option or the grant price of the stock appreciation right, as the case may be.

24. **Governing Law.** The Plan, all awards hereunder, and all determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of Wisconsin and construed in accordance therewith, to the extent not otherwise governed by the laws of the United States.

25. **Unfunded Plan.** This Plan shall be unfunded. No person shall have any rights greater than those of a general creditor of the Company.

26. **Code Section 409A.** The provisions of Code Section 409A are incorporated herein by reference to the to the extent necessary for any award that is subject to Code Section 409A to comply therewith. Notwithstanding any provisions of the Plan, the Company does not guarantee to any Participant or any other person with an interest in an award that any award intended to be exempt from Code Section 409A shall be so exempt, nor that any award intended to comply with Code Section 409A shall so comply, nor will the Company or any affiliate indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.
JOHNSON CONTROLS, INC.
DEFERRED COMPENSATION PLAN FOR CERTAIN DIRECTORS

ARTICLE 1.
PURPOSE AND DURATION

Section 1.1, Purpose. The purpose of the Johnson Controls, Inc. Deferred Compensation Plan for Certain Directors (the “Plan”) is to advance the Company’s growth and success, and to advance the interests of its shareholders, by attracting and retaining well-qualified directors upon whose judgment the Company is largely dependent for the successful conduct of its operations.

Section 1.2, Duration. The Plan was originally effective on September 25, 1991. The Plan was most recently amended and restated effective January 1, 2008. The Plan shall remain in effect until terminated pursuant to the provisions of Article 9.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1, Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, where the meaning is intended, the initial letter of the word is capitalized:

(a) “Account” means the record keeping account or accounts maintained to record the interest of each Participant under the Plan. An Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant’s behalf, and may consist of such subaccounts or balances as the Administrator may determine to be necessary or appropriate.

(b) “Act” means the Securities Act of 1933, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Act shall be deemed to include reference to any successor provision thereto.

(c) “Administrator” means the Employee Benefits Policy Committee of the Company.

(d) “Affiliate” means each entity that is required to be included in the Company’s controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); provided that for purposes of determining when a Participant has incurred a Separation from Service, the phrase “at least 50 percent” shall be used in place of the phrase “at least 80 percent” in each place that phrase appears in the regulations issued thereunder.

(e) “Beneficiary” means the person(s) or entity(ies) designated by a Participant to be his beneficiary for purposes of this Plan as provided in Section 9.2.

(f) “Board” means the Board of Directors of the Company.
(g) “Change of Control” has the meaning ascribed to such term in Section 8.2.

(h) “Code” means the Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(i) “Committee” means the Corporate Governance Committee of the Board, which shall consist of not less than two members of the Board, each of whom shall be a non-employee director within the meaning of Rule 16b-3 of the Exchange Act.

(j) “Company” means Johnson Controls, Inc. and its successors as provided in Section 9.7.

(k) “Deferral” means the amount credited, in accordance with a Participant’s election, to the Participant’s Account in lieu of the payment in cash or Shares.

(l) “Exchange Act” means the Securities Exchange Act of 1934, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Exchange Act shall be deemed to include reference to any successor provision thereto.

(m) “Fair Market Value” means with respect to a Share, except as otherwise provided herein, the closing sales price of a Share on the New York Stock Exchange as of 4:00 p.m. EST on the date in question (or the immediately preceding trading day if the date in question is not a trading day), and with respect to any other property, such value as is determined by the Administrator.

(n) “Inimical Conduct” means any act or omission that is inimical to the best interests of the Company or any Affiliate or other subsidiary of the Company, as determined by the Committee in its sole discretion, including but not limited to: (1) divulging at any time any confidential information, technical or otherwise, obtained by a Participant in his capacity as a director, (2) taking any steps or doing anything which would damage or negatively reflect on the reputation of the Company, an Affiliate or any subsidiary, or (3) refusing to furnish such advisory or consulting services as the Company may reasonably request and as the Participant’s health may permit, provided that such services shall be rendered as an independent contractor and not as an employee and that the Company shall pay reasonable compensation for such services, as well as reimbursement for expenses incurred in connection therewith.

(o) “Investment Options” means the investment options offered under the Johnson Controls Savings and Investment (401k) Plan (excluding the Company stock fund) or any successor plan thereto, the Share Unit Account, and any other alternatives made available by the Administrator, which shall be used for the purpose of measuring hypothetical investment experience attributable to a Participant’s Account.

(p) “Outside Director” means a member of the Board who is not an officer or employee of the Company or a subsidiary.
(q) “Participant” means an Outside Director who has elected to make Deferrals pursuant to Article 4 of the Plan. Where the context so requires, a Participant also means a former director entitled to a benefit hereunder.

(r) “Separation from Service” means a Participant’s cessation of service as a Board member, for any reason, provided the cessation of service is a good-faith and complete termination of the Participant’s relationship with the Company and its Affiliates, within the meaning of Code Section 409A. If, at the time of the Participant’s service as a Board member ends, the Participant begins providing services to the Company or an Affiliate as an employee, the Participant shall not incur a Separation from Service under the terms of this Plan until the Participant has a separation from service from the Company or to an Affiliate as an employee within the meaning of Code Section 409A.

(s) “Share” means a share of common stock of the Company.

(t) “Share Unit Account” means the account described in Article 7, which is deemed invested in Shares.

(u) “Share Units” means the hypothetical Shares that are credited to the Share Unit Accounts in accordance with Article 7.

(v) “Valuation Date” means each day when the United States financial markets are open for business, as of which the Administrator will determine the value of each Account and will make allocations to Accounts.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are use in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE 3.
PARTICIPATION

Section 3.1. Eligibility. Each Outside Director shall be eligible to become a Participant on the date the individual is first elected to become an Outside Director.

Section 3.2. Effective Date. Each Outside Director for whom an Account is maintained under the Plan as of December 31, 2007, shall continue in participation hereunder on January 1, 2008.

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ARTICLE 4.
DEFERRED COMPENSATION

Section 4.1. Deferral Election. An Outside Director may elect, prior to the beginning of each calendar year, to defer all or any part of his compensation as a director which is paid by the Company (in cash or Shares) in the following year. As of the first day of the calendar year for which the election is made, the Participant’s deferral election shall be irrevocable except as provided in Section 4.2. A Participant who fails to complete a new election for any calendar year shall be deemed to have elected to continue his most recent election in effect without change.

In the first year an Outside Director is elected to the Board, such individual may elect, within the first thirty (30) days after being elected to the Board, to defer all or any portion of his compensation as a director. Such election shall be effective with respect to compensation payable to the Outside Director by the Company for services provided by the Outside Director after the first day of the calendar quarter that follows the date of the Outside Director’s deferral election. The election in effect as of the last day of the thirty (30) day election period shall be irrevocable for the remainder of the calendar year to which it applies, except as provided in Section 4.2.

The Company shall credit any compensation deferred pursuant to a valid election to the Participant’s Account at the time such compensation would have otherwise been paid to the Participant (whether in cash or Shares).

Section 4.2. Administration of Deferral Elections. All deferral elections must be made in the form and manner and within such time periods as the Administrator prescribes in order to be effective.

ARTICLE 5.
HYPOTHETICAL INVESTMENT OPTIONS

Section 5.1. Investment Election. Amounts credited to a Participant’s Account shall reflect the investment experience of the Investment Options selected by the Participant; provided that any deferral of Shares shall automatically be deemed invested in the Share Unit Account. The Participant may make an initial investment election in whole increments of one percent (1%) at the time the Participant elects to participate in the Plan. A Participant may also elect to reallocate his or her Account, and may elect to allocate any future Deferrals, among the various Investment Options in whole increments of one percent (1%) from time to time as prescribed by the Administrator; provided that, prior to November 15, 2006, any deferral of Shares shall not be eligible for re-allocation out of the Share Unit Account. Effective November 15, 2006, Share deferrals may be re-allocated out of the Share Unit Account, subject to any restrictions on re-allocation as may be imposed by the Company. Such investment elections shall remain in effect until changed by the Participant. All investment elections shall become effective as soon as practicable after receipt of such election by the Administrator or its designee, and must be made in the form and manner and within such time periods as the Administrator prescribes in order to be effective. In the absence of an effective election, with respect to Participants who make an initial deferral election on or after October 1, 2006, the Participant’s Account shall be deemed invested in the default fund specified for the Johnson Controls Inc.
Savings and Investment (401k) Plan (or any successor plan thereto). For Participants whose initial deferral election was made prior to October 1, 2006, the default fund is the Share Unit Account.

Deferrals will be deemed invested in an Investment Option as of the date on which the Deferrals would have otherwise been paid to the Participant.

On each Valuation Date, the Administrator (or its delegate) shall credit the deemed investment experience with respect to the selected Investment Options to each Participant’s Account. Notwithstanding anything herein to the contrary, the Company retains the right to allocate actual amounts hereunder without regard to a Participant’s request.

Section 5.2. Securities Law Restrictions. Notwithstanding anything to the contrary herein, all elections under Article 5 or 6 by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Administrator prior to implementation. In accordance with Section 9.5, the Administrator may restrict additional transactions, rescind transactions, or impose other rules and procedures, to the extent deemed desirable by the Administrator in order to comply with the Exchange Act, including, without limitation, application of the review and approval provisions of this Section 5.2 to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.3. Accounts are For Record Keeping Purposes Only. Plan Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of the Company to fund such benefits.

ARTICLE 6. DISTRIBUTION

Section 6.1. General. A Participant, at the time he makes an initial Deferral election under Article 4 of the Plan, shall elect the form of distribution with respect to his Account. Such election shall be made in such form and manner as the Administrator may prescribe, and shall be irrevocable. The election shall specify whether distributions shall be made in a single lump sum or from two (2) to ten (10) annual installments. In the absence of a distribution election, payment shall be made in ten (10) annual installments.

Section 6.2. Time of Distribution. Upon a Participant’s Separation from Service for any reason, the Participant, or his Beneficiary in the event of his death, shall be entitled to payment of the amount accumulated in such Participant’s Account.

Section 6.3. Manner of Distribution. The Participant’s Account shall be paid in cash in the following manner:

(a) Lump Sum. If payment is to be made in a lump sum, payment shall be made in the first calendar quarter following the calendar quarter in which the Participant’s Separation from Service occurs. The lump sum payment shall equal the balance of the Participant’s Account as of the Valuation Date immediately preceding the distribution date.
(b) Installments. If payment is to be made in annual installments, the first annual payment shall be made in the first calendar quarter following the calendar quarter in which the Participant’s Separation from Service occurs. The amount of the first annual payment shall equal the value of 1/10 (or 1/9, 1/8, 1/7, etc. depending on the number of installments elected) of the balance of the Participant’s Account as of the Valuation Date immediately preceding the distribution date.

All subsequent annual payments shall be made in the first calendar quarter of each subsequent calendar year, and shall be in an amount equal to the value of 1/9 (or 1/8, 1/7, 1/6, etc. depending on the number of installments elected) of the balance of the Participant’s Account as of the Valuation Date immediately preceding the distribution date. The final annual installment payment shall equal the then remaining balance of such Account as of the Valuation Date preceding such final payment date.

Notwithstanding the foregoing provisions, if the balance of a Participant’s Account as of the Valuation Date immediately preceding a distribution date is $50,000 or less, then the entire remaining balance of the Participant’s Account shall be paid in a single lump sum on such distribution date.

Section 6.4. Forfeiture of Distributions. If a Participant engages in Inimical Conduct prior to the distribution of the balance of his Account, the remaining balance of the Participant’s Account shall be forfeited as of the date the Committee determines the Participant has engaged in Inimical Conduct. If the Participant has begun receiving payments of his Account, the Committee may suspend those payments (without liability for interest thereon) pending its determination of whether the Participant has engaged in Inimical Conduct.

Section 6.5. Distribution of Remaining Account Following Participant’s Death. In the event of the Participant’s death prior to receiving all payments due under this Article 6, the balance of the Participant’s Account shall be paid to the Participant’s Beneficiary in a lump sum in the first calendar quarter of the year following the year of the Participant’s death.

Section 6.6. Tax Withholding. The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash and/or Fair Market Value of Shares sufficient to satisfy the Company’s or Affiliate’s foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Participant’s Account balance shall be reduced by the amount needed to pay the Participant’s portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramidining of the Code Section 3401 wages and taxes, but no greater than the aggregate of the FICA tax amount and the income tax withholding related to such FICA tax amount.
Section 6.7. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant’s death).


(a) Acceleration of Payment. Notwithstanding the foregoing:

(1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within 90 days after the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant’s income as a result of such failure.

(2) If an amount under the Plan is required to be immediately distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Administrator harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.

(b) Delay in Payment. Notwithstanding the foregoing:

(1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company to continue as a going concern, the Company shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.

(2) If the distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7.
RULES WITH RESPECT TO SHARE UNITS

Section 7.1. Valuation of Share Unit Account. When any amounts are to be allocated to a Share Unit Account (whether in the form of Deferrals or amounts that are deemed re-allocated from another Investment Option), such amount shall be converted to whole and fractional Share Units, with fractional units calculated to three decimal places, by dividing the amount to be allocated by the Fair Market Value of a Share on the effective date of such allocation. If any dividends or other distributions are paid on Shares while a Participant has Share Units credited to his Account, such Participant shall be credited with a dividend award.
equal to the amount of the cash dividend paid or Fair Market Value of other property distributed on one Share, multiplied by the number of Share Units credited to his Share Unit Account on the date the dividend is declared. The dividend award shall be converted into additional Share Units as provided above using the Fair Market Value of a Share on the date the dividend is paid or distributed. Any other provision of this Plan to the contrary notwithstanding, if a dividend is paid on Shares in the form of a right or rights to purchase shares of capital stock of the Company or any entity acquiring the Company, no additional Share Units shall be credited to the Participant’s Share Unit Account with respect to such dividend, but each Share Unit credited to a Participant’s Share Unit Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant’s Share Unit Account at a time when such rights are attached to Shares, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one Share plus the then Fair Market Value of such right or rights then attached to one Share.

Section 7.2. Transactions Affecting Common Stock. In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure of the Company affecting Shares, the Committee may make appropriate equitable adjustments with respect to the Share Units credited to the Share Unit Accounts of each Participant, including without limitation, adjusting the date as of which such units are valued and/or distributed, as the Committee determines is necessary or desirable to prevent the dilution or enlargement of the benefits intended to be provided under the Plan.

Section 7.3. No Shareholder Rights With Respect to Share Units. Participants shall have no rights as a stockholder pertaining to Share Units credited to their Accounts. No Participant or Beneficiary shall have any right to receive a distribution of Company stock under this Plan. All distributions from the Participant’s Share Unit Account are made in cash.

ARTICLE 8.
SPECIAL RULES APPLICABLE IN THE EVENT OF A CHANGE OF CONTROL OF THE COMPANY

Section 8.1. Acceleration of Payment of Accounts. Notwithstanding any other provision of this Plan, within 30 days after a Change of Control, each Participant (or any Beneficiary thereof entitled to receive payment hereunder), including Participants receiving installment payments under the Plan, shall be entitled to receive a lump sum payment in cash of all amounts accumulated in such Participant’s Account. Such payment shall be made as soon as practicable (but not more than ninety (90) days) following the Change of Control.

In determining the amount accumulated in a Participant’s Share Unit Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company’s common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the “Composite Tape”) during the sixty (60)-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 8.2(a), the highest price per Share of the Company paid in such transaction or series of transactions.
Section 8.2. Definition of a Change of Control. A Change of Control means any of the following events, provided that each such event would constitute a change of control within the meaning of Code Section 409A:

(a) The acquisition, other than from the Company, by any individual, entity or group of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), including in connection with a merger, consolidation or reorganization, of more than either:

1. Fifty percent (50%) of the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or
2. Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or

(b) Individuals who, as of January 1, 2005, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board during any twelve (12)-month period, provided that any individual becoming a director subsequent to January 1, 2005, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board; or

(c) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition. For purposes hereof, “a sale or other disposition of all or substantially all of the assets of the Company”
Company” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to the acquisition. For this purpose, “gross fair market value” means the value of the assets without regard to any liabilities associated with such assets.

For purposes of this Section 8.2, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

ARTICLE 9
GENERAL PROVISIONS

Section 9.1. Administration.

(a) General. The Committee shall have overall discretionary authority with respect to administration of the Plan; provided that the Administrator shall have responsibility for the general operation and daily administration of the Plan as specified herein. If at any time the Committee shall not be in existence or not be composed of members of the Board who qualify as “non-employee directors”, then the Board shall administer the Plan (with the assistance of the Administrator) and all references herein to the Committee shall be deemed to include the Board. The Committee or Administrator may, in their discretion, delegate any or all of their respective authority and responsibility; provided that the Committee shall not delegate authority and responsibility with respect to non-ministerial functions that relate to the participation by Participants who are subject to Section 16 of the Exchange Act at the time any such delegated authority or responsibility is exercised. To the extent of any such delegation, any references herein to the Committee or Administrator, as applicable, shall be deemed references to such delegate. Interpretation of the Plan shall be within the sole discretion of the Committee or the Administrator with respect to their respective duties hereunder. If any delegate of the Committee or the Administrator shall also be a Participant or Beneficiary, any determinations affecting the delegate’s participation in the Plan shall be made by the Committee or Administrator, as applicable.

(b) Authority and Responsibility. In addition to the authority specifically provided herein, the Committee and the Administrator shall have the discretionary authority to take any action or make any determination deemed necessary for the proper administration of the Plan with respect to the respective duties of each under the Plan, including but not limited to: (1) prescribe rules and regulations for the administration of the Plan; (2) prescribe forms for use with respect to the Plan; (3) interpret and apply all of the Plan’s provisions, reconcile inconsistencies or supply omissions in the Plan’s terms; and (4) make appropriate determinations, including factual determinations, and calculations. Any action taken by the Committee shall be controlling.
over any contrary action of the Administrator. The Committee and the Administrator may delegate their ministerial duties to third parties and to the extent of such delegation, references to the Committee or Administrator hereunder shall mean such delegates, if any.

(c) **Decisions Binding.** The Committee’s and the Administrator’s determinations shall be final and binding on all parties with an interest hereunder.

(d) **Procedures for Administration.** The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by the members of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. The Administrator’s determinations shall be made in accordance with such procedures it establishes.

(e) **Indemnification.** Service on the Committee or with the Administrator shall constitute service as a director or officer of the Company so that the Committee and Administrator members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee or Administrator services to the same extent that they are entitled under the Company’s By-laws and Wisconsin law for their services as directors or officers of the Company.

**Section 9.2. Designation of Beneficiary.** Each Participant may designate a Beneficiary in such form and manner and within such time periods as the Administrator may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Administrator while the Participant is alive shall be given effect. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of distribution, the designation shall vest in the Beneficiary all of the distribution payable after the Participant’s death, and any distributions remaining upon the Beneficiary’s death shall be made to the Beneficiary’s estate. If there is no valid beneficiary designation in effect at the time of the Participant’s death, in the event the Beneficiary does not survive the Participant, or in the event that the beneficiary designation provides that the Beneficiary must be living at the time of each distribution and such designated Beneficiary does not survive to a distribution date, the Participant’s estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a Beneficiary, such beneficiary designation automatically shall become null and void on the date the Administrator receives notice of the Participant’s divorce or legal separation.

**Section 9.3. Participant Rights Unsecured.**

(a) **Unsecured Claim.** The right of a Participant or his Beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant nor any Beneficiary shall have any rights in or against any amount credited to his Account or any other specific assets of the Company or a subsidiary. The right of a Participant or Beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered or transferred, except as
permitted under Section 6.5. The rights of a Participant hereunder are exercisable during the Participant’s lifetime only by him or his guardian or legal representative.

(b) **Contractual Obligation**. The Company may authorize the creation of a trust or other arrangements to assist it in meeting the obligations created under the Plan, subject to the restrictions on funding such trust or arrangement imposed by Code Sections 409A(b)(2) or (3). However, any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company or any subsidiary. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant or Beneficiary, or any other person.

Section 9.4. Amendment or Termination of the Plan.

(a) **Amendment**. The Committee may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) Deferrals to be made on or after the amendment date to the extent permitted by Code Section 409A; provided, however, that no amendment may reduce or eliminate any Account balance accrued to the date of such amendment (except as such Account balance may be reduced as a result of investment losses allocable to such Account) without a Participant’s consent except as otherwise specifically provided herein; and provided further that the Board must approve any amendment that expands the class of individuals eligible for participation under the Plan, that materially increases the benefits provided hereunder, or that is required to be approved by the Board by any applicable law or the listing requirements of the national securities exchange upon which the Company’s common stock is then traded. In addition, the Administrator may at any time amend the Plan to make administrative changes and changes necessary to comply with applicable law.

(b) **Termination**. The Committee may terminate the Plan in accordance with the following provisions. Upon termination of the Plan, any deferral elections then in effect shall be cancelled to the extent permitted by Code Section 409A. Upon termination of the Plan, the Committee may authorize the payment of all amounts accrued under the Plan in an single sum payment without regard to any distribution election then in effect, only in the following circumstances:

1. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.
Section 9.5. Restrictions to Comply with Applicable Law. All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and the Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

Section 9.6. Administrative Expenses. Costs of establishing and administering the Plan will be paid by the Company.

Section 9.7. Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participants and their heirs, executors, administrators and legal representatives.

Section 9.8. Governing Law; Limitation on Actions; Dispute Resolution.

(a) Governing Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin (excluding any choice of law rules that may direct the application of the laws of another jurisdiction).

(b) Arbitration.

(1) Application. If a Participant or Beneficiary brings a claim that relates to benefits under this Plan, regardless of the basis of the claim, such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(2) Initiation of Action. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the

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(2) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. In such event, the single sum payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of the Plan’s termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan’s termination.

Section 9.5. Restrictions to Comply with Applicable Law. All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and the Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

Section 9.6. Administrative Expenses. Costs of establishing and administering the Plan will be paid by the Company.

Section 9.7. Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participants and their heirs, executors, administrators and legal representatives.

Section 9.8. Governing Law; Limitation on Actions; Dispute Resolution.

(a) Governing Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin (excluding any choice of law rules that may direct the application of the laws of another jurisdiction).

(b) Arbitration.

(1) Application. If a Participant or Beneficiary brings a claim that relates to benefits under this Plan, regardless of the basis of the claim, such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(2) Initiation of Action. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the
events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitations provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel
Johnson Controls, Inc.
5757 North Green Bay Avenue
P.O. Box 591
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(3) Compliance with Personnel Policies. Before proceeding to arbitration on a complaint, the Participant or Beneficiary must initiate and participate in any complaint resolution procedure identified in the Company’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company complaint resolution procedure has been completed.

(4) Rules of Arbitration. All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(5) Representation and Costs. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.
(6) **Discovery; Location; Rules of Evidence.** Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(7) **Confidentiality.** The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
JOHNSON CONTROLS, INC.
EXECUTIVE EMPLOYMENT AGREEMENT

In consideration of the employment of the undersigned employee (“Executive”) by Johnson Controls, Inc., or its affiliated companies (“Company”), it is agreed between Executive and Company as follows in lieu of any other agreements or commitments relating to such employment, whether written or oral and whether past or present, unless expressly included or incorporated herein:

1. DUTIES. The Company agrees to employ Executive as a manager with duties and responsibilities which the Company acting either through its Board of Directors or its Chief Executive Officer, its sole discretion believes are appropriate to Executive’s skills, training and experience. Executive agrees to perform such assigned duties by devoting full time, due care, loyalty and best efforts thereto and complying with all applicable laws and the requirements of the Company’s policies and procedures on employee conduct, including but not limited to the Ethics and no-harassment policies.

2. TERM. This Agreement will be for an initial period of one year, and will thereafter automatically renew for successive one-year periods unless terminated as provided in Section 4, replaced or amended as provided in Section 5, or superceded as provided in Section 6.

3. COMPENSATION. Executive shall be paid or be eligible for the base salary, bonuses, and benefits set forth in Exhibit A, subject to the terms and conditions set forth in this Section, Exhibit A and in Section 4. The salary, benefits, and bonuses will be reviewed and adjusted periodically in accordance with the Company’s policies then in existence. Those policies and any benefit and bonus programs may be amended from time to time at the Company’s discretion.

4. TERMINATION. Executive’s employment with the Company may be terminated as follows, and Executive’s sole right to receive compensation, benefits, or bonuses after the termination shall be exclusively as set forth below. At the time of any such termination, upon request of the Company, such Executive agrees to resign in writing from all positions and board memberships of the Company and its subsidiaries and affiliates.

   (a) DEATH. If Executive dies during the term of this Agreement, this Agreement shall terminate and the Company shall be obligated to pay a lump sum payment equal to six (6) months of Executive’s monthly base salary to the beneficiaries set out in Exhibit A, or to his estate if no beneficiaries have been designated, no later than thirty (30) days after the date of the Executive’s death. However, all benefit plans or bonuses in effect upon Executive’s death shall operate in accordance with their terms covering death of the Executive or terminate immediately if silent.

   (b) DISABILITY. If Executive becomes disabled during the term of this Agreement, the Company may terminate Executive’s employment and this Agreement, and Executive’s sole remedy shall be to the Company’s Short and Long Term Disability

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Exhibit 10.K
Policies in effect at that time and Executive’s “disability” shall be determined in accordance with such plan provisions. All other bonuses and benefits in effect at that time shall operate in accordance with their provisions relating to disability or terminate if there is no such provision.

(c) **BY EMPLOYEE.** Executive may terminate his or her employment and this Agreement at any time for any reason, including resignation or retirement. All compensation, bonuses, or benefits in effect at that time shall cease as of the date of termination, unless specifically provided otherwise with respect to voluntary terminations in the applicable bonus or benefit policies. Without limiting the Company’s discretion generally, the Company specifically reserves the right to grant or not grant stock options, restricted stock, bonuses or other awards to an employee who has voluntarily terminated employment or announced his intention to do so.

(d) **FOR CAUSE.** The Company may terminate Executive for theft, dishonesty, fraudulent misconduct, violation of Section 7 or 8 of this Agreement, gross dereliction of duty, grave misconduct injurious to the Company or serious violation of the law or the Company’s policies and procedures on employee conduct. In the event the Company terminates Executive for cause hereunder, the Executive shall not be due any compensation, bonuses or benefits after the Termination Date unless earned in full prior to such date in accordance with the applicable provisions of the plan or plans. The Company, if allowed by law, may set off losses, fines or damages the Executive has caused it as a result of such misconduct.

(e) **WITHOUT CAUSE.** The Company, acting through its Board of Directors or through its Chief Executive Officer, may terminate Executive for any reason other than as set out in Sec. 4. a. - d. In such an event, Executive shall receive a severance allowance under the Company’s severance policy in effect at that time provided Executive signs a full release in form and substance acceptable to the Company; however, in no event shall such benefits be less than Executive’s base salary for one (1) year or twice the severance payments provided under the then current severance policy, whichever is greater. The severance payment shall be paid in a single sum as soon as practicable, but in no event more than ten (10) business days, following the date of Executive’s separation from service. Executive shall also receive any bonus or benefits in effect at that time under plan provisions for terminations without cause or none if such plans are silent. For purposes hereof, whether Executive has separated from service will be determined pursuant to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, which will generally occur when the Executive terminates employment from the Company and its affiliates (within the meaning of Section 414(b) and (c) of the Internal Revenue Code of 1986, as amended, provided that the phrase “at least 50 percent” shall be used in place of “at least 80 percent” each place it appears in the regulations thereunder). Executive will be presumed to have terminated employment when the level of bona fide services provided by Executive to the Company and its affiliates permanently decreases to a level of twenty percent (20%) or less of the level of services rendered by Executive, on average, during the immediately preceding 36 months (or such lesser period of service); provided that if Executive takes a leave of absence from the Company or an affiliate for purposes
of military leave, sick leave or other bona fide leave of absence. Executive will not be deemed to have a separation from service for the first six (6) months of the leave of absence, or if longer, for so long as Executive’s right to reemployment is provided either by statute or by contract; provided that if the leave of absence is due to Executive’s medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of six (6) months or more, and such impairment causes Executive to be unable to perform the duties of his position with the Company or an affiliate or a substantially similar position of employment, then the leave period may be extended for up to a total of twenty-nine (29) months without causing a separation from service.

5. **AMENDMENT**. The Company may at any time in its discretion amend, modify or replace this Agreement; however, such changes shall not reduce the benefits provided Executive for termination without cause under Sec. 4.e.

6. **CHANGE OF CONTROL**. In the event there is a “change of control” in the Company, as such term is defined in the Agreement attached as Exhibit B, then the Agreement set forth in Exhibit B shall supersede and replace this Agreement in all respects.

7. **NONCOMPETITION**. (a) Executive agrees that for a period of one year after the termination of active employment hereunder, he shall not, except as permitted by the Company’s prior written consent, in any capacity in which Confidential Information or Trade Secrets of the Company would reasonably be regarded as useful, engage in, be employed by, or in any way advise or act for any business which is a competitor of the Company with respect to the products or services provided by any division or group within the Company to which Executive devoted substantial attention in the year preceding termination of employment with the Company, and within the national and international geographic markets served by any such division or group. This restriction shall also apply to any ownership or other financial interest in such a competitor except the ownership of less than five percent of the shares of any corporation whose shares are listed on a recognized stock exchange or trade in an over-the-counter market. Depending on the scope of Executive’s responsibilities in the year preceding termination of employment with the Company, this covenant could potentially apply to a geographic area coextensive with the Company’s operations, including but not limited to all of North America and the European Economic Community. This covenant shall survive the termination of this Agreement.

(b) **REMEDIES**. The Executive acknowledges and agrees that the terms of Section 7 and 8: (i) are reasonable in geographic and temporal scope, (ii) are necessary to protect legitimate proprietary and business interests of the Company in, inter alia, near permanent customer relationships and confidential information. The Executive further acknowledges and agrees that (x) the Executive’s breach of the provisions of Section 7 will cause the Company irreparable harm, which cannot be adequately compensated by money damages, and (y) if the Company elects to prevent the Executive from breaching such provisions by obtaining an injunction against the
Executive, there is a reasonable probability of the Company’s eventual success on the merits. The Executive consents and agrees that if the Executive commits any such breach or threatens to commit any breach, the Company shall be entitled to temporary and permanent injunctive relief from a court of competent jurisdiction, in addition to, and not in lieu of, such other remedies as may be available to the Company for such breach, including the recovery of money damages. The Parties further acknowledge and agree that the provisions of Section 10(d) below are accurate and necessary because (A) this Agreement is entered into in the State of Wisconsin, (B) as of the Effective Date, Wisconsin will have a substantial relationship to the Parties and to this transaction, (C) as of the date of this Agreement, Wisconsin is the headquarters state of the Company, which has operations globally and has a compelling interest in having its employees treated uniformly, (D) the use of Wisconsin law provides certainty to the Parties in any covenant litigation in the United States, and (E) enforcement of the provision of this Section 7 would not violate any fundamental public policy of Wisconsin or any other jurisdiction. If any of the provisions of Sections 7 or 8 are determined to be wholly or partially unenforceable, the Executive hereby agrees that this Agreement or any provision hereof may be reformed so that it is enforceable to the maximum extent permitted by law. If any of the provisions of Sections 7 or 8 are determined to be wholly or partially unenforceable in any jurisdiction, such determination shall not be a bar to or in any way diminish the Company’s right to enforce any such covenant in any other jurisdiction.

8. CONFIDENTIAL INFORMATION. (a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive’s employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During employment and for two years after termination of the Executive’s employment with the Company, the Executive, except as may otherwise be required by law or legal process, shall not use any such information except on behalf of the Company and shall not communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. This covenant shall survive the termination of this Agreement. Nothing in this paragraph is intended or shall be construed to limit in any way Executive’s independent duty not to misappropriate Trade Secrets of the Company.

(b) “Trade Secret” means information of the Company, including a formula, pattern, compilation, program, device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and that is the subject of efforts by the Company to maintain its secrecy that are reasonable under the circumstances. During employment with the Company, Executive shall preserve and protect Trade Secrets of the Company from unauthorized use or disclosure, and after termination of such employment, Executive shall not use or disclose any Trade Secret of the Company until
such time as that Trade Secret is no longer a secret as a result of circumstances other than a misappropriation involving the Executive.

9. **MANDATORY ARBITRATION.** As a condition of his employment with the Company, and in consideration for that employment, Executive agrees that if he has any legal disputes with the Company or its supervisors, managers, directors, or agents concerning his employment or termination of employment, those disputes will be brought and resolved exclusively through binding arbitration. For example, any claims by the Executive that he has been demoted, denied promotion, or discharged because of age discrimination, race discrimination, or unlawful retaliation will be resolved through binding arbitration. Arbitrations involving employment issues under this provision will be conducted pursuant to the terms and conditions of the Company’s Employment Dispute Resolution Program (copy attached), except that use of arbitration under the Program to resolve employment disputes will be mandatory rather than voluntary. Arbitrations under this agreement will be conducted pursuant to the procedural rules established for resolving employment disputes by the American Arbitration Association (copy available). By signing this Agreement, Executive releases and waives any right he has to resolve employment disputes (including claims of unlawful discharge) through filing a lawsuit in court, and agrees instead that the disputes will be resolved exclusively through binding arbitration. Because Executive is giving up the legal right to file a lawsuit against the Company or its supervisors, managers, directors, or agents involving any and all legal disputes arising from his employment or termination of employment, the Company encourages him to consult with an attorney prior to signing this Agreement. Executive understands that he has twenty-one days to consider whether to sign this agreement. If he signs it, for a period of seven days following the signing he may revoke the agreement. In order to make the revocation effective, he must deliver a signed revocation to the Company within the seven-day revocation period. Notwithstanding the foregoing, Executive agrees that the Company may seek enforcement of Sections 7 and 8 of this Agreement by filing an action in a court of competent jurisdiction seeking temporary, preliminary and permanent injunctive relief and such other relief as may be necessary to protect the Company from threatened, imminent, or existing irreparable harm.

10. **MISCELLANEOUS.** (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Executive hereby grants the Company unlimited authority to assign its rights under this Agreement and consents to any and all such assignments.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially of the business and/or assets of the Company to assume expressly and agree to perform this
Agreement in the same manner and at the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any successor its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(d) This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(e) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

   If to the Executive:
   To the address appearing immediately below Executive’s signature.

   If to the Company

   Johnson Controls, Inc.
   5757 North Green Bay Avenue
   Milwaukee, WI 53209
   Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(f) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(g) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.
IN WITNESS WHEREOF, the Executive has hereunto set the Executive’s hand and, pursuant to the authorization from its Board of Directors, Johnson Controls, Inc. has caused these presents to be executed in its name on its behalf, all as of the day and year written below.

Executive:
Address:

JOHNSON CONTROLS, INC.

By: ____________________________
   Stephen A. Roell, CEO
Date: __________________________

7
Executive Employment Agreement

JOHNSON CONTROLS, INC.
EXECUTIVE EMPLOYMENT AGREEMENT
EXHIBIT A

Executive:

Base Salary: $

Benefits: Executive is eligible to participate in the following benefits provided by Johnson Controls, Inc., in addition to those benefits provided all salaried employees. However, Executive is not assured an award under any such benefit in any year. Each award will be granted each year in accordance with the terms of the benefit plan.

Participation: Participant is subject to the applicable terms of the plan. In addition to any vesting and/or forfeiture provision that may apply under the applicable plan, the Company reserves the right, at its discretion, to revoke or forfeit some or all of the stock options, restricted stock or other stock based awards with respect to a fiscal year, and/or to pay all, some, or no bonuses with respect to a fiscal year if the Executive voluntarily resigns his/her employment or is discharged for cause prior to the end of the applicable fiscal year. In all other instances, the terms of the respective plans shall apply.

Beneficiaries: The following beneficiaries will receive death benefits provided under the above benefits unless beneficiaries have been designated under a specific Benefit plan by the Executive. If more than one beneficiary is listed, each beneficiary, if living at the time of payment, will share equally, unless an unequal allocation has been expressly indicated.

Name: ___________________________ Relationship ___________________________
Name: ___________________________ Relationship ___________________________
Name: ___________________________ Relationship ___________________________
Name: ___________________________ Relationship ___________________________

8
JOHNSON CONTROLS, INC.
CHANGE OF CONTROL
EXECUTIVE EMPLOYMENT AGREEMENT

AGREEMENT by and between Johnson Controls, Inc. a Wisconsin corporation (the “Company”) and Executive Name (the “Executive”), dated _________.

The Board of Directors of the Company (the “Board”) has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive’s full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

11. Certain Definitions

(a) (i) The “Effective Date” shall mean the first date during the Change of Control Period (as defined in Section 1(b) on which a Change of Control (as defined in Section 2) occurs. (ii) Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive’s employment with the Company is terminated or the Executive ceases to be an officer of the Company prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment or cessation of status as an officer (A) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (B) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the “Effective Date” shall mean the date immediately prior to the date of such termination of employment or cessation of status as an officer.

(b) The “Change of Control Period” shall mean the period commencing on the date hereof and ending on the second anniversary of such date; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the “Renewal Date”), the Change of Control Period shall be
automatically extended so as to terminate two years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) A “Change of Control” shall mean the first to occur of the following events:

i. The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that the following acquisitions shall not constitute a Change of Control: (I) any acquisition directly from the Company, (II) any acquisition by the Company, (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company, or (IV) any acquisition by any corporation pursuant to a transaction that complies with Sections 1(c)(iii)(A), 1(c)(iii)(B) and 1(c)(iii)(C);

ii. Any time at which individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

iii. Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined
iv. Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(d) As used in this Agreement, the term “Affiliated Company” or “Affiliated Companies” shall include any company or companies controlled by, controlling or under common control with the Company; provided that when determining when the Executive has experienced a Separation from Service for purposes of this Agreement, control shall be determined pursuant to Code Section 414(b) or 414(c), except that the phrase “at least 50 percent” shall be used in place of the phrase “at least 80 percent” in each place it appears in the regulations thereunder.

(e) “Code” shall mean the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code shall be deemed to include any successor provision thereto.

(f) “Separation from Service” shall mean the Executive’s Termination of Employment, except that if the Executive continues to provide services following his or her Termination of Employment, such later date as is considered a separation from service, within the meaning of Code Section 409A, from the Company and its Affiliated Companies. Specifically, if the Executive continues to provide services to the Company or an Affiliated Company in a capacity other than as an employee, such shift in status is not automatically a Separation from Service.

(g) For purposes of this Agreement, the Executive will be considered a “Specified Employee” if, on the date of the Executive’s Separation from Service, the
Executive is a key employee of the Company or an affiliate of the Company (within the meaning of Code Section 414(b) or (c)) any of the stock of which is publicly traded on an established securities market or otherwise. The Executive is considered a key employee for the 12-month period beginning on the first day of the fourth month following the key employee identification date, which is December 31 of each year, such that if the Executive satisfies the requirements for key employee status as of December 31 of a year, the Executive shall be treated as a key employee for the 12-month period beginning April 1 of the following calendar year. The Executive will meet the requirements for key employee status as of December 31 of a year if the Executive meets the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii), applied in accordance with the regulations under Code Section 416, but disregarding Code Section 416(i)(5), at any time during the 12-month period ending on such December 31. For purposes of determining whether the Executive is a key employee, the definition of compensation under Treasury Regulation §1.415-2(a) shall be used, applied as if the Company and its affiliates were not using any safe harbor under Treasury Regulation §1.415-2(d), any of the special timing rules of Treasury Regulation §1.415-2(e) or any of the special rules provided in Treasury Regulation §1.415-2(g).

In lieu of the foregoing, if, in the transaction constituting a Change of Control, the Company is merged with or acquired by another entity, and immediately following the Change of Control the stock of either the Company or the acquirer or successor in such transaction is publicly traded on an established securities market or otherwise, then the Executive shall be considered a key employee for the period between the effective date of such transaction and the next specified employee effective date of the acquirer or survivor if the Executive is on the combined list of the specified employees of each entity participating in the transaction, as re-ordered to identify the top 50 key employees (as well as 1% and 5% owners that are considered key employees) in accordance with Treasury Regulations §1.409A-1(i)(6)(i).

(h) For purposes of this Agreement, the Executive’s “Termination of Employment” (or variations thereof, such as “Terminates Employment” or “Employment Termination”) shall occur when the Executive permanently ceases to perform services for the Company and its Affiliated Companies as an employee or when the level of bona fide services the Executive performs as an employee of the Company and its Affiliated Companies permanently decreases to no more than twenty percent (20%) of the average level of bona fide services performed by the Executive (whether as an employee or independent contractor) for the Company and its Affiliated Companies over the immediately preceding thirty-six (36)-month period (or such lesser period of services). Notwithstanding the foregoing, if the Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide reason, the Executive will not be deemed to have experienced a Termination of Employment for the first six (6) months of the leave of absence, or if longer, for so long as the Executive’s right to reemployment is provided either by statute or by contract, including this Agreement; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially
similar position of employment, the leave may be extended by the Company for up to twenty-nine (29) months without causing a Termination of Employment.

12. **Employment Period.** The Company hereby agrees to continue the Executive in its employ for the period commencing on the Effective Date and ending on the second anniversary of such date (the “Employment Period”), subject to the provisions of Section 4.

13. **Terms of Employment.** (a) **Position and Duties.** i. During the Employment Period, (A) the Executive’s position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 90-day period immediately preceding the Effective Date and (B) the Executive’s services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

ii. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive’s reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive’s responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive’s responsibilities to the Company.

(b) **Compensation.** i. **Base Salary.** During the Employment Period, the Executive shall receive an annual base salary (“Annual Base Salary”), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable to the Executive by the Company and its Affiliated Companies for any month during the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time as shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other peer executives of the Company and its Affiliated Companies. Any increase in Annual Base Salary shall not serve to limit or reduce any
other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased.

ii. Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the “Annual Bonus”) in cash at least equal to the average annualized (for any fiscal year consisting of less than twelve full months or with respect to which the Executive has been employed by the Company for less than twelve full months) bonuses paid or payable, including any amount that would have been paid or have been payable were it not for a mandatory or voluntary deferral of such amount, including pursuant to the Annual and Long-Term Incentive Plans or any counterpart or successor plan (s) thereto, to the Executive by the Company and its Affiliated Companies in respect of the three fiscal years immediately preceding the fiscal year in which the Effective Date occurs (the “Recent Average Bonus”). Each such Annual Bonus shall be paid no later than the fifteenth (15th) day of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus in accordance with the terms of any deferred compensation plan then in effect.

iii. Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its Affiliated Companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its Affiliated Companies. The amount payable to the Executive under any such incentive program(s) for any performance period will be reduced (but not below zero) by the amount of the Annual Bonus paid or payable to the Executive for such performance period in accordance with Section 3(b)(ii) above. Any amounts thereafter payable to the Executive under the incentive program(s) for any performance period shall be paid no later than the fifteenth (15th) day of the third month of the fiscal year next following the fiscal year that includes the performance period for which such payments are awarded.
iv. **Welfare Benefit Plans**. During the Employment Period, the Executive and/or the Executive’s family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its Affiliated Companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel, accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its Affiliated Companies.

v. **Expenses**. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its Affiliated Companies in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliated Companies.

vi. **Fringe Benefits**. During the Employment Period, the Executive shall be entitled to fringe benefits in accordance with the most favorable plans, practices, programs and policies of the Company and its Affiliated Companies in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliated Companies.

vii. **Office and Support Staff**. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its Affiliated Companies at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its Affiliated Companies.

viii. **Vacation**. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its Affiliated
Companies as in effect for the Executive at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer incentives of the Company and its Affiliated Companies.

14. Termination of Employment. (a) Death or Disability. The Executive shall Terminate Employment automatically upon the Executive’s death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive or his legal representative written notice in accordance with Section 11(b) of this Agreement of its intention to Terminate the Executive’s Employment. In such event, the Executive’s Termination of Employment shall occur effective on the 30th day after receipt of such notice by the Executive or his legal representative (the “Disability Effective Date”), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive’s duties. For purposes of this Agreement, “Disability” shall mean the absence of the Executive from the Executive’s duties with the Company on a full time basis for 180 consecutive business days as a result of a medically determinable physical or mental impairment that can be expected to result in death or is otherwise total and permanent as determined by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive’s legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) Cause. The Company may Terminate the Employment of the Executive during the Employment Period for Cause. For purposes of this Agreement, “Cause” shall mean (i) repeated violations by the Executive of the Executive’s obligations under Section 3(a) of this Agreement (other than as a result of incapacity due to physical or mental illness) which are demonstrably willful and deliberate on the Executive’s part, which are committed in bad faith or without reasonable belief that such violations are in the best interests of the Company and which are not remedied in a reasonable period of time after receipt of written notice from the Company specifying such violations or (ii) the conviction of the Executive of a felony involving moral turpitude. For purposes of this Section 4(b), no act, or failure to act, on the part of the Executive shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company or based upon the advice of counsel for the Company (or any act which the Executive omits to do because of the Executive’s reasonable belief that such act would violate law or the Company’s standards of ethical conduct in its corporate policies) shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board (excluding the Executive, if the Executive is a member of the Board) at a meeting of the Board called.
and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive committed the conduct described in Section 4(b)(i) or 4(b)(ii), and specifying the particulars thereof in detail.

(c) **Without Cause.** The Company may Terminate the Employment of Executive during the Employment Period without Cause, in which event, without limitation, the provisions of Section 5 shall apply.

(d) **Good Reason.** The Executive may Terminate Employment for Good Reason during the Employment Period. For purposes of this Agreement, “Good Reason” shall mean the occurrence of any of the following events:

i. the assignment to the Executive of any duties inconsistent in any respect with the Executive’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 3(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

ii. any failure by the Company to comply with any of the provisions of Section 3(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

iii. the Company’s requiring the Executive to be based at any office or location other than that described in Section 3(a)(i)(B) hereof;

iv. any purported termination by the Company of the Executive’s employment otherwise than as expressly permitted by this Agreement;

v. any failure by the Company to comply with and satisfy Section 10(c) of this Agreement; or

vi. the Company’s request that the Executive perform any illegal, or wrongful act in violation of the Company’s code of conduct policies.

For purposes of this Section 4(d), any good faith determination of “Good Reason” made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a Termination of Employment by the Executive for any reason or no reason during the 30-day period immediately following the first anniversary of the
Effective Date shall be deemed to be a Termination of Employment by the Executive for Good Reason for all purposes of this Agreement.

(e) **Without Good Reason.** The Executive’s employment may be terminated during the Employment Period by the Executive without Good Reason.

(f) **Notice of Termination.** Any Termination of the Executive’s Employment by the Company or by the Executive shall be communicated by a Notice of Termination given to the other party hereto. Such Notice of Termination shall satisfy the requirements set forth in Section 11(b) of this Agreement. For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement which is relied upon as a basis for the Termination of the Executive’s Employment, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination of the Executive’s Employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the Date of Termination (which date shall not be more than fifteen (15) days after the date the Notice of Termination is tendered to the other party). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive’s or the Company’s rights under this Agreement. Subject to the provisions of Section 5, the Executive’s Employment Period ends at 11:59 p.m. on the Executive’s Date of Termination.

(g) **Date of Termination.** “Date of Termination” means the date of which the Executive’s Termination of Employment occurs, as follows: (i) if the Executive’s Termination of Employment is by the Company for Cause, or by the Executive for Good Reason or for other than Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive’s Termination of Employment is by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination and (iii) if the Executive’s Termination of Employment is by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

15. **Obligations of the Company upon Termination.** (a) **Good Reason; Other Than for Cause, Death or Disability.** If, during the Employment Period, the Executive’s Termination of Employment shall be by Company other than for Cause or Disability or by the Executive for Good Reason:

   i. the Company shall pay to the Executive in a lump sum in cash the aggregate of the following amounts (such aggregate amounts shall be hereinafter referred to as the “Special Termination Amount”):

   (1) the sum of (1) the Executive’s Annual Base Salary through the Date of Termination and any Annual Bonus(es) that
relate to performance periods that have ended on or before the Date of Termination, (2) the product of (x) the higher of (I) the Recent Average Bonus and (II) the Annual Bonus paid or payable, including any amount that would have been paid or would be payable were it not for a mandatory or voluntary deferral of such amount (and annualized for any fiscal year consisting of less than twelve full months or for which the Executive has been employed for less than twelve full months) for the most recently completed fiscal year during the Employment Period, if any (the “Highest Annual Bonus”) and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 (provided that, if the Executive’s Date of Termination is the same day as a Change of Control occurs as defined in the Annual and Long-Term Incentive Plans or any counterpart or successor plans thereto, the amount payable under this clause (2) shall be reduced (but not below zero) by the amounts paid or payable under such plans as a result of the Change of Control); and (3) any accrued vacation pay; in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the “Accrued Obligations”); and

(2) the amount equal to the product of (1) three and (2) the sum of (x) the Executive’s Annual Base Salary and (y) the Highest Annual Bonus; and

(3) a separate lump-sum supplemental retirement benefit equal to:

(1) if the Executive is participating in the Johnson Controls, Inc. Pension Plan (or any successor plan thereto) (the “Pension Plan”) and/or is accruing a supplemental defined benefit amount under the Johnson Controls, Inc. Restoration Benefit Plan (the “Restoration Plan”) or any other supplemental and/or excess retirement plan that provides a defined benefit-type accrual for the Executive (the “SERP”) as of the Effective Date, the amount, if any, by which (A) the actuarial equivalent single-sum value (utilizing for this purpose the actuarial assumptions utilized to determine lump sum payments as of the Date of Termination with respect to the Pension Plan) of the benefit payable under the Pension Plan, the related defined benefit component of the Restoration Plan or any other SERP which the Executive would receive if the Executive’s employment continued at the compensation level provided for in Sections 3(b)(i) and 3(b)(ii) of this Agreement until the second anniversary of the Effective Date, assuming for this purpose that all accrued benefits are fully vested and that benefit accrual formulas and the actuarial assumptions are no less advantageous to the Executive than those most favorable to the Executive and in effect during the 90-day period immediately preceding the Effective Date and assuming that the benefits commence on the earliest date following Termination of Employment
on which the Executive would be eligible to commence benefits under the Pension Plan, exceeds (B) the actuarial equivalent single-sum value (utilizing for this purpose the same actuarial assumptions as were utilized in clause (1) above) of the Executive’s actual benefit (paid or payable) with payment assumed to have commenced at the same time as under clause (1) above, if any, under the Pension Plan, the Restoration Plan and the SERP; or

(2) if the Executive is participating in the Johnson Controls, Inc. Savings and Investment (401k) Plan, or any successor plan thereto (the “SIP”), and/or is eligible for any supplemental defined contribution benefits under the Restoration Plan or any other supplemental or excess retirement plan that provides a defined contribution-type benefit for the Executive (the “DC SERP”) as of the Effective Date, the amount equal to the Company non-matching and non-elective deferral contributions that would have been made for the Executive under the SIP, the Restoration Plan and the DC SERP if the Executive’s employment continued at the compensation level provided for in Sections 3(b)(i) and 3(b)(ii) of this Agreement until the second anniversary of the Effective Date, assuming for this purpose that the Executive’s accounts are fully vested and that the contribution formulas are no less advantageous to the Executive than those most favorable to the Executive and in effect during the 90-day period immediately preceding the Effective Date, but determined without regard to any interest such amounts would have earned until the second anniversary of the Effective Date.

Such lump sum shall be paid within thirty (30) business days after the Executive’s Separation from Service, provided that (x) if the Executive is a Specified Employee, payment will be delayed until no earlier than six (6) months and no later than seven (7) months after the date of the Executive’s Separation from Service, and if so delayed, such payment shall be accompanied by a payment of interest at an annual rate equal to the “prime rate” as published from time to time by The Wall Street Journal, such rate changing as and when such published rate changes (the “Prime Rate”), compounded quarterly, and (y) if the Effective Date is prior to a Change of Control pursuant to Section 1(a)(ii), payment will be made within thirty (30) business days following the Change of Control.

ii. until the second anniversary of the Effective Date, or such longer period as any plan, program, practice or policy may provide, the Company shall continue welfare benefits to the Executive and/or the Executive’s family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(b)(iv) of this Agreement if the Executive’s Employment had not been Terminated in accordance with the most favorable plans, practices, programs or policies of the Company and its Affiliated Companies applicable generally to other peer executives and their families during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and
its Affiliated Companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the second anniversary of the Effective Date and to have retired on the last day of such period. With respect to the foregoing:

(1) If applicable, following the end of the COBRA continuation period, if such health care coverage is provided under a health plan that is subject to Code Section 105(h), benefits payable under such health plan shall comply with the requirements of Treasury regulation section 1.409A-3(i)(1)(iv)(A) and (B) and, if necessary, the Company shall amend such health plan to comply therewith. The continuation of health care coverage hereunder shall count as COBRA continuation coverage;

(2) If the Executive is a Specified Employee, then during the first six (6) months following the Executive’s Separation from Service, the Executive shall pay the Company for any life insurance coverage that provides a benefit in excess of $50,000 under a group term life insurance policy. After the end of such six (6)-month period, the Company shall make a cash payment to the Executive equal to the aggregate premiums paid by the Executive for such coverage, and such payment shall be credited with interest at an annual rate equal to the Prime Rate, compounded quarterly, and thereafter such coverage shall be provided at the expense of the Company for the remainder of the period ending on the second anniversary of the Effective Date; and

(3) If the Effective Date is prior to a Change of Control pursuant to Section 1(a)(ii), then the Company shall fulfill its obligations hereunder by providing retroactive welfare benefits coverage to the Executive’s Date of Termination and, if the Executive has paid COBRA premiums for health care coverage from the Date of Termination through the date of the Change of Control, the Company shall reimburse the Executive for the aggregate amount of such COBRA premiums within thirty (30) business days following the Change of Control, without liability for interest thereon; and

iii. to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive
pursuant to this Agreement under any plan, program, policy or practice or contract or agreement of the Company and its Affiliated Companies (such other amounts and benefits shall be hereinafter referred to as the “Other Benefits”).

(b) Death. If the Executive’s Termination of Employment is by reason of the Executive’s death during the Employment Period, this Agreement shall terminate without further obligations to the Executive’s legal representatives under this Agreement, other than for payment of the Special Termination Amount and the timely payment or provision of Other Benefits. The Special Termination Amount shall be paid to the Executive’s estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 5(b) shall include, and the Executive’s family shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and any of its Affiliated Companies to surviving families of peer executives of the Company and such Affiliated Companies under such plans, programs, practices and policies relating to family death benefits, if any, as in effect with respect to other peer executives and their families at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive’s family, as in effect on the date of the Executive’s death with respect to other peer executives of the Company and its Affiliated Companies and their families.

(c) Disability. If the Executive’s Termination of Employment is by reason of the Executive’s Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of the Special Termination Amount and the timely payment or provision of Other Benefits. The Special Termination Amount shall be paid to the Executive at the same time and in the same manner as the payment would be made pursuant to Section 5(a). With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and Other Benefits at least equal to the most favorable of those generally provided by the Company and its Affiliated Companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 90-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive’s family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its Affiliated Companies and their families.

(d) Termination by Company for Cause; Termination by Executive for Other than for Good Reason. 

   i. If the Executive’s Termination of Employment during the Employment Period is by the Company for Cause, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive his Annual Base Salary through the Date of Termination (subject to any deferral election then in effect) and the
payment, in accordance with the terms of the Johnson Controls, Inc. Executive Deferred Compensation Plan and the Johnson Controls, Inc. Retirement Restoration Plan (or other relevant nonqualified deferred compensation plan), of any previously vested amounts, in each case to the extent theretofore unpaid.

ii. If the Executive voluntarily Terminates Employment during the Employment Period, excluding a Termination of Employment for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) business days of the Executive’s Separation from Service; provided that if the Executive is a Specified Employee, payment will be delayed until no earlier than six (6) months and no later than seven (7) months after the date of Separation from Service, and, if so delayed, such payment shall be credited with interest at an annual rate equal to the Prime Rate, compounded quarterly.

16. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive’s continuing or future participation in any plan, program, policy or practice provided by the Company or any of its Affiliated Companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its Affiliated Companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its Affiliated Companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

17. Full Settlement. The Company’s obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 6(a)(ii), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the Prime Rate, compounded quarterly. The Company shall make such payment to the Executive within thirty (30) business days (but in no event later than the end of the

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calendar year following the calendar year in which the Executive incurred such fees and expenses) following receipt from the Executive of documentation substantiating such fees and expenses.

18. **Certain Additional Payments by the Company.**

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Executive shall be entitled to receive an additional payment (a “Gross-Up Payment”) in an amount such that after payment by the Executive of all taxes (and any interest or penalty imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 8(a), if it shall be determined that the Executive is entitled to the Gross-Up Payment, but that the Parachute Value of all Payments does not exceed 110% of the Safe Harbor Amount, then no Gross Up Payment shall be made to the Executive and the amounts payable under this Agreement shall be reduced so that the Parachute Value of all Payments, in aggregate, equals the Safe Harbor Amount. The reduction of the amounts payable hereunder, if applicable shall be made by first reducing the Payments under Section 5(a)(i)(B), unless an alternative method of reduction is elected by the Executive, and in any event shall be made in such a manner as to maximize the Value of all Payments actually made to the Executive. For purposes of reducing the Payments to the Safe Harbor Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amount payable under this Agreement would not result in a reduction of the Parachute Value of all Payments to the Safe Harbor Amount, no amounts payable under the Agreement shall be reduced pursuant to Section 8(a). The Company’s obligation to make Gross-Up Payments under this Section 8 shall not be conditioned upon the Executive’s Termination of Employment.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by PricewaterhouseCoopers LLP or such other certified public accounting firm as may be designated by the Executive (the “Accounting Firm”) which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive: (1) if the Effective Date is prior to a Change
of Control pursuant to Section 1(a)(ii), within thirty (30) business days following the Change of Control, or if later, within five (5) business days of the receipt of the Accounting Firm’s determination, but no later than 2½ months following the year in which the Change of Control occurs; (2) if the Executive’s Termination of Employment is on or after a Change of Control and the Executive is a Specified Employee, no earlier than six (6) months and no later than seven (7) months after the date of the Executive’s Separation from Service, and such Gross-Up Payment shall be credited with interest at an annual rate equal to the Prime Rate, compounded quarterly or (3) otherwise, within ninety (90) days following the Executive’s Separation from Service; provided that the Executive shall not have discretion to choose the tax year in which the Gross-Up Payment shall be made if the calendar year ends during any such payment period.

Notwithstanding the foregoing, if the Executive is required to pay the excise tax imposed under Code Section 4999 prior to the applicable payment date for the Gross-Up Payment described hereinabove (such as, for instance, because other payments due to the Executive without regard to this Agreement cause the Excise Tax to be due), then the Company shall promptly reimburse the Executive for the amount of Excise Taxes paid by the Executive under Code Section 4999, plus an amount equal to the additional taxes imposed on the Executive due to the Company’s reimbursement of the Excise Tax and such additional taxes. In no event shall the payment described in this paragraph be paid to the Executive later than the end of the calendar year following the year in which the Executive remits such taxes. In such event, the Gross-Up Payment, if and when paid, shall be reduced by the payment previously made to the Executive under this paragraph.

If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive’s applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Accounting Firm hereunder it is possible that Gross-Up Payments which will not have been made by the Company should have been made (“Underpayment”), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred. Any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive following the date the Executive remits the taxes, or if earlier, the date the Internal Revenue Service assesses such additional taxes, but no later than the calendar year following the calendar year in which the Executive remits the additional taxes. The Executive shall provide written notice to the Company and documentation substantiating the amount of additional taxes paid or assessed.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment or Underpayment. Such notification shall be given
as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30)-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

i. give the Company any information reasonably requested by the Company relating to such claim,

ii. take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

iii. cooperate with the Company in good faith in order to effectively contest such claim, and

iv. permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such payment; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company’s control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

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(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company’s complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after the Company’s receipt of notice of such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

Notwithstanding any other provision of this Section 8, the Company, may in its sole discretion, in lieu of making a payment to the Executive, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding.

Definitions. The following terms shall have the following meanings for purposes of this Section 8.

“Excise Tax” shall mean the Excise Tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with the respect to such Excise Tax.

“Parachute Value” of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

A “Payment” shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

The “Safe Harbor Amount” means 2.99 times the Executive’s “base amount,” within the meaning of Section 280G(b)(3) of the Code.

“Value” of a Payment shall mean the economic present value of a Payment as of the date of the change of control for purposes of Section 280G of the Code, as determined by the Accounting Firm using the discount rate required by Section 280G(d)(4) of the Code.

19. Confidential Information. (a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge
or data relating to the Company or any of its Affiliated Companies, and their respective businesses, which shall have been obtained by the Executive during the Executive’s employment by the Company or any of its Affiliated Companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). During employment and for two years after the Executive’s Termination of Employment, the Executive, except as may otherwise be required by law or legal process, shall not use any such information except on behalf of the Company and shall not communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. This covenant shall survive the termination of this Agreement. Nothing in this paragraph is intended or shall be construed to limit in any way Executive’s independent duty not to misappropriate Trade Secrets of the Company.

(b) “Trade Secret” means information of the Company and its Affiliated Companies, including a formula, pattern, compilation, program, device, method, technique or process, that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and that is the subject of efforts by the Company or an Affiliated Company to maintain its secrecy that are reasonable under the circumstances. During employment with the Company and its Affiliated Companies, Executive shall preserve and protect Trade Secrets from unauthorized use or disclosure, and after Termination of Employment, Executive shall not use or disclose any Trade Secret until such time as that Trade Secret is no longer a secret as a result of circumstances other than a misappropriation involving the Executive.

20. **Successors.** (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effective date of such purchase, merger, consolidation or other transaction shall be a breach of this Agreement constituting “Good Reason” hereunder, except that for purposes of implementing the foregoing, the date upon which such purchase, merger, consolidation or other transaction becomes effective shall be deemed the Date of Termination. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.
21. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Johnson Controls, Inc.
5757 North Green Bay Avenue
Milwaukee, Wisconsin 53209
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation. In addition, if prior to the date of payment of any payment hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due with respect to any payment or benefit to be provided hereunder, the Company shall (unless otherwise directed by the Executive, to the extent such direction does not cause a violation of Code Section 409A) provide for an immediate payment of the amount needed to pay the Executive’s portion of such tax (plus an amount equal to the taxes that will be due on such amount) and the Special Termination Amount shall be reduced accordingly.

(e) The Executive’s or the Company’s failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the
failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to Terminate Employment for Good Reason pursuant to Section 4(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is “at will” and, prior to the Effective Date, may be terminated by either the Executive or the Company at any time. Moreover, if prior to the Effective Date, (i) the Executive’s employment with the Company terminates or (ii) the Executive ceases to be an officer of the Company, then the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other employment agreement between the parties.

(g) This Agreement shall be governed by the laws of the State of Wisconsin, without reference to conflict of law principles thereof.

i. If, after a Change of Control, any payment amount or the value of any benefit under this Agreement is required to be included in an Executive’s income prior to the date such amount is actually paid or the benefit provided as a result of the failure of this Agreement (or any other arrangement that is required to be aggregated with this Agreement under Code Section 409A) to comply with Code Section 409A, then the Executive shall receive a payment, in a lump sum, within ninety (90) days after the date it is finally determined that the Agreement (or such other arrangement that is required to be aggregated with this Agreement) fails to meet the requirements of Section 409A of the Code; such payment shall equal the amount required to be included in the Executive’s income as a result of such failure and shall reduce the amount of payments or benefits otherwise due hereunder.

ii. The Company and the Executive intend the terms of this Agreement to be in compliance with Section 409A of the Code. To the maximum extent permissible, any ambiguous terms of this Agreement shall be interpreted in a manner which avoids a violation of Section 409A of the Code.

(h) To avoid a violation of Section 409A of the Code, the Executive acknowledges that, with respect to payments that may be payable or benefits that may be provided under this Agreement that are subject to Section 409A of the Code and that are not timely paid or provided, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which the Executive believes the Executive is entitled hereunder no later than ninety (90) days after the latest date upon which the payment should have been made or benefit provided under this Agreement, and if not paid or provided, must take further enforcement measures within one hundred eighty
(180) days after such latest date. Failure to comply with these deadlines will not result in the loss of any payment or benefit to which the Executive is otherwise entitled.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive’s hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

JOHNSON CONTROLS, INC.

By: ________________________________

Stephen A. Roell, CEO
INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT ("Agreement") is made and entered into as of this ___ day of ___ 20 ___, by and between Johnson Controls, Inc., a Wisconsin corporation (the "Company") and ___ a Director and/or Officer of the Company (the "Executive"). Capitalized terms used in this Agreement and not otherwise defined in the text of this Agreement, or in Paragraph 17 hereof, shall have the respective meanings ascribed to them in Section 180.0850 of the Wisconsin Business Corporation Law (the "Statute").

W I T N E S S E T H:

WHEREAS, Section 180.0858 of the Statute provides that Directors and Officers can, subject to certain limitations, be granted indemnification rights in addition to those provided in the Statute pursuant to a written agreement between a Director or Officer and the Company.

WHEREAS, in order to provide the Executive with the most comprehensive personal liability protection presently allowed under Wisconsin law, the Company has deemed it appropriate to enter into this Agreement with the Executive.

WHEREAS, the Executive desires to continue to serve as a Director or Officer of the Company; provided, however, that the Executive is furnished with the personal liability protections set forth hereinafter.

WHEREAS, the Executive agrees that, as a condition to the Company entering into this Agreement, the Executive shall terminate and return any existing indemnity agreement with the Company to which the Executive is currently a party.

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements of the Company and the Executive contained in this Agreement and the mutual benefits to be derived herefrom, the Company and the Executive, intending to be legally bound, hereby covenant and agree as follows:

1. Agreement to Serve. The Executive agrees to continue to serve the Company as a Director or Officer in consideration of the personal liability protections granted by the Company to the Executive herein; provided, however, that nothing contained in this Agreement shall constitute a contract of employment or designation of directorship between the Company and the Executive.

2. Mandatory Indemnification. The Company shall indemnify the Executive, to the fullest extent permitted or required by the Statute, against all Liabilities incurred by the Executive in a Proceeding in which the Executive is a Party because the Executive is or was a Director or Officer.
3. **Procedural Requirements**

(a) If the Executive seeks indemnification under Paragraph 2, the Executive shall make a written request therefor to the Company. Subject to Paragraphs 3(b) and 3(e), within sixty days of the Company’s receipt of such request, the Company shall pay or reimburse the Executive for the entire amount of Liabilities incurred thereby in connection with the subject Proceeding (net of any Expenses previously advanced pursuant to Paragraph 5).

(b) No indemnification shall be required to be paid by the Company pursuant to Paragraph 2 if, within such sixty-day period, (i) a Disinterested Quorum, by a majority vote thereof, determines that the Executive engaged in misconduct constituting a Breach of Duty; or (ii) a Disinterested Quorum cannot be obtained.

(c) In either case of nonpayment pursuant to Paragraph 3(b), the Board shall immediately authorize by resolution that an Authority, as provided in Paragraph 4, determine whether the Executive’s conduct constituted a Breach of Duty and, therefore, whether indemnification should be denied hereunder.

(d) If the Board does not authorize an Authority to determine the Executive’s right to indemnification hereunder within such sixty-day period and/or if indemnification of the requested amount of Liabilities is paid by the Company, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has determined that the Executive did not engage in misconduct constituting a Breach of Duty.

(e) If a Change in Control shall have occurred, the sixty-day period referenced in Paragraph 3(b) and Paragraph 3(d) shall become a ten-day period.

4. **Determination of Indemnification**

(a) If the Board authorizes an Authority to determine the Executive’s right to indemnification pursuant to Paragraph 3, then the Executive shall have the absolute discretionary authority to select one of the following as such Authority:

   (i) An Independent Legal Counsel mutually selected by the Executive and by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board; provided that if a Change of Control shall have occurred, such counsel shall be selected solely by the Executive;

   (ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Milwaukee, Wisconsin; provided, that (A) the first arbitrator shall be selected by the Executive, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators; and (B) in all other respects, such panel shall be governed by the American Arbitration Association’s then existing Commercial Arbitration Rules; or
(iii) A court pursuant to and in accordance with Sections 180.0854 and 180.0855 of the Statute.

(b) In any determination by the selected Authority, there shall exist a rebuttable presumption that the Executive’s conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Company or such other party asserting that such indemnification should not be allowed.

(c) The Authority shall make a determination within sixty days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Company and the Executive. If the Authority shall not have made a determination within such sixty-day period, then it shall be conclusively presumed for all purposes that the Authority has determined that the Executive has a right to indemnification pursuant to Paragraph 3 and the Executive shall be entitled to such indemnification, absent (1) a misstatement by the Executive of a material fact, or an omission of a material fact necessary to make the Executive’s statement not materially misleading, in connection with the request for indemnification, or (ii) an express prohibition under applicable law against determining the Executive’s entitlement to indemnification in this manner; provided, however, that such sixty-day period may be extended for a reasonable time, not to exceed an additional thirty days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(d) If the Authority determines (or is deemed to have determined) that indemnification is required hereunder, the Company shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Paragraph 5), including interest thereon at a reasonable rate, as determined by the Authority, within ten days of receipt of the Authority’s opinion; provided, that, if it is determined by the Authority that the Executive is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Company shall be required to pay (as set forth above) only the amount of such requested amount of Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.

(e) The determination by the Authority that indemnification of the Executive is required hereunder shall be binding upon the Company regardless of any prior determination that the Executive engaged in a Breach of Duty.

(f) All Expenses incurred in the determination process under this Paragraph 4 by either the Company or the Executive, including, without limitation, all Expenses of the selected Authority, shall be paid by the Company.

5. Mandatory Allowance of Expenses.

(a) The Company shall pay or reimburse, within ten days after the receipt of the Executive’s written request therefor, the reasonable Expenses of the Executive as such Expenses are incurred, provided the following conditions are satisfied:
(i) The Executive furnishes to the Company an executed written certificate affirming the Executive’s good faith belief that the Executive has not engaged in misconduct which constitutes a Breach of Duty; and

(ii) The Executive furnishes to the Company an unsecured executed written agreement to repay any advances made under this Paragraph 5 if it is ultimately determined by an Authority that the Executive is not entitled to be indemnified by the Company for such Expenses pursuant to Paragraph 4.

(b) If the Executive must repay any previously advanced Expenses pursuant to this Paragraph 5, the Executive shall not be required to pay interest on such amounts.

6. **Insurance**. The Company may purchase and maintain insurance on behalf of the Executive against any Liability asserted against or incurred by the Executive because the Executive is a Director or Officer, regardless of whether the Company is required or permitted to indemnify against Liabilities or allow Expenses to the Executive hereunder.

7. **Remedies**. The Company shall indemnify and hold harmless the Executive to the fullest extent permitted by law against all reasonable expenses, and if requested by the Executive shall, within ten (10) days after the Company's receipt of such written request, advance such reasonable expenses to the Executive, which are incurred by the Executive in connection with any judicial proceeding or arbitration brought by the Executive (i) to enforce his rights under, or to recover damages for breach of, this Agreement or any other indemnification or advancement agreement or provision of the Articles of Incorporation or Bylaws of the Company now or hereafter in effect; or (ii) for recovery or advances under any insurance policy maintained by any person for the benefit of the Executive, regardless of whether the Executive ultimately is determined to be entitled to such indemnification, advance or insurance recovery, as the case may be.

8. **Notice to the Company**. The Executive shall promptly notify the Company in writing when the Executive has actual knowledge of a Proceeding which may result in a claim of indemnification or allowance of Expenses hereunder, but the failure to do so shall not relieve the Company of any liability to the Executive under this Agreement unless the Company shall have been irreparably prejudiced by such failure (as determined by an Authority).

9. **Severability**. If any provision of this Agreement shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Agreement contravene public policy, this Agreement shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Company or the Executive, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable.

10. **Nonexclusivity of Agreement**. The rights of the Executive granted hereunder shall not be deemed exclusive of any other rights to indemnification against Liabilities or to the allowance of Expenses to which the Executive may be entitled under any charter or bylaw.
provision, written agreement, Board resolution, vote of shareholders of the Company or otherwise, including, without limitation, under the Statute.

11. **Continuation of Rights and Obligations.** The terms and provisions of this Agreement shall continue in full force and effect subsequent to the time when the Executive ceases to be a Director or Officer. All obligations of the Company to indemnify against Liabilities and allow Expenses to the Executive hereunder shall continue in full force and effect despite any subsequent amendment or modification of the Company’s Articles of Incorporation or bylaws and such obligations shall not be adversely affected or in any way limited by any such amendment or modification, any Board resolution, vote of shareholders of the Company or by any other corporate action, other than as set forth herein.

12. **Assignment; Amendment; Subrogation.**

(a) This Agreement shall not be assigned by the Company or the Executive without the written consent of the other and any attempt at assignment without such written consent shall be null and void; provided, however, that the Company may freely assign its obligations under this Agreement to any Affiliate for whom the Executive is serving as a Director or Officer thereof, but such assignment shall not release the Company from its obligations hereunder.

(b) Except as set forth in Paragraph 8, this Agreement may only be amended, modified or supplemented by the written agreement of the Company and the Executive.

(c) To the extent the Company indemnifies against Liabilities or advances Expenses to the Executive which were incurred because the Executive is a Director or Officer of an entity other than the Company, the Company shall be subrogated to all rights against such other entity for reimbursement of such amounts.

13. **Governing Law.** This Agreement shall be construed and interpreted according to the internal laws of the State of Wisconsin.

14. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. **Headings.** The headings used in this Agreement are inserted for convenience only and shall not constitute a part of this Agreement.

16. **Notices.** All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or when mailed by United States certified or registered mail with postage prepaid addressed as follows:

(a) If to the Executive, to the address set forth by the Executive on the signature page of this Agreement or to such other person or address which the Executive shall furnish to the Company in writing pursuant to the above.

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17. **Certain Definitions.** The following terms (including any plural forms thereof) as used in this Agreement shall be defined as follows:

(a) “Affiliate” shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company.

(b) “Authority” shall mean the entity selected by the Executive to determine the Executive’s right to indemnification pursuant to Paragraph 4.

(c) “Board” shall mean the entire then elected and serving board of directors of the Company, including all members thereof who are Parties to the subject Proceeding or any related Proceeding.

(d) “Breach of Duty” shall mean the Executive breached or failed to perform the Executive’s duties to the Company and such breach of or failure to perform those duties is determined, in accordance with Paragraph 4, to constitute misconduct under Section 180.0851(2)(a) 1, 2, 3 or 4 of the Statute.

(e) “Change of Control” shall mean:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either

(A) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or

(B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”);

provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company or any of its subsidiaries, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (4) any acquisition by any corporation with respect to which, following such acquisition, more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly
or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportions as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Outstanding Company voting Securities, as the case may be; or

(ii) Individuals who, as of the date hereof, constitute the Company’s Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Company’s Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents; or

(iii) Consummation of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all of the individuals, and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be; or

(iv) Consummation of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all, of the assets of the Company, other than to a corporation, with respect to which following such sale or other disposition, more than 50% of, respectively, the then outstanding shares of common stock of such Corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be.

(f) “Corporation,” as defined in the Statute and incorporated by reference into the definitions of certain of the capitalized terms used in this Agreement, shall mean the Company and the term “Company,” as previously defined herein, shall include, without limitation,
any successor corporation or entity to the Company by way of merger, consolidation or acquisition of all or substantially all of the capital stock or assets of the Company.

(g) “Director or Officer” shall have the meaning set forth in the Statute and shall specifically include, without limitation, service as a director, officer, trustee, partner, member of any governing or decision-making committee, employee or agent of any (i) charitable organization, non-profit corporation or similar entity or (ii) corporation, partnership, joint venture or other enterprise in which the Company beneficially owns an equity, partnership, voting or investment interest, but which is not otherwise an Affiliate, which in any case above is requested, authorized or approved in writing by the Company’s President; provided, that, for purposes of this Agreement, it shall be conclusively presumed that if the Executive serves as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate, the Executive shall be so serving at the request of the Company.

(h) “Disinterested Quorum” shall mean a quorum of the Board who are not Parties to the subject Proceeding or any related Proceeding.

(i) “Liability” shall have the meaning set forth in the Statute and shall specifically include, without limitation, any liabilities that may arise for violations of any responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974, as amended, or any similar provisions of state statutory law or common law.

(j) “Independent Legal Counsel” shall mean a law firm, or a member of a law firm, or an independent practitioner that is experienced in matters of relevant corporation law and neither presently is, nor in the past three years has been, retained to represent (i) the Company or the Executive in any matter material to either such party (other than with respect to matters concerning the Executive under this Agreement), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Legal Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Executive in an action to determine the Executive’s rights.

(k) “Party” shall have the meaning set forth in the Statute; provided, that, for purposes of this Agreement, the term “Party” shall also include the Executive if the Executive is or was a witness in a Proceeding at a time when the Executive has not otherwise been formally named a Party thereto.

(l) “Proceeding” shall have the meaning set forth in the Statute; provided, that, for purposes of this Agreement, the term “Proceeding” shall also include all Proceedings (i) brought under (in whole or in part) the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, their respective state counterparts, and/or any rule or regulation promulgated under any of the foregoing; (ii) brought before an Authority or otherwise to enforce rights hereunder; (iii) involving any appeal from a Proceeding; and (iv) in which the Executive is a plaintiff or petitioner because the Executive is a Director or Officer; provided, however, that any such Proceeding under this clause (iv) must be authorized by a majority vote of a Disinterested Quorum.
(m) “Statute” shall mean Sections 180.0850 through 180.0859, inclusive, of the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes, as the same shall then be in effect, including any amendments thereto, but, in the case of any such amendment, only to the extent such amendment permits or requires the Company to provide broader indemnification rights than the Statute permitted or required the Company to provide prior to such amendment.

[signatures are on next page]

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IN WITNESS WHEREOF, the Company and the Executive have caused this Agreement to be duly executed as of the day and year first above written.

JOHNSON CONTROLS, INC.
(the “Company”)

P.O. Box 591
Milwaukee, Wisconsin 53202

By: _________________________________

Title: Chairman & CEO

Signature:

("Executive")

____________________________________

Address

____________________________________

City, State, Country
JOHNSON CONTROLS, INC.
DIRECTOR SHARE UNIT PLAN

ARTICLE 1.
PURPOSE AND DURATION

Section 1.1. Purpose. The purpose of the Johnson Controls, Inc. Director Share Unit Plan is to advance the Company’s growth and success, and to advance the interests of its shareholders, by attracting and retaining well-qualified Outside Directors upon whose judgment the Company is largely dependent for the successful conduct of its operations and by providing such individuals with incentives to put forth maximum effort for the long-term success of the Company’s business, thereby aligning their interests more closely with the interests of shareholders.

Section 1.2. Duration. The Plan was originally effective on November 18, 1998. The Plan is amended and restated effective January 1, 2008. The provisions of the Plan as amended and restated apply to each individual with an interest hereunder on or after January 1, 2008.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) “Administrator” means the Employee Benefits Policy Committee of the Company.

(b) “Affiliate” means each entity that is required to be included in the Company’s controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); provided that for purposes of determining when a Participant has incurred a Separation from Service, the phrase “at least 50 percent” shall be used in place of the phrase “at least 80 percent” in each place that phrase appears in the regulations issued thereunder.

(c) “Beneficiary” means the person or persons entitled to receive the interest of a Participant in the event of the Participant’s death as provided in Section 3.7.

(d) “Board” means the Board of Directors of the Company.

(e) “Change of Control” has the meaning ascribed to such term in Section 10.2.

(f) “Committee” means the Corporate Governance Committee of the Board; provided, however, that if the Corporate Governance Committee does not include two or more “non-employee directors” within the meaning of Rule 16b-3 of the Exchange Act, then the term
“Committee” means such other committee appointed by the Board consisting of two or more “non-employee directors.”

(g) “Company” means Johnson Controls, Inc., a Wisconsin corporation, and any successor thereto as provided in Article 11.

(h) “Exchange Act” means the Securities Exchange Act of 1934, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Exchange Act shall be deemed to include reference to any successor provision thereto.

(i) “Fair Market Value” means with respect to a Share, except as otherwise provided herein, the closing sales price of a Share on the New York Stock Exchange as of 4:00 p.m. EST on the date in question (or the immediately preceding trading day, if the date in question is not a trading day), and with respect to any other property, such value as is determined by the Administrator.

(j) “Investment Options” means the investment options offered under the Johnson Controls Savings and Investment (401k) Plan (excluding the Company stock fund) or any successor plan thereto, the Share Units, and any other alternatives made available by the Administrator, which shall be used for the purpose of measuring hypothetical investment experience attributable to a Participant’s Retirement Account.

(k) “Outside Director” means a member of the Board who is not an officer or employee of the Company or an Affiliate.

(l) “Participant” means each Outside Director who has a Retirement Account under the Plan. Where the context so requires, a Participant also means a former director who is entitled to a benefit under the Plan.

(m) “Plan” means the arrangement described herein, as from time to time amended and in effect.

(n) “Retirement Account” means the record keeping account maintained to record the interest of each Participant under the Plan. A Retirement Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant’s behalf, and may consist of such subaccounts or balances as the Administrator may determine to be necessary or appropriate.

(o) “Separation from Service” means a Participant’s cessation of service as a Board member, for any reason, provided the cessation of service is a good-faith and complete termination of the Participant’s relationship with the Company and its Affiliates, within the meaning of Code Section 409A. If, at the time the Participant’s service as a Board member ends, the Participant begins providing services to the Company or an Affiliate as an employee, the Participant shall not incur a Separation from Service under the terms of the Plan until the Participant has a separation from service from the Company or an Affiliate as an employee within the meaning of Code Section 409A.
(p) “Share” means a share of the Company’s common stock, $0.16 par value.

(q) “Share Units” means the hypothetical Shares that are credited to the Participant’s Retirement Account in accordance with Article 5.

(r) “Total and Permanent Disability” means the Participant’s inability to engage in any substantial gainful activity as a result of a medically-determinable physical or mental impairment which can be expected to result in death or which can be expected to last for a continuous period of at least twelve (12) months, as determined by the Administrator. The Administrator may require the Participant to submit such medical evidence or to undergo a medical examination by a doctor selected by the Administrator as the Administrator determines is necessary in order to make a determination hereunder.

(s) “Valuation Date” means each day when the United States financial markets are open for business, as of which the Administrator will determine the value of each Retirement Account.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the said illegal or invalid provision had not been included.

ARTICLE 3.
ADMINISTRATION

Section 3.1. General. The Committee shall have overall authority with respect to administration of the Plan; provided that the Administrator shall have responsibility for the general operation and daily administration of the Plan as specified herein. If at any time the Committee shall not be in existence or not be composed of members of the Board who qualify as “non-employee directors”, then the Board shall administer the Plan (with the assistance of the Administrator) and all references herein to the Committee shall be deemed to include the Board.

Section 3.2. Authority. In addition to the authority specifically provided herein, the Committee and the Administrator shall have full power and discretionary authority to take any action or make any determination deemed necessary for the proper administration of the Plan with respect to the respective duties of each under the Plan, including but not limited to the power and authority to: (a) interpret the Plan; (b) correct errors, supply omissions or reconcile inconsistencies in the Plan’s terms; (c) establish, amend or waive rules and regulations, and appoint such agents, as it deems appropriate for the Plan’s administration; and (d) make any other determinations, including factual determinations, and take any other action as it determines is necessary or desirable for the Plan’s administration. Any action taken by the Committee shall
be controlling over any contrary action of the Administrator. The Committee and the Administrator may delegate their ministerial duties to third parties and to the extent of such delegation, references to the Committee or Administrator herein shall mean such delegates, if any.

Section 3.3. Decision Binding. The Committee’s and the Administrator’s determinations and decisions made pursuant to the provisions of the Plan and all related orders or resolutions of the Board shall be final, conclusive and binding on all persons who have an interest in the Plan, and such determinations and decisions shall not be reviewable.

Section 3.4. Procedures for Administration. The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by the members of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. The Administrator’s determinations shall be made in accordance with such procedures it establishes.

Section 3.5. Indemnification. Neither the Committee, nor the Administrator, nor any member thereof shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith and the members of the Committee and the Administrator shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys’ fees) arising therefrom to the full extent permitted by law and under any directors’ and officers’ liability insurance that may be in effect from time to time.

Section 3.6. Restrictions to Comply with Applicable Law. Transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and the Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

Section 3.7. Designation of Beneficiary. Each Participant may designate a Beneficiary in such form and manner and within such time periods as the Administrator may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Administrator while the Participant is alive shall be given effect. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of distribution, the designation shall vest in the Beneficiary all of the distribution payable after the Participant’s death, and any distributions remaining upon the Beneficiary’s death shall be made to the Beneficiary’s estate. If there is no valid beneficiary designation in effect at the time of the Participant’s death, if the Beneficiary does not survive the Participant, or if the beneficiary designation provides that the Beneficiary must be living at the time of each distribution and such designated Beneficiary does not survive to a distribution date, the Participant’s estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a Beneficiary, such beneficiary designation automatically
shall become null and void on the date the Administrator receives notice of the Participant’s divorce or legal separation.

**ARTICLE 4. PARTICIPATION**

Each Outside Director shall automatically become a Participant on the date the individual is first elected to become an Outside Director. No new Participants shall be added to the Plan after October 1, 2006.

**ARTICLE 5. RETIREMENT ACCOUNTS**

**Section 5.1. Establishment of Retirement Account.** Each Participant shall have a Retirement Account established under this Plan on his behalf. A Participant’s Retirement Account shall be credited with “Share Units” and otherwise subject to adjustment as follows:

(a) **Conversion of Accrued Benefits.** For each Participant who was an Outside Director of the Company as of December 1, 1998, the Administrator shall calculate the value of such Outside Director’s accrued benefits under the Company’s Director Retirement Plan as of September 30, 1998. Each such Outside Director’s Retirement Account shall be credited with a number of Share Units equal to the result obtained by (i) dividing (A) the value of such Outside Director’s accrued benefits under the Company’s Director Retirement Plan as of September 30, 1998 by (B) the Fair Market Value of a Share as of the first trading day in December 1998.

(b) **Annual Credit of Share Units.** On the date of each regular meeting of the Board held in November, the Retirement Account of each Participant who is then an Outside Director shall be credited with a number of additional Share Units equal to the result obtained by (i) dividing (A) the amount determined for such year by the Committee by (B) the Fair Market Value of a Share on such date. Effective October 1, 2006, no additional Share Units shall be credited to a Participant’s Retirement Account under this subsection (b).

**Section 5.2. Interim Election.** Any Outside Director whose election to the Board is first effective at any time other than the regular meeting of the Board held in November shall have credited to his or her Retirement Account a proportionate share of the Annual Credit at the time of effectiveness of his election. Such credit shall be based on the Fair Market Value of a Share on the date on which his election is effective. Effective October 1, 2006, no Share Units shall be credited to a Participant’s Retirement Account under this subsection.

**Section 5.3. Investment Election.** Effective November 15, 2006, amounts credited to a Participant’s Retirement Account shall reflect the investment experience of the Investment Options selected by the Participant. A Participant may elect to reallocate his or her Retirement Account among the various Investment Options in whole increments of one percent (1%) from time to time as prescribed by the Administrator, subject to any restrictions on re-allocation with respect to Share Units as may be imposed by the Company. Such investment elections shall remain in effect until changed by the Participant. All investment elections shall become effective as soon as practicable after receipt of such election by the Administrator or its
designee, and must be made in the form and manner and within such time periods as the Administrator prescribes in order to be effective. In the absence of an effective election, the Participant’s Account shall be deemed invested in the Share Unit Account.

On each Valuation Date, the Administrator or its designee shall credit the deemed investment experience with respect to the selected Investment Options to each Participant’s Account.

Notwithstanding anything herein to the contrary, the Company retains the right to allocate actual amounts hereunder without regard to a Participant’s request.

Section 5.4. Securities Law Restrictions. Notwithstanding anything to the contrary herein, all elections under Section 5.3 by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Administrator prior to implementation. In accordance with Section 3.6, the Administrator may restrict additional transactions, rescind transactions, or impose other rules and procedures, to the extent deemed desirable by the Administrator in order to comply with the Exchange Act, including, without limitation, application of the review and approval provisions of this Section 5.4 to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.5. Accounts are For Record Keeping Purposes Only. Retirement Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of the Company to fund such benefits.

ARTICLE 6.
RULES WITH RESPECT TO SHARE UNITS

Section 6.1. Transactions Affecting Common Stock. In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure of the Company affecting Shares, the Administrator may make appropriate equitable adjustments with respect to the Share Units credited to the Retirement Account of each Participant, including without limitation, adjusting the date as of which such units are valued and/or distributed, as the Administrator determines is necessary or desirable to prevent the dilution or enlargement of the benefits intended to be provided under the Plan.

Section 6.2. No Shareholder Rights With Respect to Share Units. Participants shall have no rights as a stockholder pertaining to Share Units credited to their Retirement Accounts. No Participant or Beneficiary shall have any right to receive a distribution of Shares under this Plan. All distributions under the Plan are made in cash.

Section 6.3. Dividends. Whenever the Company declares a dividend on its Shares, in cash or in property, at a time when Participants have Share Units credited to their Retirement Accounts, a dividend award shall be made to all such Participants as of the date of payment of the dividend. The dividend award for a Participant shall be determined by multiplying the Share Units credited to the Participant’s Account as of the date the dividend is declared by the amount or Fair Market Value of the dividend paid or distributed on one Share.

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The dividend award shall be credited to the Participant’s Retirement Account by converting such award into Share Units by dividing the amount of the dividend award by the Fair Market Value of a Share on the date the dividend is paid. Any other provision of this Plan to the contrary notwithstanding, if a dividend is declared on Shares in the form of a right or rights to purchase shares of capital stock of the Company or of any entity acquiring the Company, such dividend award shall not be credited to the Participant’s Retirement Account, but each Share Unit credited to a Participant’s Retirement Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant’s Retirement Account at a time when such rights are attached to Shares, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one Share plus the then Fair Market Value of such right or rights then or previously attached to one Share.

ARTICLE 7.
PAYMENT

Section 7.1. Distributions.

(a) Participant’s Separation from Service. Upon a Participant’s Separation from Service for any reason, the Participant, or his Beneficiary, in the event of his death, shall be entitled to payment of the amount accumulated in such Participant’s Retirement Account.

Section 7.2. Election of Form of Distribution. A Participant, within the first thirty (30) days following the date he commences participation in the Plan, shall make a distribution election with respect to his Retirement Account. Such election shall be made in such form and manner and within such time periods as the Administrator may prescribe, and shall be irrevocable. The election shall specify whether distributions shall be made in a single lump sum or annual installments of from two (2) to ten (10) years. If no valid election is in effect, distribution shall be made in ten (10) annual installments.

Section 7.3. Manner of Distribution. A Participant’s Retirement Account shall be paid or begin to be paid in cash as follows:

(a) If payment is to be made in a lump sum, payment shall be made in the first calendar quarter of the year following the year in which the Participant’s Separation from Service occurs, and shall be in an amount equal to the balance of the Participant’s Retirement Account as of the Valuation Date immediately preceding the distribution date.

(b) If payment is to be made in annual installments, the first annual payment shall be made in the first calendar quarter of the year following the year in which the Participant’s Separation from Service occurs, and shall equal the value of $\frac{1}{10}$ th (or $\frac{1}{9}$ th, $\frac{1}{8}$ th, $\frac{1}{7}$ th, etc. depending on the number of installments elected) of the balance of the Participant’s Retirement Account as of the Valuation Date immediately preceding the distribution date. A second annual payment shall be made in the first calendar quarter of the second year after the year in which the Participant’s Separation from Service occurs, and shall equal the value of $\frac{1}{9}$ th (or $\frac{1}{8}$ th, $\frac{1}{7}$ th, $\frac{1}{6}$ th, etc. depending on the number of installments elected) of the balance of the Participant’s Retirement Account as of the Valuation Date immediately preceding the distribution date. Each succeeding installment payment (if any) shall be determined in a similar
manner, until the final installment which shall equal the then remaining balance of such account as of the Valuation Date immediately preceding the final distribution date.

Notwithstanding the foregoing provisions, if the balance of a Participant’s Retirement Account as of the Valuation Date immediately preceding a distribution date is $50,000 or less, then the entire remaining balance of the Participant’s Retirement Account shall be paid in the form of a lump sum on such distribution date.

Section 7.4. Distribution of Remaining Account Following Participant’s Death. In the event of the Participant’s death prior to receiving all payments due under this Article 7, the balance of the Participant’s Retirement Account shall be paid to the Participant’s Beneficiary in a lump sum in the first calendar quarter of the year following the year of the Participant’s death.

Section 7.5. Tax Withholding. The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash sufficient to satisfy the Company’s or Affiliate’s foreign, federal, state or local income tax withholding obligations with respect to such deferral or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Participant’s Retirement Account balance shall be reduced by the amount needed to pay the Participant’s portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramiding of the Code Section 3401 wages and taxes, but no greater than the aggregate of the FICA tax amount and the income tax withholding related to such FICA tax amount.

Section 7.6. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant’s death).

Section 7.7. Additional Payment Provisions.

(a) Acceleration of Payment. Notwithstanding the foregoing:

(1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within ninety (90) days after the date the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant’s income as a result of such failure.

(2) If an amount under the Plan is required to be immediately distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Administrator harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.
ARTICLE 8.
TERMS AND CONDITIONS

Section 8.1. No Funding. No stock, cash or other property will be deliverable to a Participant or his or her Beneficiary in respect of the Participant’s Retirement Account until the date or dates identified pursuant to Article 7, and all Retirement Accounts shall be reflected in one or more unfunded accounts established for the Participant by the Company. Payment of the Company’s obligation will be from general funds, and no special assets (stock, cash or otherwise) have been or will be set aside as security for this obligation, unless otherwise provided by the Administrator.

Section 8.2. No Transfers. Except as permitted by Section 7.5, a Participant’s rights to payments under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance by a Participant or his Beneficiary, or garnishment by a Participant’s creditors or the creditors of his or her beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

Section 8.3. Unsecured Creditor. The right of a Participant or Beneficiary to receive payments under this Plan is that of a general, unsecured creditor of the Company, and the obligation of the Company to make payments constitutes a mere promise by the Company to pay such benefits in the future. Further, the arrangements contemplated by this Plan are intended to be unfunded for tax purposes and for purposes of Title I of ERISA.

Section 8.4. Retention as Director. Nothing contained in the Plan shall interfere with or limit in any way the right of the shareholders of the Company to remove any Director from the Board, nor confer upon any Director any right to continue in the service of Company as a Director.

(1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company to continue as a going concern, the Company shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company to continue as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.

(2) If the distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

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ARTICLE 9.
TERMINATION AND AMENDMENT OF PLAN

Section 9.1. Amendment. To the extent permitted by Code Section 409A, the Committee may at any time amend the Plan; provided, however, that (a) the Committee may not amend the Plan more than once every six months, other than amendments the Committee deems necessary or advisable to assure the conformity of the Plan with any requirements of state and federal law or regulations now or hereafter in effect, and (b) subject to the provisions of Section 9.2, no amendment shall affect adversely any of the rights of any Outside Director (except as such Outside Director’s Retirement Account balance may be reduced as a result of investment losses allocable to such account), without such Outside Director’s consent, under any election theretofore in effect under the Plan; provided further that the Board must approve any amendment that expands the class of individuals eligible for participation under the Plan, that materially increases the benefits provided hereunder, or that is required to be approved by the Board by any applicable law or the listing requirements of the national securities exchange upon which the Company’s common stock is then traded. In addition, the Administrator may at any time amend the Plan to make administrative changes and changes necessary to comply with applicable law.

Section 9.2. Termination. The Committee may terminate the Plan in accordance with the following provisions. Upon termination of the Plan, the Committee may authorize the payment of all amounts accrued under the Plan in a single sum payment without regard to any distribution election then in effect, only in the following circumstances:

1. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

2. The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregate with this Plan under Code Section 409A are also terminated and liquidated. In such event, the single sum payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of the Plan’s termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan’s termination.
ARTICLE 10.
CHANGE OF CONTROL

Section 10.1. Acceleration of Payment. Anything in this Plan to the contrary notwithstanding, each Participant’s Retirement Account shall be paid in cash in a lump sum within thirty (30) days following the occurrence of a Change of Control. The amount of the cash payment shall be determined by multiplying the number of Share Units in the Retirement Account by the Fair Market Value of a Share as of the most recent Valuation Date preceding the occurrence of the Change of Control.

In determining the amount accumulated in a Participant’s Retirement Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company’s common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the “Composite Tape”) during the sixty (60)-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 10.2(a), the highest price per Share of the Company paid in such transaction or series of transactions.

Section 10.2. Definition of a Change of Control. A Change of Control means any of the following events, provided that each such event would constitute a change of control within the meaning of Code Section 409A:

(a) The acquisition, other than from the Company, by any individual, entity or group of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), including in connection with a merger, consolidation or reorganization, of more than either:

(1) Fifty percent (50%) of the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”)

(2) Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”),

provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or
(b) Individuals who, as of January 1, 2005, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board during any twelve (12)-month period, provided that any individual becoming a director subsequent to January 1, 2005, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board; or

(c) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition. For purposes hereof, “a sale or other disposition of all or substantially all of the assets of the Company” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to the acquisition. For this purpose, “gross fair market value” means the value of the assets without regard to any liabilities associated with such assets.

(d) For purposes of this Section 10.2, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

ARTICLE 11.
SUCCESSORS

All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company. This Plan shall be binding upon and inure to the benefit of the Participants, Beneficiaries, and their heirs, executors, administrators and legal representatives.
ARTICLE 12.
DISPUTE RESOLUTION

Section 12.1. Governing Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin (excluding any choice of law rules that may direct the application of the laws of another jurisdiction).

Section 12.2. Arbitration.

(a) Application. Notwithstanding anything to the contrary herein, if a Participant or Beneficiary brings a claim that relates to benefits under this Plan, regardless of the basis of the claim, such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) Initiation of Action. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel
Johnson Controls, Inc.
5757 North Green Bay Avenue
P.O. Box 591
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(c) Compliance with Personnel Policies. Before proceeding to arbitration on a complaint, the Participant or Beneficiary must initiate and participate in any complaint resolution procedure identified in the Company’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company complaint resolution procedure has been completed.

(d) Rules of Arbitration. All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under
policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(e) **Representation and Costs**. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.

(f) **Discovery; Location; Rules of Evidence**. Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(g) **Confidentiality**. The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
JOHNSON CONTROLS, INC.
38,447,427 Shares
Common Stock

JOHNSON CONTROLS, INC. 2000 STOCK OPTION PLAN
January 1, 2000

(Adjusted to reflect 3-for-1 stock split effective September 14, 2007)

This document sets forth information relating to participation in the Johnson Controls, Inc. 2000 Stock Option Plan (the “Plan”) and to shares of our common stock that we are offering under the Plan. Each share of our common stock issued under the Plans will include one right to purchase our common stock. In this document, unless the context otherwise requires, all references to our common stock includes the accompanying rights. We are offering participation in the Plan to our officers and other key employees and those of our subsidiaries.

This document will be accompanied or preceded by our latest Annual Report to Shareholders. If you have previously received a copy of our Annual Report to Shareholders but wish to have another copy, then we will furnish an additional copy without charge upon written or oral request to us.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities offered pursuant to the Plan or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. The information in this document may only be accurate on the date of the document. This document may only be used where it is legal to sell these securities.

This document may not be used for resales of shares acquired under the Plan.
THE COMPANY

We are a global market leader in automotive systems and facility management and control. In the automotive market, we are a major supplier of seating and interior systems, and batteries. For nonresidential facilities, we provide building control systems and services, energy management and integrated facility management. Our principal executive offices are located at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin 53201. Our telephone number is (414) 524-1200.

1. Establishment. JOHNSON CONTROLS, INC. (the “Company”) hereby establishes a stock option plan for certain officers and other key employees, as described herein, which shall be known as the JOHNSON CONTROLS, INC. 2000 STOCK OPTION PLAN (the “Plan”). It is intended that certain of the stock options issued pursuant to the Plan may constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code (“Incentive Stock Options”) and the remainder of the options issued pursuant to the Plan shall constitute nonqualified options. Incentive Stock Options and nonqualified stock options are hereinafter jointly referred to as “Options.” The Committee may also award stock appreciation rights apart from Options issued pursuant to the Plan.

2. Purpose. The purpose of the Plan is to induce certain officers and other key employees to remain in the employ of the Company or its subsidiaries and to encourage such employees to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the “Board of Directors”) believes that the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are responsible for shaping and carrying out the long-range plans of the Company and securing its continued growth and financial success.

3. Effective Date of the Plan. The Plan was adopted by the Board of Directors on November 17, 1999, and, subject to the approval of the Plan by the shareholders of the Company within twelve months of this date, the effective date of the Plan will be January 1, 2000. Any and all Options granted prior to shareholder approval shall be subject to such approval.

4. Stock Subject to the Plan. Subject to adjustment in accordance with the provisions of this paragraph and paragraph 17, the total number of shares of the common stock of the Company (“Common Stock”) available for awards during the term of the Plan shall be an amount calculated as follows: (a) fifteen percent (15%) of the number of shares of Common Stock outstanding upon the effective date of the Plan minus (b) the number of shares of Common Stock subject to awards made under any prior stock option plan of the Company (a “Prior Plan”) and outstanding upon the effective date of the Plan (“Prior Plan Awards”). Shares of Common Stock to be delivered upon exercise of Options or settlement of stock appreciation rights under the Plan shall be made available from presently authorized but unissued Common Stock or authorized and issued shares of Common Stock reacquired and held as treasury shares, or a combination thereof. If any Option or stock appreciation right shall be canceled, expire or terminate without having been exercised in full, or to the extent a stock appreciation right is settled in cash, the shares of Common Stock allocable to the unexercised, canceled, forfeited portion of such Option or stock appreciation right, or portion of such stock appreciation right which is settled in cash, shall again be available for the purpose of the Plan. The surrender of
any Options (and the surrender of any related stock appreciation rights granted under paragraph 16) in connection with the receipt of stock appreciation rights as provided in paragraph 16 shall, as to such Options, have the same effect under this paragraph 4 as the cancellation or termination of such Options without having been exercised. If any stock appreciation rights are granted under the Plan (including any grant in connection with the surrender of outstanding Options), as provided in paragraph 16, and shares of Common Stock may be issuable in connection with such stock appreciation rights, then the grant of such stock appreciation rights shall be deemed to have the same effect under this paragraph 4 as the grant of Options; provided, however, if any such stock appreciation rights shall be canceled, expire or terminate without having been exercised in full, or to the extent a stock appreciation right is settled in cash, the shares of Common Stock allocable to the unexercised, canceled, forfeited portion of such stock appreciation right, or portion of such stock appreciation right which is settled in cash, shall again be available for the purpose of the Plan. If the exercise price of any Option granted under the Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan. If any Participant satisfies the Company’s withholding tax requirements upon the exercise of an Option by properly electing to have the Company withhold shares of Common Stock, then the shares of Common Stock so withheld shall again be available for the purpose of the Plan, except that such shares shall not be available for the granting of Incentive Stock Options. After the effective date of the Plan, if any event occurs as a result of which shares of Common Stock subject to Prior Plan Awards would again become available for the purpose of the relevant Prior Plan if the Prior Plan were still in effect and the Company could grant awards under the Prior Plan, then such shares shall be available for the purpose of the Plan rather than such Prior Plan (subject to any applicable limitation on the use of such shares for the granting of Incentive Stock Options) and thereby increase the shares available under the Plan as determined under the first sentence of this paragraph.

5. Administration .

(a) The Plan shall be administered by the Compensation Committee (the “Committee”) consisting of not less than three members of the Board of Directors appointed from time to time by the Board of Directors. No member of the Committee shall be, nor at any time during the preceding one-year period have been, eligible to receive stock, stock options or stock appreciation rights of the Company or of its subsidiaries pursuant to the Plan or any other plan of the Company or its subsidiaries, other than a plan for directors of the Company who are not officers or employees of the Company which provides for automatic grants without exercise of discretion by any member of the Board of Directors, or by any officer or employee of the Company.

(b) Subject to the express provisions of the Plan, the Committee shall have authority to establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and in its discretion, to determine the individuals (the “Participants”) to whom, and the time or times at which, Options and stock appreciation rights shall be granted, the type of Options, the periods of
Options or stock appreciation rights, limitations on exercise of Options or stock appreciation rights, and the number of shares to be subject to each Option or award of stock appreciation rights. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company or its subsidiaries, and such other factors as the Committee, in its discretion, shall deem relevant.

(c) Subject to the express provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Option Agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee’s determinations on the matters referred to in this paragraph 5 shall be conclusive and binding upon all parties.

(d) Neither the Committee nor any member thereof shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys fees) arising therefrom to the full extent permitted by law and under any directors and officers liability insurance that may be in effect from time to time.

(e) A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Committee without a meeting, shall be the acts of the Committee.

(f) The Chief Executive Officer of the Company shall have the same authority as the Committee with respect to the grant and administration of awards of options and stock appreciation rights made to (or to be made to) individuals eligible for the Plan, excluding officers and employees who are subject to the provisions of Section 16 of the Exchange Act or who are covered by Section 162(m) of the Code at the time in question.

6. Eligibility. Options and stock appreciation rights may be granted to officers and other key employees of the Company and of any of its present and future subsidiaries. The maximum number of shares of Common Stock covered by Options which may be granted to any Participant within any two consecutive calendar year periods shall not exceed 1.5 million shares in the aggregate. No Option or stock appreciation right shall be granted to any person who owns, directly or indirectly, shares of stock possessing more than 10% of the total combined voting power of all classes of stock of the Company. A director of the Company or of a subsidiary who is not also an employee of the Company or of a subsidiary will not be eligible to receive any Option or stock appreciation right hereunder.
7. Rights of Employees. Nothing in this Plan or in any Option or stock appreciation right shall interfere with or limit in any way the right of the Company and any of its subsidiaries to terminate any Participant’s or employee’s employment at any time, nor confer upon any Participant or employee any right to continue in the employ of the Company and its subsidiaries. No employee shall have any right to be granted an award under this Plan, even if an award was granted to such employee at any prior time, or if a similarly-situated employee is or was granted an award under similar circumstances.

8. Option Agreements. All Options and stock appreciation rights granted under the Plan shall be evidenced by written agreements (an “Option Agreement”) in such form or forms as the Committee shall determine.

9. Option Price. The per share Option price for Options and the per share grant price for stock appreciation rights granted under paragraph 16, as determined by the Committee, shall be an amount not less than 100% of the fair market value of the stock on the date such Options or stock appreciation rights are granted (or, if the Committee so determines, in the case of any stock appreciation right granted under paragraph 16 upon the surrender of any outstanding Option, on the date of grant of such Option). The fair market value of a share of stock on any date shall be the average of the highest and lowest market prices of sales of the Common Stock on that date, or on the next preceding trading day if such date was not a trading day as reported on the New York Stock Exchange or as otherwise determined by the Committee. However, effective January 1, 2007, in connection with an exercise of options, to the extent the Participant sells any Shares acquired upon such exercise in a market transaction on the date of exercise, the sale price(s) for any such Shares shall be the fair market value.

10. Option Period. The term of each Option and stock appreciation right shall be as determined by the Committee but in no event shall the term of an Option or stock appreciation right exceed a period of ten (10) years from the date of its grant. Each Option and stock appreciation right granted hereunder may granted at any time on or after the effective date of the Plan, and prior to its termination, provided that no Option or stock appreciation right may be granted later than ten years after the date this Plan is adopted. The Committee shall determine whether any Option or stock appreciation right shall become exercisable in cumulative or non-cumulative installments or in full at any time. An exercisable Stock Option or stock appreciation right, or portion thereof, may be exercised in whole or in part only with respect to whole shares of Common Stock.

11. Maximum Value of Incentive Stock Options. The aggregate fair market value (as defined in paragraph 9) of the Common Stock for which any Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan or any other plan of the Company or any subsidiary shall not exceed $100,000. To the extent the fair market value of the shares of Common Stock attributable to Incentive Stock Options first exercisable in any calendar year exceeds $100,000, the excess portion of the Incentive Stock Options shall be treated as nonqualified options.

12. Transferability of Option or Stock Appreciation Right. No Option or stock appreciation right granted hereunder shall be transferable other than options specifically
designated by the Compensation Committee as such and meeting the following requirements of transfer:

(a) by will or by the laws of descent and distribution; or

(b) in the case of a nonqualified option:

   (i) pursuant to a “Qualified Domestic Relations Order” as defined in Section 414(p) of the Internal Revenue Code; or

   (ii) to (A) his or her spouse, children or grandchildren (“Immediate Family Members”), (B) a partnership in which the only partners are the Participant’s Immediate Family Members, or (C) a trust or trusts established solely for the benefit of one or more of the Participant’s Immediate Family Members (collectively, the Permitted Transferees), provided that there may be no consideration for any such transfer by a Participant.

Following transfer (if applicable), such Options and stock appreciation rights shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that such Options and stock appreciation rights may be exercised during the life of the Participant only by the Participant or, if applicable, by the alternate payee designated under a Qualified Domestic Relations Order or the Participant’s Permitted Transferees.

13. **Exercise of Option**. The Committee shall prescribe the manner in which a Participant may exercise an Option which is not inconsistent with the provisions of this Plan. However, no Option shall be exercisable, in whole or in part, for a period of at least six months commencing on the date of grant, except as provided in paragraph 20 in the event of a Change in Control. An Option may be exercised, subject to limitations on its exercise contained in the Option Agreement and in this Plan, in full, at any time, or in part, from time to time, only by

(a) written notice of intent to exercise the Option with respect to a specified number of shares, and

(b) by payment in full to the Company at the time of exercise of the Option, of the option price of the shares being purchased. Payment of the Option price may be made in (i) cash, (ii) if permitted by the applicable Option Agreement, by tendering of shares of Common Stock equivalent in fair market value (as defined in paragraph 9), or (iii) if permitted by the applicable Option Agreement, partly in cash and partly in shares of Common Stock. Common Stock may be tendered either by actual delivery of shares of Common Stock or by attestation.

14. **Withholding**. If permitted by the applicable Option Agreement, a Participant may be permitted to satisfy the Company’s withholding tax requirements by electing (i) to have the Company withhold shares of Common Stock of the Company, or (ii) to deliver to the Company shares of Common Stock of the Company having a fair market value on the date income is recognized on the exercise of a nonqualified option equal to the minimum amount required to be withheld. The election shall be made in writing and according to such rules and in such form as the Committee shall determine.

Notwithstanding the foregoing, the election and satisfaction of any withholding requirement through the withholding of Common Stock or the tender of shares of Company Stock may be made only at such times as are permitted, without incurring liabilities, by
Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or such other securities laws, rules or regulations as may be applicable.

15. Termination of Employment.

(a) In the event a Participant’s employment with the Company or any of its subsidiaries shall be terminated for any reason, except early or normal retirement, death or total and permanent disability, a Participant may exercise his or her Options and stock appreciation rights (to the extent vested and exercisable as of the date of the Participant’s termination of employment) for a period of thirty (30) days after the date of the Participant’s termination of employment, unless such Option or stock appreciation right expires earlier under the terms of the award agreement. Thereafter, all rights to exercise an Option or stock appreciation right shall terminate.

(b) If the Participant should die while employed by the Company or any subsidiary prior to the expiration of the term of the Option or stock appreciation right, the Option or stock appreciation right shall be exercisable immediately to the extent it would have been exercisable had the Participant remained employed for twelve months after the date of death and may be exercised by the person to whom it is transferred by will or by the applicable laws of descent and distribution by giving notice as provided in paragraph 13, at any time within twelve months after the date of death unless such Option or stock appreciation right expires earlier under the terms of the Option Agreement. For purposes of this paragraph, the six-month limitation imposed pursuant to paragraph 13 shall not be applicable.

(c) In the event of a Participant’s termination of employment with the Company due to early or normal retirement, or due to total and permanent disability, prior to the expiration of the term of an Option or stock appreciation right, the Option or stock appreciation right:

(i) shall be exercisable in full without regard to any vesting requirements; provided that an Option or stock appreciation right of a Participant who retires shall be exercisable in full only if the Participant retires on or after the last day of the calendar year following the calendar year in which such Option or stock appreciation right was granted, unless the Committee determines otherwise, and

(ii) may be exercised by the Participant at any time within thirty-six months after the date of such early or normal retirement or termination due to total and permanent disability, as the case may be, unless such Option or stock appreciation right expires earlier under the terms of the award agreement. Provided, however, that for certain participants who are officers of the Company or who are selected by the Compensation Committee of the Board, nonqualified stock options may be exercised by the Participant for up to ten (10) years after the date of such early or normal retirement, or for five (5) years after the date of such total and permanent disability, as the case may be, in the event of termination of employment with the Company due to early or normal retirement, or due to total and permanent disability, prior to the expiration of the term of the Option or stock appreciation right, unless such Option or stock appreciation right expires earlier under the terms of the Option Agreement. For purposes hereof, a Participant’s employment
shall be deemed to have terminated due to (a) early or normal retirement if such Participant is then eligible to receive immediate early or normal retirement benefits under the provisions of any of the Company’s or its subsidiaries defined benefit pension plans; or, in the absence of a defined benefit plan, provided such Participant retires with ten years of service and is at least 55 years old or retires with five years of service and is at least 65 years old and (b) total and permanent disability if he is permanently disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code, as in effect from time to time.

For purposes of this Plan: (a) a transfer of an employee from the Company to a 50% or more owned subsidiary, partnership, joint venture or other affiliate (whether or not incorporated) or vice versa, or from one subsidiary, partnership, joint venture or other affiliate to another or (b) a leave of absence duly authorized in writing by the Company, provided the employee’s right to re-employment is guaranteed either by statute or by contract, shall not be deemed a termination of employment under the Plan, notwithstanding the foregoing, from and after a Change of Control, as defined in paragraph 20, Options and stock appreciation rights shall continue to be exercisable for three months after a Participant’s termination of employment.

16. **Stock Appreciation Rights**. Stock appreciation rights may be granted separate from any Option granted under the Plan to any Participant. Such stock appreciation rights may be exercised by a Participant by written notice of intent to exercise the stock appreciation rights delivered to the Committee, which notice shall state the number of shares of stock in respect of which the stock appreciation rights are being exercised. Upon such exercise, the Participant shall be entitled to receive the economic value of such stock appreciation rights determined in the manner described in subparagraph (b) of this paragraph 16 and in the form prescribed in subparagraph (c) of this paragraph 16.

Stock appreciation rights shall be subject to terms and conditions not inconsistent with other provisions of the Plan as shall be determined by the Committee, which shall include the following:

(a) Stock appreciation rights granted in connection with the surrender of an Option shall be exercisable or transferable at such time or times and only to the extent that the Option to which they related was exercisable or transferable. The Committee shall have complete authority to determine the terms and conditions applicable to other stock appreciation rights, including the periods applicable to such rights, limitations on exercise and the number of shares of stock in respect to which such stock appreciation rights are exercisable.

(b) Upon the exercise of stock appreciation rights, a Participant shall be entitled to receive the economic value thereof, which value shall be equal to the excess of the fair market value of one share of Common Stock on the date of exercise over the grant price per share, multiplied by the number of shares in respect of which the stock appreciation rights shall have been exercised. Stock appreciation rights
which have been so exercised shall no longer be exercisable in respect of such number of shares.

(c) The Committee shall have the sole discretion either (i) to determine the form in which payment of such economic value will be made (i.e., cash, stock, or any combination thereof) or (ii) to consent to or disapprove the election of the Participant to receive cash in full or partial payment of such economic value.

(d) The exercise of stock appreciation rights by a Participant pursuant to the Plan may be made only at such times as are permitted by Rule 16b-3 of the Securities Exchange Act of 1934, without liabilities, or such other securities laws or rules as may be applicable.

(e) Stock appreciation rights shall be exercisable only when the fair market value of the Common Stock to which the stock appreciation rights relate exceeds the grant price of such stock appreciation rights.

17. Adjustment Provisions. In the event of any change in the shares of the Common Stock of the Company by reason of a declaration of a stock dividend (other than a stock dividend declared in lieu of an ordinary cash dividend), spin-off, merger, consolidation recapitalization, or split-up, combination or exchange of shares, or otherwise, the aggregate number and class of shares available under this Plan (including the per Participant limit on awards in Section 6), the number and class of shares subject to each outstanding Option and stock appreciation right, the option price for shares subject to each outstanding Option, and the option price or grant price and economic value of any stock appreciation rights shall be appropriately adjusted by the Committee, whose determination shall be conclusive. Unless the Committee determines otherwise, any such adjustment to an award that is exempt from Code Section 409A shall be made in manner that permits the award to continue to be so exempt, and any adjustment to an award that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. Notwithstanding the foregoing, in the case of a stock dividend (other than a stock dividend declared in lieu of an ordinary cash dividend) or split-up (including a reverse stock split), if no action is taken by the Committee, adjustments contemplated by this subsection that are proportionate shall nevertheless automatically be made as of the date of such stock dividend or split-up.

18. Termination and Amendment of Plan. The Plan shall terminate on December 31, 2009, unless sooner terminated as hereinafter provided. The Board of Directors may at any time terminate the Plan, or amend the Plan as it shall deem advisable including (without limiting the generality of the foregoing) any amendments deemed by the Board of Directors to be necessary or advisable to assure conformity of the Plan and any Incentive Stock Options granted thereunder to the requirements of Section 422 of the Internal Revenue Code as now or hereafter in effect and to assure conformity with any requirements of other state and federal laws or regulations now or hereafter in effect; provided, however, that the Board of Directors may not, without further approval by the shareholders of the Company, amend paragraph 24 or make any modifications to the Plan which, by applicable law, require such approval. No termination or amendment of the Plan may, without the consent of the Participant to whom any Option or stock appreciation rights shall have been granted, adversely affect the
rights of such Participant under such Option or stock appreciation rights. The Board of Directors may also, in its discretion, permit any Option or stock appreciation right to be exercised prior to the earliest date fixed for exercise thereof under the Option Agreement. Notwithstanding the foregoing, the Board specifically reserves the right to amend the provisions of Sections 20 and 21 prior to the effective date of a Change of Control without the need to obtain the consent of the Participants or any other individual with a right to an award granted hereunder. Notwithstanding the foregoing, unless determined otherwise by the Board or Committee, any such amendment shall be made in a manner that will enable an award intended to be exempt from Code Section 409A to continue to be so exempt, or to enable an award intended to comply with Code Section 409A to continue to so comply.

19. Rights of a Shareholder. A Participant shall have no rights as a shareholder with respect to shares covered by his or her Option until the date of issuance of the stock to the participant and only after such shares are fully paid or with respect to stock appreciation rights. No adjustment will be made for dividends or other rights for which the record date is prior to the date such stock is issued.

20. Change of Control. Notwithstanding the foregoing, upon Change of Control, all previously granted Options and stock appreciation rights shall immediately become exercisable to the full extent of the original grant. For purposes of this Plan, a “Change of Control” means any of the following events: (i) the acquisition, other than from the Company, by any individual, entity or group (within the meaning of Section 13 (d) or 14(d)(2) of the Securities Exchange Act of 1934, as amended from time to time) (the “Exchange Act”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”), provided, however, that any acquisition by (x) the Company of any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than 60% of respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a change in control of the Company; or (ii) individuals who, as of September 28, 1994, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to September 28, 1994, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under
the Exchange Act); or (iii) approval by the shareholders of the Company of consummation of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporations resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination or the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or (iv) (A) a complete liquidation or dissolution of the company or a (B) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

21. **Termination of Awards**. Notwithstanding the foregoing, upon a Change in Control, the Committee may in its discretion, commencing at the time of a Change in Control and continuing for a period of sixty days thereafter, cancel each outstanding Option or stock appreciation right in exchange for a cash payment to the holder thereof in an amount equal to the number of Options or stock appreciation rights that have not been exercised multiplied by the excess of the fair market value per Share on the date of the Change in Control (or, if the Change in Control is the result of a transaction or a series of transactions described in paragraphs (i) or (ii) of the definition of Change in Control and the Option or stock appreciation right is cancelled on the date of the Change in Control, the highest price per Share paid in such transaction or series of transactions on the date of the Change in Control) over the exercise price of the Option or the grant price of the stock appreciation right, as the case may be.

22. **Governing Law and Arbitration**. The Plan, and all awards hereunder, and all determinations made and actions taken pursuant to the Plan, shall be governed by the internal laws of the State of Wisconsin (without reference to conflict of law principles thereof) and construed in accordance therewith, to the extent not otherwise governed by the laws of the United States or as otherwise provided hereinafter.

Notwithstanding anything to the contrary herein, if any individual brings a claim that relates to benefits under this Plan, regardless of the basis of the claim (including but not limited to wrongful discharge or Title VII discrimination), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and the following provisions, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(a) **Initiation of Action**. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should
be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel
Johnson Controls, Inc.
5757 North Green Bay Avenue
P.O. Box 591
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(b) **Compliance with Personnel Policies.** Before proceeding to arbitration on a complaint, the claimant must initiate and participate in any complaint resolution procedure identified in the Company’s or subsidiary’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company or subsidiary complaint resolution procedure has been completed.

(c) **Rules of Arbitration.** All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under the award or policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(d) **Representation and Costs.** Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or subsidiary shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.
23. **Unfunded Plan**. This Plan shall be unfunded. No person shall have any rights greater than those of a general creditor of the Company.

24. **Repricing**. Except for adjustments pursuant to paragraph 17, neither the per share Option price for any outstanding Option granted under the Plan nor the per share grant price for stock appreciation rights granted under the Plan may be decreased after the date of grant nor may an outstanding Option or stock appreciation right granted under the Plan or a Prior Plan be surrendered to the Company as consideration for the grant of a new Option or stock appreciation right with a lower exercise or grant price.

25. **Termination for Cause or Inimical Conduct**. Notwithstanding any provisions of the Plan or an award agreement to the contrary, a Participant’s Option or stock appreciation right shall be immediately cancelled and forfeited, regardless of vesting, and any pending exercises shall be cancelled, on the date that: (a) the Company or subsidiary terminates the Participant’s employment for Cause, (b) the date that the Committee determines that the Participant’s employment could have been terminated for Cause if the Company or subsidiary had all relevant facts in its possession as of the date of the Participant’s termination, or (c) the Committee determines the Participant has engaged in Inimical Conduct. The Committee may suspend all exercises or delivery of cash or shares (without liability for interest thereon) pending its determination of whether the Participant has been or should have been terminated for Cause or has engaged in Inimical Conduct. For purposes hereof:

(a) “Cause” means: (1) if the Participant is subject to an employment agreement that contains a definition of “cause,” such definition, or (2) otherwise, any of the following as determined by the Committee: (a) violation of the provisions of any employment agreement, non-competition agreement, confidentiality agreement, or similar agreement with the Company or subsidiary, or the Company’s or subsidiary’s code of ethics, as then in effect, (b) conduct rising to the level of gross negligence or willful misconduct in the course of employment with the Company or subsidiary, (c) commission of an act of dishonesty or disloyalty involving the Company or subsidiary, (d) violation of any federal, state or local law in connection with the Participant’s employment, or (e) breach of any fiduciary duty to the Company or a subsidiary.
(b) “Inimical Conduct” means any act or omission that is inimical to the best of interests of the Company or any subsidiary, as determined by the Committee in its sole discretion, including but not limited to: (1) violation of any employment, noncompete, confidentiality or other agreement in effect with the Company or any subsidiary, (2) taking any steps or doing anything which would damage or negatively reflect on the reputation of the Company or a subsidiary, or (3) failure to comply with applicable laws relating to trade secrets, confidential information or unfair competition.

26. **Offset**. The Company shall have the right to offset, from any amount payable or stock deliverable hereunder, any amount that the Participant owes to the Company or any subsidiary without the consent of the Participant or any individual with a right to the Participant’s award.

27. **Severability**. In the event any provision of the Plan or any award agreement is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan or such award agreement, and the Plan or award agreement shall be construed and enforced as if the said illegal or invalid provision had not been included.

28. **Code Section 409A**. The provisions of Code Section 409A are incorporated herein by reference to the extent necessary for any award that is subject to Code Section 409A to comply therewith. Notwithstanding any provisions of the Plan, the Company does not guarantee to any Participant or any other person with an interest in an award that any award intended to be exempt from Code Section 409A shall be so exempt, nor that any award intended to comply with Code Section 409A shall so comply, nor will the Company or any affiliate indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.
JOHNSON CONTROLS, INC.
2001 RESTRICTED STOCK PLAN
(Adjusted to reflect 3-for-1 stock split effective September 14, 2007)

ARTICLE 1.
PURPOSE AND DURATION

Section 1.1. Purpose. The Johnson Controls, Inc. Restricted Stock Plan has two complementary purposes: (a) to promote the success of the Company by providing incentives to the Company’s and subsidiary’s officers and other key employees that will link their personal interests to the long-term financial success of the Company and to growth in value; and (b) to permit the Company and its subsidiaries to attract, motivate and retain experienced and knowledgeable employees upon whose judgment, interest, and special efforts the successful conduct of the Company’s operations is largely dependent.

Section 1.2. Duration. The Plan was originally effective on October 1, 2001. The Plan was most recently amended and restated effective January 1, 2008. The Plan shall remain in effect, subject to the right of the Board to terminate the Plan at any time pursuant to Article 11 herein, until all Shares reserved for issuance under the Plan have been issued.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) “Act” means the Securities Act of 1933, as interpreted by rules and regulations issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Act shall be deemed to include reference to any successor provision thereto.

(b) “Award” means a grant of Restricted Shares or Restricted Share Units.

(c) “Beneficial Owner” (or derivatives thereof) shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(d) “Board” means the Board of Directors of the Company.

(e) “Cause” means: (1) if the Participant is subject to an employment agreement that contains a definition of “cause”, such definition, or (2) otherwise, any of the following as determined by the Committee: (a) violation of the provisions of any employment agreement, non-competition agreement, confidentiality agreement, or similar agreement with the Company or subsidiary, or the Company’s or subsidiary’s code of ethics, as then in effect, (b) conduct rising to the level of gross negligence or willful misconduct in the course of employment with the Company or subsidiary, (c) commission of an act of dishonesty or disloyalty involving
the Company or subsidiary, (d) violation of any federal, state or local law in connection with the Participant’s employment, or (e) breach of any fiduciary duty to the Company or a subsidiary.

(f) “Change of Control” means the occurrence of any one of the following:

(1) The acquisition, other than from the Company, by any Person of Beneficial Ownership of 20% or more of either (A) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”); provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then Beneficially Owned, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company.

(2) Individuals who, as of May 24, 1989, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to May 24, 1989, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act).

(3) Consummation of a reorganization, merger or consolidation (a “Business Combination”), in each case, with respect to which all or substantially all of the individuals and entities who were the respective Beneficial Owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, following such Business Combination, Beneficially Own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of
common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be.

(4) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then Beneficially Owned, directly or indirectly, by all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

(g) “Code” means the Internal Revenue Code of 1986, as interpreted by rules and regulations issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(h) “Committee” means the Compensation Committee of the Board, or such other committee appointed by the Board to administer the Plan pursuant to Article 3 herein.

(i) “Company” means Johnson Controls, Inc., a Wisconsin corporation, and any successor as provided in Article 13.

(j) “Deferred Compensation Plan” means the Johnson Controls, Inc. Executive Deferred Compensation Plan, as from time to time amended and in effect.

(k) “Eligible Employee” means a current management or highly compensated employee of the Company or subsidiary.

(l) “Exchange Act” means the Securities Exchange Act of 1934, as interpreted by rules and regulations issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Exchange Act shall be deemed to include reference to any successor provision thereto.

(m) “Fair Market Value” means with respect to a Share, the closing sales price on the New York Stock Exchange on the date in question (or the immediately preceding trading day if the date in question is not a trading day), and with respect to any other property, such value as is determined by the Committee.

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(n) “Inimical Conduct” means any act or omission that is inimical to the best interests of the Company or any subsidiary, as determined by the Committee in its sole discretion, including but not limited to: (1) violation of any employment, noncompete, confidentiality or other agreement in effect with the Company or any subsidiary, (2) taking any steps or doing anything which would damage or negatively reflect on the reputation of the Company or a subsidiary, or (3) failure to comply with applicable laws relating to trade secrets, confidential information or unfair competition.

(o) “Participant” means an Eligible Employee who has been granted an Award.

(p) “Period of Restriction” means the period during which Shares or Share Units may not be transferred and are subject to a substantial risk of forfeiture.

(q) “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

(r) “Plan” means this Johnson Controls, Inc. 2001 Restricted Stock Plan, as from time to time amended and in effect.

(s) “Restricted Shares” means Shares that are subject to a Period of Restriction.

(t) “Restricted Share Units” means Share Units that are subject to a Period of Restriction.

(u) “Retirement” means a voluntary termination of employment from the Company and its subsidiaries (for other than Cause) on or after age fifty-five (55) and completion of at least ten (10) years of vesting service, or age sixty-five (65) and completion of at least five (5) years of vesting service (such vesting service to be determined within the meaning of the Johnson Controls Pension Plan or such other plan or methodology specified by the Committee).

(v) “Rule 16b-3” means Rule 16b-3 under the Exchange Act.

(w) “Share” means the common stock of the Company, or such other securities specified in Section 4.3.

(x) “Share Unit” means a measure of compensation having a value equal to the Fair Market Value of a single Share.

(y) “Total and Permanent Disability” means the Participant’s inability to perform the material duties of his occupation as a result of a medically-determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of at least twelve (12) months, as determined by the Committee. The Participant will be required to submit such medical evidence or to undergo a medical
examination by a doctor selected by the Committee as the Committee determines is necessary in order to make a determination hereunder.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the said illegal or invalid provision had not been included.

ARTICLE 3.
ADMINISTRATION

Section 3.1. The Committee. The Plan shall be administered by the Committee. If at any time the Committee shall not be in existence, the Plan shall be administered by the Board and each reference to the Committee herein shall be deemed to include the Board.

Section 3.2. Authority of the Committee. In addition to the authority specifically granted to the Committee in the Plan, and subject to the provisions of the Plan, the Committee shall have full power and discretionary authority to: (a) select Participants, grant Awards, and determine the terms and conditions of each such Award, including but not limited to the Period of Restriction and the number of Shares to which the Award will relate; (b) administer the Plan, including but not limited to the power and authority to construe and interpret the Plan and any award agreement; (c) correct errors, supply omissions or reconcile inconsistencies in the terms of the Plan and any award agreement; (d) establish, amend or waive rules and regulations, and appoint such agents, as it deems appropriate for the Plan’s administration; and (e) make any other determinations, including factual determinations, and take any other action as it determines is necessary or desirable for the Plan’s administration.

Notwithstanding the foregoing, the Committee shall have no authority to act to adversely affect the rights or benefits granted under any outstanding Award without the consent of the person holding such Award (other than as specifically provided herein).

Section 3.3. Decision Binding. The Committee’s determination and decisions made pursuant to the provisions of the Plan and all related orders or resolutions of the Board shall be final, conclusive and binding on all persons who have an interest in the Plan or an Award, and such determinations and decisions shall not be reviewable.

Section 3.4. Procedures of the Committee. The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by each member of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction.
of business. Service on the Committee shall constitute service as a director of the Company so that the Committee members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee services to the same extent that they are entitled under the Company’s By-laws and Wisconsin law for their services as directors of the Company.

Section 3.5. Award Agreements. The Committee shall evidence the grant of each Award by an award agreement which shall be signed by an authorized officer of the Company and by the Participant, and shall contain such terms and conditions as may be approved by the Committee, subject to the terms and conditions as may be approved by the Committee, subject to the terms of the Plan. Terms and conditions of such Awards need not be the same in all cases.

ARTICLE 4.
SHARES SUBJECT TO THE PLAN

Section 4.1. Number of Shares. Subject to adjustment as provided in Section 4.3, the aggregate number of Shares that may be issued under the Plan or to which an Award may relate shall not exceed 4.5 million Shares. Shares delivered under the Plan shall consist solely of treasury Shares.

Section 4.2. Lapsed Awards. If any Award is forfeited or terminated for any reason, the Restricted Shares or Restricted Share Units subject to such Award that are forfeited shall be available for the grant of a new Award under the Plan.

Section 4.3. Adjustments in Authorized Shares. In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, share combination, or other change in the corporate structure of the Company affecting the Shares, the Committee shall adjust: (a) the number and class of Shares which may be delivered under the Plan; and (b) the number and class of Shares or Share Units subject to outstanding Awards, as it determines to be appropriate and equitable to prevent dilution or enlargement of the rights intended to be granted hereunder and under any Award; provided that the number of Shares subject to any Award shall always be a whole number.

ARTICLE 5.
PARTICIPATION

Subject to the provisions of the Plan, the Committee shall have the authority to select the Employees to receive an Award. No Employee shall have any right to be granted an Award even if previously granted an Award.
ARTICLE 6.
TERMS AND CONDITIONS OF AWARDS

Section 6.1. Grant of Award. Subject to the terms and provisions of the Plan, the Committee shall have the authority to determine the number of Shares or Share Units to which an Award shall relate, the term of the Restriction Period and conditions for lapse thereof, and any other terms and conditions of an Award. Prior to January 1, 2008, a Participant was permitted to elect to receive his or her Award either in the form of Restricted Shares or Restricted Share Units; provided that if the Participant failed to make a valid election, the Award was made in the form of Restricted Shares. Effective January 1, 2008, a Participant shall not be given a choice as to the form of the Award.

Section 6.2. Terms and Conditions of Restricted Share Awards.

(a) Period of Restriction. Restricted Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, and shall be subject to a substantial risk of forfeiture, until the termination of the applicable Period of Restriction as set forth in the Participant’s award agreement or provided herein. During the Period of Restriction, the Company shall have the right to hold the Restricted Shares in escrow.

(b) Certificate Legend. Each certificate representing Restricted Shares shall bear the following legend:

“The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer set forth in the Johnson Controls, Inc. 2001 Restricted Stock Plan, in the rules and administrative procedures adopted pursuant to such Plan, and in a Restricted Stock Agreement dated __________. A copy of the Plan, such rules and procedures, and such Restricted Stock Agreement may be obtained from the Secretary of Johnson Controls, Inc.”

(c) Removal of Restrictions. Except as otherwise provided in this Article, Restricted Shares shall become vested in, and freely transferable by, the Participant after the last day of the Period of Restriction. Once the Shares are released from the restrictions, the Participant shall be entitled to have the legend required by subsection (b) removed from his stock certificate.

(d) Voting Rights. Unless determined otherwise by the Committee, during the Period of Restriction, Participants holding Restricted Shares may exercise full voting rights with respect to those Shares.

(e) Dividends and Other Distributions. Any dividends or other distributions paid or delivered with respect to Restricted Shares will be subject to the same terms and conditions (including risk of forfeiture) as the Restricted Shares to which they relate and payment or delivery thereof will be deferred accordingly. Unless otherwise determined by the Committee, all dividends or other distributions paid or delivered with respect to Restricted
Shares shall be allocated to a Share Unit account or other investment account under the Deferred Compensation Plan.

Section 6.3. Terms and Conditions of Restricted Share Units.

(a) Establishment of Account. Upon the grant of Restricted Share Units to a Participant, the Company shall establish a bookkeeping account under the Deferred Compensation Plan to which shall be credited the number of Share Units granted.

(b) Alienation of Account. A Participant (or beneficiary) shall not have any right to assign, hypothecate, pledge, encumber or otherwise alienate his Share Unit account.

(c) Dividends and Other Distributions. Each Participant with a Share Unit account shall be entitled to receive a credit to such account for any dividends or other distributions delivered on Shares, whether in the form of cash or in property, in accordance with the terms of the Deferred Compensation Plan; provided that such credit shall be subject to the same terms and conditions (including risk of forfeiture) as the Restricted Share Units to which they relate.

(d) Payment of Account. The value of the Participant’s Share Unit account as to which the Restriction Period has lapsed shall be paid to the Participant (or his beneficiary) in accordance with the terms of the Deferred Compensation Plan.

Section 6.4. Termination of Employment. Upon a Participant’s termination of employment from the Company and its subsidiaries, the following rules shall apply:

(a) Retirement. If the Participant terminates employment due to Retirement, any remaining Period of Restriction shall continue as if the Participant continued in active employment. Notwithstanding the foregoing, if the Participant engages in Inimical Conduct after his Retirement, any Restricted Shares and/or Restricted Share Units still subject to a Period of Restriction shall automatically be forfeited as of the date of the Committee’s determination.

(b) Death or Disability. If the Participant’s employment terminates because of death or Total and Permanent Disability at a time when the Participant could not have been terminated for Cause, or if the Participant dies after Retirement while holding an Award that is subject to a Period of Restriction, any remaining Period of Restriction shall automatically lapse as of the date of such termination of employment or death, as applicable.

(c) Termination for Other Reasons. If the Participant’s employment terminates for any reason not described above, then any Restricted Shares and/or Restricted Share Units still subject to a Period of Restriction as of the date of such termination shall automatically be forfeited and returned to the Company; provided, however, that in the event of an involuntary termination of the employment of an Employee by the Company or a subsidiary for other than Cause, the Committee may waive the automatic forfeiture of any or all such Shares or Share Units and may add such new restrictions to such Restricted Shares or Restricted Share Units as it deems appropriate.
(d) **Suspension**. The Committee may suspend payment or delivery of Shares (without liability for interest thereon) pending its determination of whether the Participant was or should have been terminated for Cause or whether the Participant has engaged in Inimical Conduct.

**Section 6.5. Other Restrictions**. The Committee may impose such other restrictions on any Awards granted pursuant to the Plan (including after the Period of Restriction lapses) as it may deem advisable including, without limitation, restrictions under applicable Federal or state securities laws, and the Committee may legend certificates to give appropriate notice of such restrictions.

**ARTICLE 7. RIGHTS OF ELIGIBLE INDIVIDUALS**

**Section 7.1. Employment**. Nothing in the Plan shall interfere with or limit in any way the right of the Company or subsidiary to terminate any Participant’s employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or subsidiary.

**Section 7.2. No Implied Rights; Rights on Termination of Service**. Neither the establishment of the Plan nor any amendment thereof shall be construed as giving any Participant or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Committee in accordance with the terms and provisions of the Plan.

**Section 7.3. No Funding**. Neither the Participant nor any other person shall acquire, by reason of the Plan or any Award, any right in or title to any assets, funds or property of the Company and its subsidiaries whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Company or its subsidiaries may, in their sole discretion, set aside in anticipation of a liability hereunder. Any benefits which become payable hereunder shall be paid from the general assets of the Company and its subsidiaries, as applicable. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Company or its subsidiaries. Nothing contained in the Plan constitutes a guarantee by the Company or its subsidiaries that the assets of the Company or its subsidiaries shall be sufficient to pay any benefit to any person.

**Section 7.4. Other Restrictions**. As a condition to the issuance of any Shares, the Committee may require the Participant to enter into a restrictive stock transfer or other shareholder’s agreement with the Company.

**ARTICLE 8. CHANGE OF CONTROL**

If a Change of Control occurs, any Period of Restriction of any outstanding Award shall lapse upon the date of the Change of Control.
ARTICLE 9.
AMENDMENT, MODIFICATION, AND TERMINATION

Section 9.1. Amendment, Modification, and Termination of the Plan. At any time and from time to time, the Board may terminate, amend, or modify the Plan. However, the approval of any such amendment by the shareholders of the Company shall be obtained if required by the Code, by the insider trading rules of Section 16 of the Exchange Act, by any national securities exchange or system on which the Shares are then listed or reported, or by any regulatory body having jurisdiction with respect thereto. Further, no termination, amendment or modification of the Plan shall in any manner adversely affect any Award theretofore granted under the Plan, without the written consent of the Participant, except as specifically provided herein.

Section 9.2. Amendment of Award Agreements. The Committee may at any time amend any outstanding award agreement; provided, however, that any amendment that decreases or impairs the rights of a Participant under such agreement shall not be effective unless consented to by the Participant in writing, except that Participant consent shall not be required in the event an Award is amended, adjusted or cancelled under Section 4.3 or paid as provided in Article 8, and Participant consent shall not be required with respect to any amendment of the Deferred Compensation Plan that affects a Participant’s Share Unit account to the extent such plan does not require Participant consent.

Section 9.3. Survival Following Termination. Notwithstanding the foregoing, to the extent provided in the Plan, the authority of (a) the Committee to amend, alter, adjust, suspend, discontinue or terminate any Award, waive any conditions or restrictions with respect to any Award, and otherwise administer the Plan and any Award and (b) the Board to amend the Plan, shall extend beyond the date of the Plan’s termination. Termination of the Plan shall not affect the rights of Participants with respect to Awards previously granted to them, and all unexpired Awards shall continue in force and effect after termination of the Plan except as they may lapse or be terminated by their own terms and conditions, subject to the terms of the Deferred Compensation Plan.

ARTICLE 10.
WITHHOLDING

Section 10.1. Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an applicable amount sufficient to satisfy foreign, Federal, state and local taxes (including the Participant’s FICA obligation) required by law to be withheld with respect to the issuance of Shares, the lapse of the Period of Restriction, or the distribution of the Participant’s Share Unit account. The Company shall also have the right to withhold Shares as to which the Period of Restriction has lapsed and which have a Fair Market Value equal to the Participants’ minimum tax withholding liability, to satisfy any withholding obligations.

Section 10.2. Stock Delivery or Withholding. Participants may elect, subject to the approval of the Committee and such rules as it shall prescribe, to satisfy the withholding requirement, in whole or in part, by tendering to the Company previously acquired Shares in an
amount having a Fair Market Value equal to the amount required to be withheld to satisfy the minimum tax withholding obligations described in Section 10.1. The value of the Shares to be tendered is to be based on the Fair Market Value of the Shares on the date that the amount of tax to be withheld is determined.

**ARTICLE 11. LEGENDS; PAYMENT OF EXPENSES**

Section 11.1. Legends. The Company may endorse such legend or legends upon the certificates for Shares issued under the Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such Shares as it determines to be necessary or appropriate to (a) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act, applicable state securities laws or other legal requirements, or (b) implement the provisions of the Plan or any agreement between the Company and the Participant with respect to such Shares.

Section 11.2. Payment of Expenses. The Company shall pay for all issuance taxes with respect to the issuance of Shares under the Plan, as well as all fees and expenses incurred by the Company in connection with such issuance.

**ARTICLE 12. SUCCESSORS**

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company. The Plan shall be binding upon and inure to the benefit of the Participants and their heirs, executors, administrators or legal representatives.

**ARTICLE 13. REQUIREMENTS OF LAW**

Section 13.1. Requirements of Law. The granting of Awards and the issuance of Shares under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 13.2. Governing Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin (excluding any choice of law rules that may direct the application of the laws of another jurisdiction), except as provided in Section 13.3 hereof.

Section 13.3. Arbitration.

(a) Application. Notwithstanding any employee agreement in effect between a Participant and the Company or any subsidiary employer, if a Participant brings a claim that relates to benefits under this Plan, regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such
claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association ("AAA") and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) **Initiation of Action.** Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel  
Johnson Controls, Inc.  
5757 North Green Bay Avenue  
P.O. Box 591  
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(c) **Compliance with Personnel Policies.** Before proceeding to arbitration on a complaint, the Participant or Beneficiary must initiate and participate in any complaint resolution procedure identified in the Company’s or subsidiary’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company or subsidiary complaint resolution procedure has been completed.

(d) **Rules of Arbitration.** All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(e) **Representation and Costs.** Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or subsidiary shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.
(f) **Discovery; Location; Rules of Evidence.** Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(g) **Confidentiality.** The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
JOHNSON CONTROLS, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN

ARTICLE 1.
PURPOSE AND DURATION

Section 1.1. Purpose. The Johnson Controls, Inc. Executive Deferred Compensation Plan (the “Plan”) permits certain employees of the Company and its Affiliates to defer amounts otherwise payable or shares deliverable under separate bonus or equity plans or programs maintained by the Company or an Affiliate.

Section 1.2. Duration. The Plan was originally effective on October 1, 2001, as a consolidation of the deferral features of various separate plans. The Plan is amended and restated effective as of January 1, 2008. The Plan shall remain in effect until terminated by the Board pursuant to Section 9.6.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, where the meaning is intended, the initial letter of the word is capitalized:

(a) “Account” means the record keeping account or accounts maintained to record the interest of each Participant under the Plan. An Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant’s behalf, and may consist of such subaccounts or balances as the Administrator may determine to be necessary or appropriate.

(b) “Act” means the Securities Act of 1933, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Act shall be deemed to include reference to any successor provision thereto.

(c) “Administrator” means the Employee Benefits Policy Committee of the Company.

(d) “Affiliate” means each entity that is required to be included in the Company’s controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); provided that for purposes of determining when a Participant has incurred a Separation from Service, the phrase “at least 50 percent” shall be used in place of the phrase “at least 80 percent” in each place that phrase appears in the regulations issued thereunder.

(e) “Beneficiary” means the person(s) or entity(ies) designated by a Participant to be his beneficiary for purposes of this Plan as provided in Section 9.2.
(f) “Board” means the Board of Directors of the Company.

(g) “Change of Control” has the meaning ascribed in Section 8.3.

(h) “Code” means the Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(i) “Committee” means the Compensation Committee of the Board, which shall consist of not less than two members of the Board, each of whom is also a director of the Company and qualifies as a “non-employee director” for purposes of Rule 16b-3 of the Exchange Act.

(j) “Company” means Johnson Controls, Inc., and its successors as provided in Section 9.8.

(k) “Deferral” means the amount credited, in accordance with a Participant’s election or as required by the Plan, to the Participant’s Account in lieu of the payment in cash thereof, or the issuance of Shares with respect thereto. Deferrals include the following:

(1) Annual Incentive Deferrals: A deferral of all or a portion of a Participant’s performance cash award under the Johnson Controls, Inc. Annual Incentive Performance Plan (or any successor plan thereto) and, with the consent of the Administrator, any other annual bonus plan maintained by the Company or an Affiliate.

(2) Long-Term Incentive Deferrals: A deferral of all or a portion of a Participant’s performance cash award under the Johnson Controls, Inc. Long-Term Incentive Performance Plan (or any successor plan thereto) and, with the consent of the Administrator, any other multi-year bonus plan maintained by the Company or an Affiliate.

(3) Share Deferrals: On or before December 31, 2007, a deferral of the Shares that would have otherwise been issued to a Participant in the form of restricted stock under any plan of the Company providing for the grant of restricted stock. Effective January 1, 2008, Share Deferrals are not permitted under the Plan.

(4) Deferred Restricted Stock Dividends: A deferral of the dividends paid on restricted shares granted under any plan of the Company while such shares are subject to a period of restriction.

(l) “ERISA” means the Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.
(m) “Exchange Act” means the Securities Exchange Act of 1934, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Exchange Act shall be deemed to include reference to any successor provision thereto.

(n) “Fair Market Value” means with respect to a Share, except as otherwise provided herein, the closing sales price on the New York Stock Exchange as of 4:00 p.m. EST on the date in question (or the immediately preceding trading day if the date in question is not a trading day), and with respect to any other property, such value as is determined by the Administrator.

(o) “Investment Options” means the investment options offered under the Johnson Controls Savings and Investment (401k) Plan (excluding the Company stock fund) or any successor plan thereto, the Share Unit Account, and any other alternatives made available by the Administrator, which shall be used for the purpose of measuring hypothetical investment experience attributable to a Participant’s Account.

(p) “Participant” means an employee of the Company or any Affiliate who is employed in the United States and is participating in the Company’s Stock Ownership Program, and any other employee of the Company or any Affiliate who is selected for participation under a Company or Affiliate plan described in paragraph (k) and who is offered the ability (or is required) to make Deferrals hereunder. Notwithstanding the foregoing, the Committee shall limit the foregoing group of eligible employees to a select group of management and highly compensated employees, as determined by the Committee in accordance with ERISA. Where the context so requires, a Participant also means a former employee entitled to receive a benefit hereunder.

(q) “Plan Year” means the fiscal year of the Company.

(r) “Separation from Service” means a Participant’s cessation of service for the Company and all Affiliates within the meaning of Code Section 409A, including the following rules:

1. If a Participant takes a leave of absence from the Company or an Affiliate for purposes of military leave, sick leave or other bona fide leave of absence, the Participant’s employment will be deemed to continue for the first six (6) months of the leave of absence, or if longer, for so long as the Participant’s right to reemployment is provided by either by statute or by contract; provided that if the leave of absence is due to the Participant’s medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of six (6) months or more, and such impairment causes the Participant to be unable to perform the duties of his position with the Company or an Affiliate or a substantially similar position of employment, then the leave period may be extended for up to a total of twenty-nine (29) months. If the period of the leave exceeds the time periods set forth above and the Participant’s right to reemployment is not provided by either
statute or contract, the Participant will be considered to have incurred a Separation from Service on the first day following the time periods set forth above.

(2) A Participant will be presumed to have incurred a Separation from Service when the level of bona fide services performed by the Participant for the Company and its Affiliates permanently decreases to a level equal to 20% or less of the average level of services performed by the Participant for the Company or its Affiliates during the immediately preceding thirty-six (36) month period (or such lesser period of service).

(3) The Participant will be presumed not to have incurred a Separation from Service while the Participant continues to provide bona fide services to the Company or an Affiliate in any capacity (whether as an employee or independent contractor) at a level that is at least 50% or more of the average level of services performed by the Participant for the Company or its Affiliates during the immediately preceding thirty-six (36) month period (or such lesser period of service).

(s) “Share” means a share of common stock of the Company.

(t) “Share Unit Account” means the account described in Article 7, which is deemed invested in Shares.

(u) “Share Units” means the hypothetical Shares that are credited to the Share Unit Account in accordance with Article 7.

(v) “Valuation Date” means each day when the United States financial markets are open for business, as of which the Administrator will determine the value of each Account and will make allocations to Accounts.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are use in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.
ARTICLE 3.
PARTICIPATION

Section 3.1. Effective Date. Each individual for whom an Account is maintained under the Plan as of December 31, 2007, shall continue in participation hereunder on January 1, 2008.

Section 3.2. New Participants. Each employee of the Company or an Affiliate shall automatically become a Participant on the date he makes (or is deemed to make) a deferral election under Article 4.

ARTICLE 4.
DEFERRALS OF COMPENSATION

Section 4.1. Annual Incentive Deferrals. A Participant may elect during the first 180 days of the performance period for which an annual incentive award is made, to have all or a part of the amount payable under his annual incentive award (but not less than $1,000) deferred under this Plan. A Participant’s election to defer an annual incentive award payment shall be effective only for the award to which the election relates, and shall not carry over from award to award. Notwithstanding the foregoing, if the Administrator determines that an annual incentive award does not qualify as performance-based compensation within the meaning of Code Section 409A, or determines that at the time of the election described above the compensation payable under such award will be readily ascertainable, then the Administrator may specify an earlier election period consistent with the requirements of Code Section 409A. As of the end of the election period, the Participant’s deferral election shall be irrevocable except as provided in Section 4.4.

Section 4.2. Long-Term Incentive Deferrals. A Participant may elect during the first 180 days of the performance period for which a long-term incentive award is made, to have all or a part of the amount payable under his long-term incentive award (but not less than $1,000) deferred under this Plan. A Participant’s election to defer a long-term incentive payment shall be effective only for the award to which the election relates, and shall not carry over from award to award. Notwithstanding the foregoing:

(a) if the Administrator determines that a long-term incentive award qualifies as performance-based compensation within the meaning of Code Section 409A and that at the time of the election no portion of the compensation payable under such award will be readily ascertainable, the Administrator may specify a later election period, which in all events must be prior to the first day of the final year of the performance period for such award (whether a calendar year or the fiscal year of the Company or an Affiliate, as applicable), or

(b) if the Administrator determines that a long-term incentive award does not qualify as performance-based compensation within the meaning of Code Section 409A, or determines that at the time of the election described above the compensation payable under such award will be readily ascertainable, then the Administrator may specify an earlier election period consistent with the requirements of Code Section 409A.
As of the end of the election period, the Participant’s deferral election shall be irrevocable except as provided in Section 4.4.

Section 4.3. Deferral of Dividends on Restricted Stock. All cash dividends paid with respect to restricted stock granted by the Company to a Participant while such stock is subject to a period of restriction shall be automatically deferred as Deferred Restricted Stock Dividends. Deferred Restricted Stock Dividends shall be subject to the same risk of forfeiture as the restricted shares to which such Deferrals relate.

Section 4.4. Cancellation of Deferral Elections. If the Administrator determines that a Participant’s deferral elections must be cancelled in order for the Participant to receive a hardship distribution under the Johnson Controls Savings and Investment (401k) Plan (or any successor plan thereto), or any other 401(k) plan maintained by the Company or an Affiliate, the Participant’s deferral election(s) shall be cancelled if permitted under Code Section 409A. A Participant whose deferral election(s) are cancelled pursuant to this Section 4.4 may make a new deferral election under Sections 4.1 or 4.2, and pursuant to the requirements of Code Section 409A, with respect to future incentive awards, unless otherwise prohibited by the Administrator.

Section 4.5. Administration of Deferral Elections. All deferral elections must be made in the form and manner and within such time periods as the Administrator prescribes in order to be effective.

ARTICLE 5.
HYPOTHETICAL INVESTMENT OPTIONS

Section 5.1. Investment Election. Amounts credited to a Participant’s Account shall reflect the investment experience of the Investment Options selected by the Participant, provided that Deferred Restricted Stock Dividends shall be automatically deemed invested in the Share Unit Account. The Participant may make an initial investment election at the time of enrollment in the Plan in whole increments of one percent (1%). A Participant may also elect to reallocate his or her Account, and may elect to allocate any future Deferrals, among the various Investment Options in whole increments of one percent (1%) from time to time as prescribed by the Administrator; provided that prior to November 15, 2006, Share Deferrals and Deferred Restricted Stock Dividends were not eligible for re-allocation out of the Share Unit Account. On and after November 15, 2006, Share Deferrals and Deferred Restricted Stock Dividends that are vested may be re-allocated out of the Share Unit Account, subject to any restrictions on re-allocation as may be imposed by the Company. Such investment elections shall remain in effect until changed by the Participant. All investment elections shall become effective as soon as practicable after receipt of such election by the Administrator, and must be made in the form and manner and within such time periods as the Administrator prescribes in order to be effective. In the absence of an effective election, the Participant’s Account (to the extent the Plan does not require Deferrals to be allocated to the Share Unit Account) shall be deemed invested in the default fund specified for the Johnson Controls Inc. Savings and Investment (401k) Plan (or any successor plan thereto).
On each Valuation Date, the Administrator (or its designee) shall credit the deemed investment experience with respect to the selected (or required) Investment Options to each Participant’s Account. Notwithstanding anything herein to the contrary, the Company retains the right to allocate actual amounts hereunder without regard to a Participant’s request.

Section 5.2. Allocations to Investment Options.

(a) Incentive Deferrals. Annual and Long-Term Incentive Deferrals will be deemed invested in an Investment Option as of the date on which the deferrals would have otherwise been paid to the Participant.

(b) Deferred Restricted Stock Dividends. If a Participant is holding restricted shares of the Company’s stock when the Company declares a cash dividend on its Shares, the Participant’s Share Unit Account will be credited with Deferred Restricted Stock Dividends, as of the date the cash dividend is paid to the Company’s shareholders. The amount of Deferred Restricted Stock Dividends credited to the Participant’s Stock Unit Account shall be determined by multiplying the number of restricted shares held by such Participant on the date the dividend is declared by the amount of the dividend paid on one Share.

Section 5.3. Securities Law Restrictions. Notwithstanding anything to the contrary herein, all elections under Article 5 or 6 by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Administrator prior to implementation. In accordance with Section 9.3, the Administrator may restrict additional transactions, rescind transactions, or impose other rules and procedures, to the extent deemed desirable by the Administrator in order to comply with the Exchange Act, including, without limitation, application of the review and approval provisions of this Section 5.3 to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.4. Accounts are For Record Keeping Purposes Only. Plan Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of the Company or any Affiliate to fund such benefits.

ARTICLE 6. DISTRIBUTION OF ACCOUNTS

Section 6.1. Form of Distribution. A Participant, at the time he makes an initial deferral election under the Plan pursuant to any provision of Article 4, shall elect the form of distribution with respect to each of the following sub-accounts:

(a) Annual Incentive Deferrals, including interest, earnings or losses thereon.

(b) Long-Term Incentive Deferrals, including interest, earnings or losses thereon.

On or before December 31, 2007, the Participant shall elect the form of distribution with respect to any Share Deferrals, as adjusted for gains or losses thereon, that are held in the Participant’s Share Unit Account as of that date. Notwithstanding the foregoing, if a
Participant receives a single lump sum payment of his or her vested Share Deferrals under the Plan, any Share Deferrals vesting after such payment date shall be paid in a single lump sum promptly (but not more than seventy-five (75) days) after the vesting date.

Such election shall be made in such form and manner as the Administrator may prescribe, and shall be irrevocable. The election shall specify whether distributions shall be made in a single lump sum or from two (2) to ten (10) annual installments. In the absence of a distribution election with respect to a particular subaccount, payment shall be made in ten (10) annual installments.

No distribution election shall be made with respect to Deferred Restricted Stock Dividends, which are automatically paid in a lump sum as provided in Section 6.2(b).

Section 6.2. Time of Distribution.

(a) Separation from Service. Upon a Participant’s Separation from Service for any reason, the Participant, or his Beneficiary in the event of his death, shall be entitled to payment of the amount accumulated in such Participant’s Account.

(b) Payment of Deferred Restricted Stock Dividends. Notwithstanding anything herein to the contrary, the portion of the Participant’s Share Unit Account that is related to Deferred Restricted Stock Dividends shall be paid to the Participant in a lump sum within seventy-five (75) days of the date the shares of restricted stock to which such Deferred Restricted Stock Dividends relate vest and are no longer subject to a period of restriction.

Section 6.3. Manner of Distribution. The Participant’s Account shall be paid in cash in the following manner:

(a) Lump Sum. If payment is to be made in a lump sum,

(1) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, payment shall be made in the first calendar quarter of the following year, and

(2) for those Participants whose Separation from Service occurs from July 1 through December 31 of a year, payment shall be made in the third calendar quarter of the following year.

The lump sum payment shall equal the balance of the Participant’s Account as of the Valuation Date immediately preceding the distribution date. Notwithstanding the foregoing, the portion of the Participant’s Share Unit Account related to Deferred Restricted Stock Dividends shall be paid as provided in Section 6.2(b).

(b) Installments. If payment is to be made in annual installments, the first annual payment shall be made:
(1) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, in the first calendar quarter of the following year, and

(2) for those Participants whose Separation from Service occurs during the period from July 1 through December 31 of a year, in the third calendar quarter of the following year.

The amount of the first annual payment shall equal the value of 1/10th (or 1/9th, 1/8th, 1/7th, etc. depending on the number of installments elected) of the balance of the Participant’s Account as of the Valuation Date immediately preceding the distribution date. All subsequent annual payments shall be made in the first calendar quarter of each subsequent calendar year, and shall be in an amount equal to the value of 1/9th (or 1/8th, 1/7th, 1/6th, etc. depending on the number of installments elected) of the balance of the Participant’s Account as of the Valuation Date immediately preceding the distribution date. The final annual installment payment shall equal the then remaining balance of such Account as of the Valuation Date preceding such final payment date.

Notwithstanding the foregoing provisions, if the balance of a Participant’s Account as of the Valuation Date immediately preceding a distribution date is $50,000 or less, then the entire remaining balance of the Participant’s Account shall be paid in a lump sum on such distribution date.

Section 6.4. Distribution of Remaining Account Following Participant’s Death. In the event of the Participant’s death prior to receiving all payments due under this Article 6, the balance of the Participant’s Account shall be paid to the Participant’s Beneficiary in a lump sum as soon as practicable after (but not more than ninety (90) days following) the Participant’s death.

Section 6.5. Tax Withholding. The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash and/or Fair Market Value of Shares sufficient to satisfy the Company’s or Affiliate’s foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Participant’s Account balance shall be reduced by the amount needed to pay the Participant’s portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramiding of the Code Section 3401 wages and taxes, but no greater than the aggregate of the FICA tax amount and the income tax withholding related to such FICA tax amount.

Section 6.6. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant’s death).
Section 6.7. Additional Payment Provisions.

(a) Acceleration of Payment. Notwithstanding the foregoing:

(1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within ninety (90) days after the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant’s income as a result of such failure.

(2) If an amount under the Plan is required to be immediately distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Administrator harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.

(b) Delay in Payment. Notwithstanding the foregoing:

(1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company or an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.

(2) If the distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7.
RULES WITH RESPECT TO SHARE UNITS

Section 7.1. Valuation of Share Unit Account. When any amounts are to be allocated to a Share Unit Account (whether in the form of Deferrals or amounts that are deemed re-allocated from another Investment Option), such amount shall be converted to whole and fractional Share Units, with fractional units calculated to three decimal places, by dividing the amount to be allocated by the Fair Market Value of a Share on the effective date of such allocation. If any dividends or other distributions are paid on Shares while a Participant has Share Units credited to his Account, such Participant shall be credited with Deferred Restricted Stock Dividends equal to the amount of the cash dividend paid or Fair Market Value of other property distributed on one Share, multiplied by the number of Share Units credited to the Participant’s Share Unit Account on the date the dividend is declared. The Deferred Restricted
Stock Dividends credited to the Participant shall be converted into additional Share Units as provided above using the Fair Market Value of a Share on the date the dividend is paid or distributed. Any other provision of this Plan to the contrary notwithstanding, if a dividend is paid on Shares in the form of a right or rights to purchase shares of capital stock of the Company or any entity acquiring the Company, no additional Share Units shall be credited to the Participant’s Share Unit Account with respect to such dividend, but each Share Unit credited to a Participant’s Share Unit Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant’s Share Unit Account at a time when such rights are attached to Shares, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one Share plus the then Fair Market Value of such right or rights then attached to one Share.

Section 7.2. Transactions Affecting Common Stock. In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure of the Company affecting Shares, the Committee may make appropriate equitable adjustments with respect to the Share Units credited to the Share Unit Account of each Participant, including without limitation, adjusting the date as of which such units are valued and/or distributed, as the Committee determines is necessary or desirable to prevent the dilution or enlargement of the benefits intended to be provided under the Plan.

Section 7.3. No Shareholder Rights With Respect to Share Units. Participants shall have no rights as a stockholder pertaining to Share Units credited to their Accounts. No Participant or Beneficiary shall have any right to receive a distribution of Company stock under this Plan. All distributions from the Participant’s Share Unit Account are made in cash.

ARTICLE 8.
SPECIAL RULES APPLICABLE IN THE EVENT OF A CHANGE OF CONTROL OF THE COMPANY

Section 8.1. Acceleration of Payments. Notwithstanding any other provision of this Plan, within 30 days after a Change of Control, each Participant (or any Beneficiary thereof entitled to receive payments hereunder), including Participants (or Beneficiaries) receiving installment payments under the Plan, shall be entitled to receive a lump sum payment in cash of all amounts accumulated in such Participant’s Account. Such payment shall be made as soon as practicable (but not more than ninety (90) days) following the Change of Control.

In determining the amount accumulated in a Participant’s Share Unit Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company’s common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the “Composite Tape”) during the sixty (60)-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 8.2(a), the highest price per Share of the Company paid in such transaction or series of transactions.

Section 8.2. Definition of a Change of Control. A Change of Control means any of the following events, provided that each such event would constitute a change of control within the meaning of Code Section 409A:
(a) The acquisition, other than from the Company, by any individual, entity or group of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), including in connection with a merger, consolidation or reorganization, of more than either:

1. Fifty percent (50%) of the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or
2. Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”),

provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or

(b) Individuals who, as of January 1, 2005, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board during any twelve (12)-month period, provided that any individual becoming a director subsequent to January 1, 2005, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board; or

(c) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition. For purposes hereof, “a sale or other disposition of all or substantially all of the assets of the Company” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to the acquisition. For this purpose, “gross fair market value” means the value of the assets without regard to any liabilities associated with such assets.
For purposes of this Section 8.2, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

Section 8.3. Maximum Payment Limitation.

(a) Limit on Payments. Except as provided in subsection (b) below, if any portion of the payments or benefits described in this Plan or under any other agreement with or plan of the Company or an Affiliate (in the aggregate, “Total Payments”), would constitute an “excess parachute payment”, then the Total Payments to be made to the Participant shall be reduced such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be one dollar ($1) less than the maximum amount which the Participant may receive without becoming subject to the tax imposed by Section 4999 of the Code or which the Company may pay without loss of deduction under Section 280G(a) of the Code. The terms “excess parachute payment” and “parachute payment” shall have the meanings assigned to them in Section 280G of the Code, and such “parachute payments” shall be valued as provided therein. Present value shall be calculated in accordance with Section 280G(d)(4) of the Code. Within forty (40) days following delivery of notice by the Company to the Participant of its belief that there is a payment or benefit due the Participant which will result in an excess parachute payment, the Participant and the Company, at the Company’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by the Company’s independent auditors and acceptable to the Participant in his sole discretion (which may be regular outside counsel to the Company), which opinion sets forth (1) the amount of the Base Period Income, (2) the amount and present value of Total Payments and (3) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section. As used in this Section, the term “Base Period Income” means an amount equal to the Participant’s “annualized includible compensation for the base period” as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company’s independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Participant. Such opinion shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such opinion determines that there would be an excess parachute payment, the payments hereunder that are includible in Total Payments or any other payment or benefit determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by the Participant in writing delivered to the Company within thirty (30) days of his receipt of such opinion or, if the Participant fails to so notify the Company, then as the Company shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section, the Participant and the Company shall
obtain, at the Company’s expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant. If the provisions of Sections 280G and 4999 of the Code are repealed without succession, then this Section shall be of no further force or effect.

(b) Employment Contract Governs. The provisions of subsection (a) above shall not apply to a Participant whose employment is governed by an employment contract that provides for Total Payments in excess of the limitation described in subsection (a) above.

ARTICLE 9.
GENERAL PROVISIONS

Section 9.1. Administration.

(a) General. The Committee shall have overall discretionary authority with respect to administration of the Plan; provided that the Administrator shall have discretionary authority and responsibility for the general operation and daily administration of the Plan and to decide claims and appeals as specified herein. If at any time the Committee shall not be in existence or not be composed of members of the Board who qualify as “non-employee directors”, then all determinations affecting Participants who are subject to Section 16 of the Exchange Act shall be made by the full Board, and all determinations affecting other Participants shall be made by the Board or an officer of the Company or other committee appointed by the Board (with the assistance of the Administrator). The Committee or Administrator may, in its discretion, delegate any or all of its authority and responsibility; provided that the Committee shall not delegate authority and responsibility with respect to non-ministerial functions that relate to the participation by Participants who are subject to Section 16 of the Exchange Act at the time any such delegated authority or responsibility is exercised. To the extent of any such delegation, any references herein to the Committee or Administrator, as applicable, shall be deemed references to such delegatee. Interpretation of the Plan shall be within the sole discretion of the Committee or the Administrator with respect to their respective duties hereunder. If any delegatee of the Committee or the Administrator shall also be a Participant or Beneficiary, any determinations affecting the delegatee’s participation in the Plan shall be made by the Committee or Administrator, as applicable.

(b) Authority and Responsibility. In addition to the authority specifically provided herein, the Committee and Administrator shall have the discretionary authority to take any action or make any determination deemed necessary for the proper administration of the Plan with regard to the respective duties of each under the Plan, including but not limited to: (1) prescribe rules and regulations for the administration of the Plan; (2) prescribe forms for use with respect to the Plan; (3) interpret and apply all of the Plan’s provisions, reconcile inconsistencies or supply omissions in the Plan’s terms; (4) make appropriate determinations, including factual determinations, and calculations; and (5) prepare all reports required by law. Any action taken by the Committee shall be controlling over any contrary action of the Administrator. The Committee and the Administrator may delegate their ministerial duties to third parties and to the extent such delegation, references to the Committee or Administrator herein shall mean such delegates, if any.

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(c) **Decisions Binding.** The Committee’s and Administrator’s determinations shall be final and binding on all parties with an interest hereunder, unless determined to be arbitrary and capricious.

(d) **Procedures of the Committee.** The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written consent, which sets forth the action, is signed by each member of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. The Administrator’s determinations shall be made in accordance with such procedures it establishes.

(e) **Indemnification.** Service on the Committee or as an Administrator shall constitute service as a director or officer of the Company so that the Committee and Administrator members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee or Administrator services to the same extent that they are entitled under the Company’s By-laws and Wisconsin law for their services as directors or officers of the Company.

Section 9.2. **Designation of Beneficiary.** Each Participant may designate a Beneficiary in such form and manner and within such time periods as the Administrator may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Administrator while the Participant was alive shall be given effect. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of distribution, the designation shall vest in the Beneficiary the distribution payable after the Participant’s death, and such distribution if not paid by the Beneficiary’s death shall be made to the Beneficiary’s estate. In the event there is no valid beneficiary designation in effect at the time of the Participant’s death, in the event the Participant’s designated Beneficiary does not survive the Participant, or in the event that the beneficiary designation provides that the Beneficiary must be living at the time of distribution and such designated Beneficiary does not survive to the distribution date, the Participant’s estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date the Administrator receives notice of the Participant’s divorce or legal separation.

Section 9.3. **Restrictions to Comply with Applicable Law.** All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

Section 9.4. **Claims Procedures.**

(a) **Initial Claim.** If a Participant or Beneficiary (the “claimant”) believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his legal
representative shall file a written claim for such benefit with the Administrator within ninety (90) days of the date the payment that is in dispute should have been made. The Administrator shall review the claim and render a decision within ninety (90) days following the receipt of the claim; provided that the Administrator may determine that an additional ninety (90)-day extension is necessary due to circumstances beyond the Administrator’s control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor, and the date by which the Administrator expects to render a decision. If the claimant’s claim is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include: the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of which such material or information is necessary; and a description of the Plan’s review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse determination upon review.

(b) Request for Appeal. The claimant has the right to appeal the Administrator’s decision by filing a written appeal to the Administrator within sixty (60) days after the claimant’s receipt of the Administrator’s decision, although to avoid penalties under Code Section 409A, the claimant’s appeal must be filed within one hundred eighty (180) days of the date payment could have been timely made in accordance with the terms of the Plan and pursuant to Regulations promulgated under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant’s appeal. The claimant may submit written comments, documents, records and other information relating to his claim with the appeal. The Administrator will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Administrator shall make a determination on the appeal within sixty (60) days after receiving the claimant’s written appeal; provided that the Administrator may determine that an additional sixty (60)-day extension is necessary due to circumstances beyond the Administrator’s control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Administrator expects to render a decision. If the claimant’s appeal is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include: the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant’s claim; and a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA. If the claimant does not receive a written decision within the time period(s) described above, the appeal shall be deemed denied on the last day of such period(s).

(c) ERISA Fiduciary. For purposes of ERISA, the Committee shall be considered the named fiduciary under the Plan and the plan administrator, except with respect to claims and appeals, for which the Administrator shall be considered the named fiduciary.
Section 9.5. Participant Rights Unsecured.

(a) Unsecured Claim. The right of a Participant or his Beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant nor any Beneficiary shall have any rights in or against any amount credited to his Account or any other specific assets of the Company or an Affiliate. The right of a Participant or Beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except as permitted under Section 6.8(a)(2) or 9.2. The rights of a Participant hereunder are exercisable during the Participant’s lifetime only by him or his guardian or legal representative.

(b) Contractual Obligation. The Company or an Affiliate may authorize the creation of a trust or other arrangements to assist it in meeting the obligations created under the Plan, subject to the restrictions on funding such trust or arrangement imposed by Code Sections 409A(b)(2) or (3). However, any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of the Company or an Affiliate shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company or any Affiliate. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or an Affiliate and any Participant or Beneficiary, or any other person.

(c) No Right to Employment. Participation in this Plan, or any modifications thereof, or the payments of any benefits hereunder, shall not be construed as giving to any person any right to be retained in the service of the Company or any Affiliate, limiting in any way the right of the Company or any Affiliate to terminate such person’s employment at any time, evidencing any agreement or understanding that the Company or any Affiliate will employ such person in any particular position or any particular rate of compensation or guaranteeing such person any right to receive any other form or amount of remuneration from the Company or any Affiliate.

Section 9.6. Amendment or Termination of Plan.

(a) Amendment. The Committee may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) Deferrals to be made on or after the amendment date to the extent not prohibited by Code Section 409A; provided, however, that no amendment may reduce or eliminate any Account balance accrued to the date of such amendment (except as such Account balance may be reduced as a result of investment losses allocable to such Account) without a Participant’s consent except as otherwise specifically provided herein; and provided further that the Board must approve any amendment that expands the class of employees eligible for participation under the Plan, that materially increases the benefits provided under the Plan or that is required to be approved by the Board by any applicable law or the listing requirements of the national securities exchange upon which the Company’s common stock is then traded. In addition, the Administrator may at any time amend the Plan to make administrative changes and changes necessary to comply with applicable law.
(b) **Termination**. The Committee may terminate the Plan in accordance with the following provisions. Upon termination of the Plan, any deferral elections then in effect shall be cancelled to the extent permitted by Code Section 409A. Upon termination of the Plan, the Committee may authorize the payment of all amounts accrued under the Plan in a single sum payment without regard to any distribution election then in effect, only in the following circumstances:

1. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

2. The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. In such event, the single sum payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of the Plan’s termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan’s termination.

**Section 9.7. Administrative Expenses**. Costs of establishing and administering the Plan will be paid by the Company and its participating Affiliates.

**Section 9.8. Successors and Assigns**. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participants and their heirs, executors, administrators, and legal representatives.

**Section 9.9. Governing Law; Limitation on Actions; Dispute Resolution**.

(a) **Governing Law**. This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin (without reference to conflict of law principles thereof) to the extent such laws are not preempted by federal law.
(b) **Limitation on Actions.** Any action or other legal proceeding with respect to the Plan may be brought only after the claims and appeals procedures of Section 9.4 are exhausted and only within period ending on the earlier of (1) one year after the date claimant receives notice or deemed notice of a denial upon appeal under Section 9.4(b), or (2) the expiration of the applicable statute of limitations period under applicable federal law. Any action or other legal proceeding not adjudicated under ERISA must be arbitrated in accordance with the provisions of subsection (c).

(c) **Arbitration.**

(1) **Application.** Notwithstanding any employee agreement in effect between a Participant and the Company or any Affiliate, if a Participant or Beneficiary brings a claim that relates to benefits under this Plan that is not covered under ERISA, and regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association ("AAA") and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(2) **Initiation of Action.** Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel  
Johnson Controls, Inc.  
5757 North Green Bay Avenue  
P.O. Box 591  
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(3) **Compliance with Personnel Policies.** Before proceeding to arbitration on a complaint, the Participant or Beneficiary must initiate and participate in any complaint resolution procedure identified in the Company’s or Affiliate’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a
complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable complaint resolution procedure has been completed.

(4) **Rules of Arbitration.** All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(5) **Representation and Costs.** Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.

(6) **Discovery; Location; Rules of Evidence.** Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(7) **Confidentiality.** The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
JOHNSON CONTROLS, INC.
ANNUAL INCENTIVE PERFORMANCE PLAN

ARTICLE 1.
PURPOSE AND DURATION

Section 1.1. Purpose. The purpose of the Johnson Controls, Inc. Annual Incentive Performance Plan is to motivate key employees of the Company and its Affiliates who have the prime responsibility for the operations of the Company and its Affiliates to achieve performance objectives measured on an annual basis, which is intended to result in increased value to the shareholders of the Company.

Section 1.2. Duration. The Plan was originally effective October 1, 2005. The Plan is amended and restated effective as of January 1, 2008. The Plan will remain in effect until terminated pursuant to Article 11.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) “Administrator” means, with respect to executive officers of the Company, the Committee, and with respect to all other key employees, the Chief Executive Officer of the Company.

(b) “Affiliate” has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act, or any successor rule or regulation thereto.

(c) “Annual Performance Award” means an opportunity granted to a Participant to receive a payment of cash based in whole or part on the extent to which one or more Performance Goals for one or more Performance Measures are achieved for the Performance Period, subject to the conditions described in the Plan and that the Administrator otherwise imposes.

(d) “Base Salary” of a Participant means the annual rate of base pay in effect for such Participant as of the last day of the Performance Period (or such other date as the Administrator may specify by action taken at the time of grant of an Annual Performance Award).

(e) “Board” means the Board of Directors of the Company.

(f) “Beneficiary” means the person or persons entitled to receive any amounts due to a Participant in the event of the Participant’s death as provided in Article 8.

(g) “Cause” means: (1) if the Participant is subject to an employment agreement that contains a definition of “cause”, such definition, or (2) otherwise, any of the
following as determined by the Administrator: (A) violation of the provisions of any employment agreement, non-competition agreement, confidentiality agreement, or similar agreement with the Company or an Affiliate, or the Company’s or an Affiliate’s code of ethics, as then in effect, (B) conduct rising to the level of gross negligence or willful misconduct in the course of employment with the Company or an Affiliate, (C) commission of an act of dishonesty or disloyalty involving the Company or an Affiliate, (D) violation of any federal, state or local law in connection with the Participant’s employment, or (E) breach of any fiduciary duty to the Company or an Affiliate.

(h) “Code” means the Internal Revenue Code of 1986, as amended. Any reference to a particular provision of the Code shall be deemed to include any successor provision thereto.

(i) “Company” means Johnson Controls, Inc., a Wisconsin corporation, and any successor thereto as provided in Article 14.

(j) “Committee” means the Compensation Committee of the Board, which shall consist of not less than two (2) members of the Board each of whom is a “non-employee director” as defined in Securities and Exchange Commission Rule 16b-3(b)(3), or as such term may be defined in any successor regulation under Section 16 of the Securities Exchange Act of 1934, as amended. In addition, each member of the Committee shall be an outside director within the meaning of Code Section 162(m).


(l) “Excluded Items” means any gains or losses from the sale of assets outside the ordinary course of business, any gains or losses from discontinued operations, any extraordinary gains or losses, the effects of accounting changes, any unusual, nonrecurring, transition, one-time or similar items or charges, the diluted impact of goodwill on acquisitions, and any other items specified by the Administrator; provided that, for Annual Performance Awards intended to qualify as performance-based compensation under Code Section 162(m), the Administrator shall specify the Excluded Items in writing at the time the Annual Performance Award is made.

(m) “Inimical Conduct” means any act or omission that is inimical to the best interests of the Company or any Affiliate, as determined by the Administrator in its sole discretion, including but not limited to: (1) violation of any employment, noncompete, confidentiality or other agreement in effect with the Company or any Affiliate, (2) taking any steps or doing anything which would damage or negatively reflect on the reputation of the Company or an Affiliate, or (3) failure to comply with applicable laws relating to trade secrets, confidential information or unfair competition.

(n) “Participant” means a key employee of the Company or an Affiliate who has been selected by the Administrator to participate in the Plan.
(o) “Performance Measures” means the following categories (in all cases after taking into account any Excluded Items, as applicable), including in each case any measure based on such category:

1. Basic earnings per common share for the Company on a consolidated basis.
2. Diluted earnings per common share for the Company on a consolidated basis.
3. Total shareholder return.
5. Cost of sales.
7. Selling, general and administrative expenses.
8. Operating income.
9. Income before interest and/or the provision for income taxes.
11. Accounts receivables.
12. Inventories.
13. Return on equity.
14. Return on assets.
15. Return on capital.
16. Economic value added, or other measure of profitability that considers the cost of capital employed.
17. Net cash provided by operating activities.
18. Net increase (decrease) in cash and cash equivalents.
20. Market share.
The Performance Measures described in items (4) through (21) may be measured (A) for the Company on a consolidated basis, (B) for any one or more Affiliates or divisions of the Company and/or (C) for any other business unit or units of the Company or an Affiliate as defined by the Administrator at the time of selection.

In addition, with respect to Annual Performance Awards that are not intended to comply with Code section 162(m), the Administrator may designate other categories, including categories involving individual performance and subjective targets, not listed above.

(p) “Performance Goal” means the level(s) of performance for a Performance Measure that must be attained in order for a payment to be made under an Annual Performance Award, and/or to determine the amount of such payment based on the Performance Scale.

(q) “Performance Period” means a period of one fiscal year or less of the Company or an Affiliate as selected by the Administrator.

(r) “Performance Scale” means, with respect to a Performance Measure, a scale from which the level of achievement may be calculated for any given level of actual performance for such Performance Measure. The Performance Scale may be a linear function, a step function, a combination of the two, or any other manner of measurement as determined by the Administrator.

(s) “Plan” means the arrangement described herein, as from time to time amended and in effect.

(t) “Retirement” means termination of employment from the Company and its Affiliates (without Cause) on or after attainment of age fifty-five (55) with at least ten (10) years of vesting service or age sixty-five (65) with at least five (5) years of vesting service (such vesting service to be determined within the meaning of the Johnson Controls Pension Plan or such other plan or methodology prescribed by the Administrator).

(u) “Total and Permanent Disability” means the Participant’s inability to perform the material duties of his or her occupation as a result of a medically-determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of at least twelve (12) months, as determined by the Administrator. The Participant will be required to submit such medical evidence or to undergo a medical examination by a doctor selected by the Administrator as the Administrator determines is necessary in order to make a determination hereunder.

Section 2.2. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein includes the feminine, the plural includes the singular, and the singular the plural.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the said illegal or invalid provision had not been included.
ARTICLE 3.
ELIGIBILITY

Section 3.1. Selection of Participants. The Administrator shall select the key employees of the Company or an Affiliate for participation in the Plan. No employee shall have any right to receive an Annual Performance Award in any year even if an Annual Performance Award has been previously granted in prior years. In general, it is expected that the Administrator will determine which key employees are to receive an Annual Performance Award prior to, or within the first ninety (90) days of, the first day of the applicable Performance Period.

Section 3.2. Termination of Approval. Until the earlier of the end of a Performance Period or a Participant’s termination of employment, the Administrator may at any time withdraw its approval for a Participant’s participation in the Plan. In the event of the Administrator’s withdrawal of approval, the employee concerned shall cease to be a Participant as of the date selected by the Administrator, the employee’s Annual Performance Awards shall be cancelled, the employee shall not be entitled to any payment under those Annual Performance Awards unless the Administrator determines otherwise. An employee shall be notified of the Administrator’s withdrawal of its approval for the employee’s participation in the Plan as soon as practicable following such action.

Section 3.3. Transfers In, Out and Between Eligible Positions.

(a) Notwithstanding Section 3.1, if a key employee is hired or promoted into a position that is eligible for an Annual Performance Award, the Administrator may (1) select such key employee as a Participant at any time during the course of a Performance Period, (2) take action resulting in a key employee’s receipt of an additional Annual Performance Award, where, with respect to a particular Performance Period already in progress, the key employee is currently a Participant in the Plan and already has an Annual Performance Award for that Performance Period, or (3) change the Performance Goals, Performance Measures, Performance Scale or potential award amount under an Annual Performance Award that is already in effect. The Administrator may, but is not required to, prorate the amount that would have otherwise been payable to the Participant under such Annual Performance Award had the Participant been employed during the entire Performance Period to reflect the Participant’s actual period of employment during the Performance Period.

(b) If a Participant is demoted during a Performance Period, the Administrator may decrease the potential award amount of any Annual Performance Award the Participant may be eligible to receive, or revise the Performance Goals, Performance Measures or Performance Scale applicable to the Participant, as the Administrator determines is necessary to reflect the Participant’s demotion, or the Administrator may withdraw its approval for the Participant’s participation in the Plan in accordance with Section 3.2.

(c) If a Participant is transferred from employment by the Company to the employment of an Affiliate, or vice versa, the Administrator may revise the Participant’s Annual Performance Award to reflect the transfer, including but not limited to, changing the potential award amount, Performance Measures, Performance Goals and Performance Scale applicable to the Participant.
Section 3.4. Termination of Employment.

(a) Except as otherwise provided under the terms of an employment or severance agreement between a Participant and the Company, no Participant shall earn an incentive award for a Performance Period unless the Participant is employed by the Company or an Affiliate (or is on an approved leave of absence) on the last day of such Performance Period, unless the Participant’s employment was terminated during the year as a result of Retirement, Total and Permanent Disability or death at a time when the Participant could not have been terminated for Cause, or unless payment is approved by the Administrator after considering the cause of the Participant’s termination.

(b) If a Participant’s employment is terminated as a result of death, Total and Permanent Disability or Retirement, at a time when the Participant could not have been terminated for Cause, then unless otherwise determined by the Administrator, the Participant (or the Participant’s Beneficiary or estate in the event of his or her death) shall be entitled to receive an amount equal to the product of (x) the award amount calculated under Section 5.1 and (y) a fraction, the numerator of which is the number of the Participant’s whole calendar months of employment during the Performance Period for such award and the denominator of which is the number of calendar months in the Performance Period for such award. Payment shall be made in accordance with Section 5.2, subject to Section 5.3.
covering (or ending within) the same fiscal year of the Company, no more than six million dollars ($6,000,000).

(b) The Administrator may adjust each Participant’s potential award amount under any Annual Performance Award, based upon overall individual performance and attainment of goals, as follows:

1. With respect to Participants who are subject to Code Section 162(m), the amount of the Annual Performance Award may be reduced by as much as twenty percent (20%); and

2. With respect to all other Participants, based upon the recommendation of the Participant’s supervisor and approval by the Chief Executive Officer of the Company, the amount of the Annual Performance Award may be increased by up to a maximum of twenty percent (20%) or reduced by a maximum of twenty percent (20%).

Section 5.2. Timing and Form of Payment. When the payment due to the Participant has been determined, unless otherwise deferred pursuant to a Participant’s election under the Company’s deferred compensation plan, payment shall be made in a cash lump sum by the 75th day following the close of the Performance Period.

Section 5.3. Inimical Conduct. Notwithstanding the foregoing, after the end of the Performance Period for which a payment for an Annual Performance Award has accrued, but before payment or deferral of such amount actually occurs, if the Participant engages in Inimical Conduct, or if the Company determines after a Participant’s termination of employment that the Participant could have been terminated for Cause, the Annual Performance Award shall be automatically cancelled and no payment or deferral shall be made. The Administrator may suspend payment or deferral (without liability for interest thereon) pending the Administrator’s determination of whether the Participant was or should have been terminated for Cause or whether the Participant has engaged in Inimical Conduct.

ARTICLE 6.
CHANGE OF CONTROL

Section 6.1. Acceleration of Payment. Notwithstanding any other provision of this Plan, within thirty (30) days after a Change of Control (as defined below), the Company shall pay each Participant, with respect to each Annual Performance Award of the Participant, a lump sum payment in cash equal to the product of (x) such Participant’s maximum potential award amount for the Performance Period(s) in which the Change of Control occurs, as specified in the Annual Performance Award and (y) a fraction, the numerator of which is the number of days after the first day of the Performance Period on which the Change of Control occurs and the denominator of which is the number of days in the Performance Period. If, however, the Participant has a deferral election in effect with respect to any amount payable under this Section 6.1, such amount shall be deferred pursuant to such election and shall not be paid in a lump sum as provided herein.

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Notwithstanding the foregoing, with respect to amounts payable to a Participant (or the Participant’s Beneficiary or estate) who is entitled to a payment hereunder because the Participant’s employment terminated as a result of death or Disability, or payable to a Participant who has met the requirements for Retirement (without regard to whether the Participant has terminated employment), no payment shall be made unless the Change of Control (as defined below) also constitutes a change of control within the meaning of Code Section 409A.

**Section 6.2. Definition of Change of Control**. A “Change of Control” means any of the following events:

(a) The acquisition, other than from the Company, by any individual, entity or group of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), including in connection with a merger, consolidation or reorganization, of more than either:

(1) Fifty percent (50%) of the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or

(2) Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”),

provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or

(b) Individuals who, as of October 1, 2005, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board during any twelve (12)-month period, provided that any individual becoming a director subsequent to October 1, 2005, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board; or

(c) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then
owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition. For purposes hereof, “a sale or other disposition of all or substantially all of the assets of the Company” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to the acquisition. For this purpose, “gross fair market value” means the value of the assets without regard to any liabilities associated with such assets.

For purposes of this Section 6.2, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

**ARTICLE 7. ADJUSTMENTS**

In the event of any change in the outstanding shares of Company Common Stock by reason of any stock dividend or split, recapitalization, reclassification, merger, consolidation or exchange of shares or other similar corporate change, then if the Administrator shall determine, in its sole discretion, that such change necessarily or equitably requires an adjustment in the Performance Goals established under an Annual Performance Award, such adjustments shall be made by the Administrator and shall be conclusive and binding for all purposes of this Plan. No adjustment shall be made in connection with the issuance by the Company of any warrants, rights, or options to acquire additional shares of Common Stock or of securities convertible into Common Stock.

**ARTICLE 8. BENEFICIARY**

If permitted by the Company, a Participant may designate a Beneficiary by filing a beneficiary designation on the form provided by the Administrator. In such event, if the Participant dies prior to receiving any payment due hereunder, such payment shall be made to the Participant’s Beneficiary. If, however, the Participant has an effective deferral election in place for such amount under the Company’s deferred compensation plan, then the amount shall be deferred and paid in accordance with that plan. A Participant entitled to file a beneficiary designation may change his beneficiary designation at any time, provided that each beneficiary designation form filed with the Company shall revoke the most recent form on file, and the last form received by the Company while the Participant was alive shall be given effect. In the
event there is no valid beneficiary designation form on file, or in the event the Participant’s designated Beneficiary is not alive at the time payment is to be made, or in the event a Participant is not entitled to file a beneficiary designation, the Participant’s estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date of the Participant’s divorce or legal separation from such spouse; provided the Administrator has notice of such divorce or legal separation prior to payment.

ARTICLE 9.
RIGHTS OF PARTICIPANTS

Section 9.1. No Funding. No Participant or Beneficiary shall have any interest in any fund or in any specific asset or assets of the Company (or any Affiliate) by reason of any Annual Performance Award under the Plan. It is intended that the Company has merely a contractual obligation to make payments when due hereunder and it is not intended that the Company (or any Affiliate) hold any funds in reserve or trust to secure payments hereunder.

Section 9.2. No Transfer. No Participant may assign, pledge, or encumber his interest under the Plan, or any part thereof, except that a Participant may designate a Beneficiary as provided herein.

Section 9.3. No Implied Rights; Employment. Nothing contained in this Plan shall be construed to:
(a) Give any employee or Participant any right to receive any award other than in the sole discretion of the Administrator;
(b) Limit in any way the right of the Company or an Affiliate to terminate a Participant’s employment at any time; or
(c) Be evidence of any agreement or understanding, express or implied, that a Participant will be retained in any particular position or at any particular rate of remuneration.

ARTICLE 10.
ADMINISTRATION

Section 10.1. General. The Plan shall be administered by the Administrator. If at any time the Committee shall not be in existence, the Board shall assume the Committee’s functions and each reference to the Committee herein shall be deemed to include the Board.

Section 10.2. Authority. In addition to the authority specifically provided herein, the Administrator shall have full power and discretionary authority to: (a) administer the Plan, including but not limited to the power and authority to construe and interpret the Plan; (b) correct errors, supply omissions or reconcile inconsistencies in the terms of the Plan or any Annual Performance Award; (c) establish, amend or waive rules and regulations, and appoint such agents, as it deems appropriate for the Plan’s administration; and (d) make any other determinations, including factual determinations, and take any other action as it determines is necessary or desirable for the Plan’s administration.
Section 10.3. Delegation of Authority. The Administrator may delegate to one or more officers of the Company any or all of the authority and responsibility of the Administrator, except that the Committee may not delegate any authority with respect to Annual Performance Awards that are intended to comply with Code Section 162(m). If the Administrator has made such a delegation, then all references to the Administrator in this Plan include such officer(s) to the extent of such delegation.

Section 10.4. Decision Binding. The Administrator’s determinations and decisions made pursuant to the provisions of the Plan and all related orders or resolutions of the Board shall be final, conclusive and binding on all persons who have an interest in the Plan or an Annual Performance Award, and such determinations and decisions shall not be reviewable.

Section 10.5. Procedures of the Committee. The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by each member of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. Service on the Committee shall constitute service as a director of the Company so that the Committee members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee services to the same extent that they are entitled under the Company’s By-laws and Wisconsin law for their services as directors of the Company.

ARTICLE 11. AMENDMENT AND TERMINATION

Section 11.1. Amendment. The Committee may modify or amend, in whole or in part, any or all of the provisions of the Plan, and may suspend the Plan, and the Employee Benefits Policy Committee (or any successor committee thereto) of the Company may modify or amend the Plan for ministerial or administrative changes or to conform the terms of the Plan to the requirements of applicable law; provided that, any such amendment or modification shall be approved by the Company’s shareholders to the extent required by Code Section 162(m) or other applicable law; provided, however, that no such modification, amendment, or suspension may, without the consent of the Participant or his or her Beneficiary in the case of the Participant’s death, reduce the right of a Participant, or his or her Beneficiary, as the case may be, to any payment due under the Plan except as specifically provided herein. Notwithstanding the foregoing, the Committee may amend the provisions of Article 6 prior to the effective date of a Change of Control.

Section 11.2. Termination. The Committee may terminate the Plan in accordance with the provisions of this Section 11.2. In order for the provisions of this Section 11.2 to apply, the Committee must designate in writing that the Plan is being terminated in accordance with this Section. Upon termination of the Plan, the Committee may provide that all amounts accrued under the Plan to the date of the Plan termination (as determined by the Committee in its sole discretion) be paid in a lump sum, provided that payments to a Participant (or the Participant’s Beneficiary or estate) who is entitled to a payment hereunder because the Participant’s employment terminated as a result of death or Disability prior to the date of such Plan
termination, or amounts payable to a Participant who has met the requirements for Retirement (without regard to whether the Participant has terminated employment) as of the date of such Plan termination may be paid upon termination of the Plan only in the following circumstances:

(a) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the payment must be paid no later than the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

(b) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregate with this Plan under Code Section 409A are also terminated and liquidated. In such event, the payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan’s termination

ARTICLE 12.
TAX WITHHOLDING

The Company shall have the right to deduct from all cash payments made hereunder (or from any other payments due a Participant) any foreign, federal, state, or local taxes required by law to be withheld with respect to such cash payments.

ARTICLE 13.
OFFSET

The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant’s death).

ARTICLE 14.
SUCCESSORS

All obligations of the Company under the Plan with respect to Annual Performance Awards granted hereunder shall be binding on any successor or assign of the Company, whether the existence of such successor or assign is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company. The Plan shall be binding upon and inure to the benefit of the Participants, Beneficiaries, and their heirs, executors, administrators and legal representatives.
ARTICLE 15.
DISPUTE RESOLUTION

Section 15.1. Governing Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin (excluding any choice of law rules that may direct the application of the laws of another jurisdiction), except as provided in Section 15.2 hereof.

Section 15.2. Arbitration.

(a) Application. Notwithstanding any employee agreement in effect between a Participant and the Company or any Affiliate employer, if a Participant or Beneficiary (the “claimant”) brings a claim that relates to benefits under this Plan, regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) Initiation of Action. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

   Office of General Counsel
   Johnson Controls, Inc.
   5757 North Green Bay Avenue
   P.O. Box 591
   Milwaukee, WI 53201-0591

   The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(c) Compliance with Personnel Policies. Before proceeding to arbitration on a complaint, the claimant must initiate and participate in any complaint resolution procedure identified in the Company’s or Affiliate’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company or Affiliate complaint resolution procedure has been completed.

(d) Rules of Arbitration. All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator
will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(e) Representation and Costs. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.

(f) Discovery; Location; Rules of Evidence. Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(g) Confidentiality. The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
JOHNSON CONTROLS, INC.
RETIREMENT RESTORATION PLAN

ARTICLE 1.
PURPOSE AND DURATION

Section 1.1. Purpose. The purpose of the Johnson Controls Retirement Restoration Plan (formerly the Equalization Benefit Plan) is to restore retirement benefits to certain participants in the Company’s pension or savings plans whose benefits under said plans are or will be limited by reason of Code Sections 401(a)(17), 401(k), 401(m), 402(g) and/or 415, and/or by reason of the election of such employees to defer income or reduce salary pursuant to this Plan or to defer annual incentive payments pursuant to the Johnson Controls, Inc. Executive Deferred Compensation Plan. This Plan is completely separate from the tax-qualified pension plans maintained by the Company and is not funded or qualified for special tax treatment under the Code. The Plan is intended to be an unfunded plan covering a select group of management and highly compensated employees for purposes of ERISA.

Section 1.2. Duration of the Plan. The Plan became effective as of January 1, 1980, and is amended and restated effective January 1, 2008. The provisions of the Plan as amended and restated apply to each individual with an interest hereunder on or after January 1, 2008. The Plan shall remain in effect until terminated pursuant to Article 8.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, where the meaning is intended, the initial letter of the word is capitalized:

(a) “Actuarial Equivalent” means a benefit of equivalent value determined in accordance with acceptable actuarial principles, utilizing the interest and mortality rates specified for actuarial equivalence in the Pension Plan.

(b) “Administrator” means the Employee Benefits Policy Committee of the Company.

(c) “Affiliate” means each entity that is required to be included in the Company’s controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); provided that for purposes of determining when a Participant has incurred a Separation from Service, the phrase “at least 48 percent” shall be used in place of “at least 80 percent” each place it appears in the regulations thereunder.

(d) “Annual Incentive Plan” means the annual incentive portion only of the Johnson Controls, Inc. Annual and Long-Term Incentive Performance Plan as from time to time amended and in effect and any successor to such plan maintained by the Company.
(e) “Annuity Starting Date” means, with respect to a Participant’s vested Pension Plan Supplement Benefit, the later to occur of: (i) the first day of the month coincident with or following the Participant’s attainment of age fifty-five (55) (even if the Participant does not survive to such date) or (ii) the first day of the month coincident with or following the Participant’s Separation from Service.

(f) “Board” means the Board of Directors of the Company.

(g) “Code” means the Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(h) “Committee” means the Compensation Committee of the Board.

(i) “Company” means Johnson Controls, Inc., a Wisconsin corporation, and its successors as provided in Article 13.

(j) “ERISA” means the Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.

(k) “Exchange Act” means the Securities Exchange Act of 1934, as interpreted by regulations and rules issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Exchange Act shall be deemed to include reference to any successor provision thereto.

(l) “Fair Market Value” means with respect to a Share, except as otherwise provided herein, the closing sales price of a Share on the New York Stock Exchange as of 4:00 p.m. EST on the date in question (or the immediately preceding trading day if the date in question is not a trading day), and with respect to any other property, such value as is determined by the Administrator.

(m) “Investment Options” means the Share Unit Account and any other options made available by the Administrator, which shall be used for the purpose of measuring hypothetical investment experience attributable to a Participant’s Savings Supplement Account.

(n) “Participant” means an employee of the Company or an Affiliate who is described in an applicable Appendix hereto; provided that the Committee shall limit the foregoing group of eligible employees to a select group of management and highly compensated employees, as determined by the Committee in accordance with ERISA. Where the context so requires, a Participant also means a former employee entitled to receive a benefit hereunder.

(o) “Pension Plan” means the Johnson Controls Pension Plan, a defined benefit pension plan, and any successor to such plan maintained by the Company.
(p) “Pension Plan Benefits” means the aggregate monthly benefits payable under the Pension Plan.

(q) “Pension Plan Supplement Benefits” means the aggregate monthly benefits payable under an applicable Appendix hereto as a supplement to a Participant’s Pension Plan Benefits.

(r) “Savings Plan” means the Johnson Controls Savings and Investment (401(k)) Plan, a defined contribution plan, and any successor to such plan maintained by the Company.

(s) “Savings Supplement Account” means the record keeping account or accounts maintained to record the interest of each Participant under Article 5 of the Plan and the applicable Appendices. A Savings Supplement Account is established for record keeping purposes only and not to reflect the physical segregation of assets on the Participant’s behalf, and may consist of such subaccounts or balances as the Administrator may determine to be necessary or appropriate.

(t) “Separation from Service” means a Participant’s cessation of service for the Company and all Affiliates within the meaning of Code Section 409A, including the following rules:

(1) If a Participant takes a leave of absence from the Company or an Affiliate for purposes of military leave, sick leave or other bona fide leave of absence, the Participant’s employment will be deemed to continue for the first six (6) months of the leave of absence, or if longer, for so long as the Participant’s right to reemployment is provided by either by statute or by contract; provided that if the leave of absence is due to the Participant’s medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of six (6) months or more, and such impairment causes the Participant to be unable to perform the duties of his position with the Company or an Affiliate or a substantially similar position of employment, then the leave period may be extended for up to a total of 29 months. If the period of the leave exceeds the time periods set forth above and the Participant’s right to reemployment is not provided by either statute or contract, the Participant will be considered to have incurred a Separation from Service on the first day following the end of the time periods set forth above.

(2) A Participant will be presumed to have incurred a Separation from Service when the level of bona fide services performed by the Participant for the Company and its Affiliates permanently decreases to a level that equal to 20% or less of the average level of services performed by the Participant for the Company and its Affiliates during the immediately preceding 36 month period (or such lesser period of service).
(3) The Participant will be presumed not to have incurred a Separation from Service while the Participant continues to provide bona fide services to the Company or an Affiliate in any capacity (whether as an employee or independent contractor) at a level that at least fifty percent (50%) of the average level of services performed by the Participant for the Company and its Affiliates during the immediately preceding 36 month period (or such lesser period of service).

(u) “Share” means a share of common stock of the Company.

(v) “Share Unit Account” means the account described in Section 5.4, which is deemed invested in Shares.

(w) “Share Units” means the hypothetical Shares that are credited to the Share Unit Accounts in accordance with Section 5.3.

(x) “Spouse” means the person to whom a Participant is lawfully married pursuant to Federal law; provided that for purposes of payment of the death benefit under Section 4.3, “Spouse” means the person to whom a deceased Participant was lawfully married pursuant to Federal law throughout the 1-year period preceding the date of his or her death.

(y) “Valuation Date” means each day when the United States financial markets are open for business, as of which the Administrator will determine the value of each Account and will make allocations to Accounts.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE 3.
ADMINISTRATION

Section 3.1. General. The Committee shall have overall discretionary authority with respect to administration of the Plan, provided that the Administrator shall have discretionary authority and responsibility for the general operation and daily administration of the Plan and to decide claims and appeals as specified herein. If at any time the Committee shall not be in existence, then the administrative functions of the Committee shall be assumed by the Board (with the assistance of the Administrator), and any references herein to the Committee shall be deemed to include references to the Board.
Section 3.2. Authority and Responsibility. In addition to the authority specifically provided herein, the Committee and the Administrator shall have the discretionary authority to take any action or make any determination deemed necessary for the proper administration of the Plan with regard to the respective duties of each, including but not limited to the power and authority to: (a) prescribe rules and regulations for the administration of the Plan; (b) prescribe forms for use with respect to the Plan; (c) interpret and apply all of the Plan’s provisions, reconcile inconsistencies or supply omissions in the Plan’s terms; (d) make appropriate determinations, including factual determinations, and calculations; and (e) prepare all reports required by law. Any action taken by the Committee shall be controlling over any contrary action of the Administrator. The Committee and the Administrator may delegate their ministerial duties to third parties and to the extent of such delegation, references to the Committee or Administrator hereunder shall mean such delegates, if any.

Section 3.3. Decisions Binding. The Committee’s and the Administrator’s determinations shall be final and binding on all parties with an interest hereunder, unless determined to be arbitrary and capricious.

Section 3.4. Procedures for Administration. The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by the members of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. Service on the Committee shall constitute service as a director of the Company so that the Committee members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee services to the same extent that they are entitled under the Company’s By-laws and Wisconsin law for their services as directors of the Company. The Administrator’s determinations shall be made in accordance with procedures it establishes.

Section 3.5. Restrictions to Comply with Applicable Law. All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. The Committee and the Administrator shall administer the Plan so that transactions under the Plan will be exempt from or comply with Section 16 of the Exchange Act, and shall have the right to restrict or rescind any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable for such exemption or compliance to be met.

ARTICLE 4.
PENSION PLAN SUPPLEMENT

Section 4.1. Eligibility for and Amount of Benefits. Participants shall be eligible for Pension Plan Supplement Benefits in accordance with the terms of the applicable Appendix.

Section 4.2. Payment of Pension Plan Supplement Benefits. The following provisions apply to all Participants except those specified on the Addendum.

(a) Timing of Payment. Payment of the vested Pension Plan Supplement Benefit shall begin on the Participant’s Annuity Starting Date, or if later, the first day of the
seventh month following the month in which the Participant’s Separation from Service occurs (the “Delayed Payment Date”). If monthly payments are to begin on a Delayed Payment Date, then all monthly payments that were due from the Annuity Starting Date to the Delayed Payment Date shall be accumulated and paid in a lump sum on the Delayed Payment Date, and the Participant shall receive an additional payment of interest (equal to the interest rate assumption used for non-lump sum Actuarial Equivalence) calculated on a simple (i.e. non-compounded) basis from the Annuity Starting Date to the Delayed Payment Date.

(b) Normal Form of Payment. Subject to the Participant’s election of an alternative form of benefit under subsection (c),

1. For a Participant who has no Spouse on the Annuity Starting Date, payment shall be made in the form of a single life annuity, which provides monthly payments for the life of the Participant, beginning on the Annuity Starting Date and ending with the payment due for the month in which the Participant’s death occurs, in the amount calculated under the applicable Appendix.

2. For a Participant who has a Spouse on the Annuity Starting Date, payment shall be made in the form of a joint and fifty percent (50%) survivor annuity, which provides monthly payments for the life of the Participant in reduced amounts which are the Actuarial Equivalent of the payments calculated under the applicable Appendix, and in the event the Participant predeceases his Spouse, monthly payments equal to fifty percent (50%) of such reduced amounts shall be continued to such Spouse for the Spouse’s life. Payments of such benefits shall end with the payment due for the month in which the later of the death of the Participant or his Spouse (as applicable) occurs.

(c) Optional Forms of Benefit. In lieu of the normal form of payment described in subsection (b), a Participant may elect at any time prior to his Annuity Starting Date to receive his benefit in one of the following optional forms of payment. Payments made under each optional form of payment shall be the Actuarial Equivalent of the benefit payment amount determined under the applicable Appendix. The Participant’s election of an optional form of distribution shall be made in the form and manner and within such timeframes as the Administrator may prescribe and shall be irrevocable once benefit payments commence.

1. Joint and Survivor Annuity: The joint and survivor annuity form provides monthly payments to the Participant while living and, in the event the Participant predeceases his or her joint annuitant, monthly payments equal to 100%, 75% or 50% (as elected by the Participant) of the Participant’s monthly payments shall be continued to such joint annuitant for his or her life. Such payments shall end with the payment due on the first day of the month in which the later of the death of the Participant or the joint annuitant (as applicable) occurs.
(d) **Life Annuity – 10 Years Certain**: The Life Annuity – 10 Years Certain form provides monthly payments to the Participant while living and, in the event the Participant dies before receiving 120 monthly payments, such payments will continue to the Participant’s designated beneficiary. Such payments shall end with the payment due on the first day of the month in which the death of the Participant occurs or with the 120th payment, as applicable.

Section 4.3. **Death Benefit**. The Spouse, if any, of a deceased Participant shall be entitled to a pre-retirement surviving spouse’s benefit if the Participant’s death occurs before his or her Annuity Starting Date and after the Participant has become vested in his or her Pension Plan Supplement Benefit. The amount of the pre-retirement surviving spouse benefit payable to the Participant’s Spouse shall be equal to the amount that would have been payable to the Spouse had the Participant (i) ceased employment; (ii) commenced a Pension Plan Supplement Benefit at the Annuity Starting Date having elected a joint and 50% survivor annuity form of benefit payment with his or her Spouse as contingent annuitant; and (iii) died the next day. Payments shall be made in the form of a single life annuity for the life of the Spouse and shall commence on the Annuity Starting Date, and end with the payment due for the month in which the Spouse’s death occurs. If a deceased Participant’s Spouse dies before the Annuity Starting Date, no benefit shall be payable under this Article 4.

Section 4.4. **Small Benefit Cashout**. Notwithstanding the foregoing, if the single sum Actuarial Equivalent value of a Participant’s Pension Plan Supplement Benefit as determined on the date of the Participant’s Separation from Service or death is less than the applicable dollar limit under Code Section 402(g)(1)(B) as in effect for such year, then the Actuarial Equivalent single sum value of the Pension Plan Supplement Benefit shall be paid to the Participant or Spouse in a lump sum within 90 days of the date of the Participant’s Separation from Service or death.

**ARTICLE 5.** **SAVINGS PLAN SUPPLEMENT**

Section 5.1. **Eligibility for and Amount of Benefits**. Participants shall be eligible for a Savings Plan Supplement Account in accordance with the terms of the applicable Appendix.

Section 5.2. **Investment Election**. Amounts credited to a Participant’s Savings Supplement Account shall reflect the investment experience of the Investment Options selected by the Participant. The Participant may make an initial investment election at the time of enrollment in the Plan. A Participant may also elect to reallocate his or her Savings Supplement Account, and may elect to allocate any future deferrals, among the various Investment Options from time to time. Such investment elections shall remain in effect until changed by the Participant. All investment elections shall become effective as soon as practicable after receipt of such election, and must be made in the form and manner and within such time periods as the Administrator may prescribe in order to be effective. In the absence of an effective election, the
Participant’s Savings Supplement Account shall be deemed invested in the default fund specified for the Savings Plan (or any successor plan thereto). Deferrals will be deemed invested in an Investment Option as of the date on which the deferrals are allocated under the Plan as described in the Appendices.

On each Valuation Date, the Administrator or its delegate shall credit the deemed investment experience with respect to the selected Investment Options to each Participant’s Savings Supplement Account.

Notwithstanding anything herein to the contrary, the Company retains the right to allocate actual amounts hereunder without regard to a Participant’s request.

Section 5.3. Valuation of Share Unit Account. When any amounts are to be allocated to a Share Unit Account (whether in the form of deferrals or amounts that are deemed transferred from another Investment Option), such amount shall be converted to whole and fractional Share Units, by dividing the amount to be allocated by the Fair Market Value of a Share on the effective date of such allocation. If any dividends or other distributions are paid on Shares while a Participant has Share Units credited to his Account, such Participant shall be credited with a dividend award equal to the amount of the cash dividend paid or Fair Market Value of other property distributed on one Share, multiplied by the number of Share Units credited to his Share Unit Account on the date the dividend is declared. The dividend award shall be converted into additional Share Units as provided above using the Fair Market Value of a Share on the date the dividend is paid or distributed. Any other provision of this Plan to the contrary notwithstanding, if a dividend is declared on Shares in the form of a right or rights to purchase shares of capital stock of the Company or any entity acquiring the Company, no additional Share Units shall be credited to the Participant’s Share Unit Account with respect to such dividend, but each Share Unit credited to a Participant’s Share Unit Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant’s Share Unit Account at a time when such rights are attached to Shares, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one Share plus the then Fair Market Value of such right or rights then attached to one Share.

In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure of the Company affecting Shares, the Committee may make appropriate equitable adjustments with respect to the Share Units credited to the Share Unit Account of each Participant, including without limitation, adjusting the date as of which such units are valued and/or distributed, as the Committee determines is necessary or desirable to prevent the dilution or enlargement of the benefits intended to be provided under the Plan.

Section 5.4. Securities Law Restrictions. Notwithstanding anything to the contrary herein, all elections under this Article by a Participant who is subject to Section 16 of the Exchange Act are subject to review by the Administrator prior to implementation. In accordance with Section 3.5, the Administrator may restrict additional transactions, rescind transactions, or impose other rules and procedures, to the extent deemed desirable by the Administrator in order to comply with the Exchange Act, including, without limitation,
application of the review and approval provisions of this Section 5.4 to Participants who are not subject to Section 16 of the Exchange Act.

Section 5.5. Accounts are For Record Keeping Purposes Only. The Savings Supplement Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under Article 5 of the Plan, and shall not constitute or imply an obligation on the part of the Company or any Affiliate to fund such benefits.

Section 5.6. Payment of Benefits.

(a) Distribution Election. Subject to the terms of the applicable Appendix, a Participant shall make a distribution election with respect to his Savings Supplement Account in such form and manner as the Administrator may prescribe. The election shall specify whether distributions shall be made in a single lump sum or in annual installments of from two (2) to ten (10) years. Such election shall be irrevocable. If no valid election is in effect, distributions shall be made in ten (10) annual installments.

(b) Time of Distribution. Upon a Participant’s Separation from Service for any reason, the Participant, or his beneficiary in the event of his death, shall be entitled to payment of the vested amount accumulated in such Participant’s Savings Supplement Account.

(c) Manner of Distribution. The Participant’s Savings Supplement Account shall be paid in cash in the following manner:

(1) **Lump Sum.** If payment is to be made in a lump sum,
   
   (A) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, payment shall be made in the first calendar quarter of the following year, and
   
   (B) for those Participants whose Separation from Service occurs from July 1 through December 31 of a year, payment shall be made in the third calendar quarter of the following year.

   The lump sum payment shall equal the vested balance of the Participant’s Savings Supplement Account as of the Valuation Date immediately preceding the distribution date.

(2) **Installments.** If payment is to be made in annual installments, the first annual payment shall be made:

   (A) for those Participants whose Separation from Service occurs from January 1 through June 30 of a year, in the first calendar quarter of the following year, and
The amount of the first annual payment shall equal the value of 1/10\textsuperscript{th} (or 1/9\textsuperscript{th}, 1/8\textsuperscript{th}, 1/7\textsuperscript{th}, etc. depending on the number of installments elected) of the vested balance of the Participant’s Savings Supplement Account as of the Valuation Date immediately preceding the distribution date. All subsequent annual payments shall be made in the first calendar quarter of each subsequent calendar year, and shall be equal the value of 1/9\textsuperscript{th} (or 1/8\textsuperscript{th}, 1/7\textsuperscript{th}, 1/6\textsuperscript{th}, etc. depending on the number of installments elected) of the vested balance of the Participant’s Savings Supplement Account as of the Valuation Date immediately preceding the distribution date. The final annual installment payment shall equal the then remaining vested balance of such Savings Supplement Account as of the Valuation Date preceding such final payment date.

Notwithstanding the foregoing, if the vested balance of a Participant’s Savings Supplement Account as of the Valuation Date immediately preceding a distribution date is $50,000 or less, then the entire vested balance of the Participant’s Savings Supplement Account shall be paid in a single lump sum on such distribution date.

Section 5.7. Death Benefit. In the event of the Participant’s death prior to receiving all payments due under this Article 5, the vested balance of the Participant’s Savings Supplement Account shall be paid to the Participant’s beneficiary in a cash lump sum in the first calendar quarter of the year following the year of the Participant’s death.

ARTICLE 6. ADDITIONAL PAYMENT PROVISIONS

Section 6.1. Acceleration of Payment. Notwithstanding the foregoing,

(a) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within ninety (90) days after the date the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant’s income as a result of such failure.

(b) With respect to the Savings Plan Supplement benefit only, if an amount under the Plan is required to be immediately distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Administrator harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.

Section 6.2. Delay in Payment. Notwithstanding the foregoing,

(a) If a distribution required under the terms of this Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the
Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.

(b) If a distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7.  
NON-ALIENATION OF PAYMENTS

Section 7.1. Non-Alienation. Except as specifically provided herein, benefits payable under the Plan shall not be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit payment, whether currently or thereafter payable, shall not be recognized by the Administrator or the Company. Any benefit payment due hereunder shall not in any manner be liable for or subject to the debts or liabilities of any Participant or other person entitled thereto. If any such person shall attempt to alienate, sell, transfer, assign, pledge or encumber any benefit payments to be made to that person under the Plan or any part thereof, or by reason of such person’s bankruptcy or other event happening at any time, such payments would devolve upon anyone else or would not be enjoyed by such person, then the Administrator, in its discretion, may terminate such person’s interest in any such benefit payment, and hold or apply it to or for the benefit of that person, the spouse, children or other dependents thereof, or any of them, in such manner as the Administrator deems proper.

Section 7.2. Designation of Beneficiary. Each Participant may designate a beneficiary in such form and manner and within such time periods as the Administrator may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Administrator (or its delegate) while the Participant was alive shall be given effect. If a Participant designates a beneficiary without providing in the designation that the beneficiary must be living at the time of each distribution, the designation shall vest in the beneficiary all of the distribution whether payable before or after the beneficiary’s death, and any distributions remaining upon the beneficiary’s death shall be made to the beneficiary’s estate. In the event there is no valid beneficiary designation in effect at the time of the Participant’s death, in the event the Participant’s designated beneficiary does not survive the Participant, or in the event that the beneficiary designation provides that the Beneficiary must be living at the time of each distribution and such designated beneficiary does not survive to a distribution date, the Participant’s estate will be deemed the beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date of the Participant’s divorce or legal separation from such spouse, provided the Administrator has notice of such divorce or legal separation prior to payment.
ARTICLE 8.
LIMITATION OF RIGHTS

Section 8.1. No Right to Employment. Participation in this Plan, or any modifications thereof, or the payments of any benefits hereunder, shall not be construed as giving to any person any right to be retained in the service of the Company or any Affiliate, limiting in any way the right of the Company or any Affiliate to terminate such person’s employment at any time, evidencing any agreement or understanding that the Company or any Affiliate will employ such person in any particular position or at any particular rate of compensation or guaranteeing such person any right to receive any other form or amount of remuneration from the Company or any Affiliate.

Section 8.2. No Right to Benefits.

(a) Unsecured Claim. The right of a Participant, his Spouse or his beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant, his Spouse nor any beneficiary shall have any rights in or against any amount credited to his Savings Supplement Account, any accrued benefit under Article 4 or any other specific assets of the Company or an Affiliate. The right of a Participant or beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except as permitted under Section 7.2. The rights of a Participant hereunder are exercisable during the Participant’s lifetime only by him or his guardian or legal representative.

(b) Contractual Obligation. The Company or an Affiliate may authorize the creation of a trust or other arrangements to assist it in meeting the obligations created under the Plan, subject to the restrictions on such funding such trust or arrangement imposed by Code Section 409A(b)(2) or (3). However, any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of the Company or an Affiliate shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company or any Affiliate. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or an Affiliate and any Participant or beneficiary, or any other person.

ARTICLE 9.
AMENDMENT OR TERMINATION

Section 9.1. Amendment. The Committee may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) accruals or deferrals to be made on or after the amendment date to the extent not prohibited by Code Section 409A; provided, however, that no amendment may reduce or eliminate any vested accrued benefit under Article 4 or the Savings Supplement Account balance accrued under Article 5 to the date of such amendment (except as benefit may be reduced as a result of the amount payable under the Pension Plan or except as such Savings Supplement Account balance may be reduced as a result of investment losses allocable to such account) without a Participant’s consent except as otherwise specifically provided herein; and provided further that any amendment that expands the class of employees eligible for participation under
the Plan or that materially increases the amount of benefits payable hereunder must be approved by the Board. In addition, the Administrator may at any time amend the Plan to make administrative or ministerial changes or changes necessary to comply with applicable law.

Section 9.2. Termination. The Committee may terminate the Plan in accordance with the following provisions. Upon termination of the Plan, any deferral elections then in effect shall be cancelled to the extent permitted by Code Section 409A and any accruals under Article 4 shall cease as if the termination date of the Plan were the Annuity Starting Date. Upon termination of the Plan, the Committee may authorize the payment of all amounts accrued under the Plan in a single sum payment (with the single sum value of the Pension Plan Supplement Benefits to be equal to the Actuarial Equivalent of such accrual as determined on the date of Plan termination) without regard to any distribution election then in effect, only in the following circumstances:

1. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the single sum payment must be distributed by the latest of: (A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

2. The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. In such event, the single sum payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of the Plan’s termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan’s termination.

Section 9.3. Entitlement to Benefits. It is understood that an individual’s entitlement to Pension Plan Supplement Benefits may be automatically reduced as the result of an increase in his Pension Plan Benefits. Nothing herein shall be construed in any way to limit the right of the Company to amend or modify the Pension Plan or Savings Plan.
ARTICLE 10.
SPECIAL RULES APPLICABLE IN THE EVENT OF A
CHANGE OF CONTROL OF THE COMPANY

Section 10.1. Acceleration of Payments. Notwithstanding any other provision of this Plan, within thirty (30) days after a Change of Control, each Participant (or any Spouse or beneficiary thereof entitled to receive payments hereunder), including Participants (or Spouses or beneficiaries) receiving installment or annuity payments under the Plan, shall be entitled to receive a lump sum payment in cash of all amounts accumulated in such Participant’s Savings Supplement Account and the single sum Actuarial Equivalent value of the Participant’s accrued Pension Plan Supplement Benefits. Such payment shall be made within ninety (90) days following the Change of Control.

In determining the amount accumulated in a Participant’s Share Unit Account, each Share Unit shall have a value equal to the higher of (a) the highest reported sales price, regular way, of a share of the Company’s common stock on the Composite Tape for New York Stock Exchange Listed Stocks (the “Composite Tape”) during the sixty-day period prior to the date of the Change of Control of the Company and (b) if the Change of Control of the Company is the result of a transaction or series of transactions described in Section 9.2(a), the highest price per Share of the Company paid in such transaction or series of transactions.

Section 10.2. Definition of a Change of Control. A Change of Control means any of the following events, provided that each such event would constitute a change of control within the meaning of Code Section 409A:

(a) The acquisition, other than from the Company, by any individual, entity or group of beneficial ownership (within the meaning of Rule l3d-3 promulgated under the Exchange Act), including in connection with a merger, consolidation or reorganization, of more than either:

(1) Fifty percent (50%) of the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or

(2) Thirty-five (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”), provided, however, that any acquisition by (x) the Company or any of its Affiliates, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Affiliates or (y) any corporation with respect to which, following such acquisition, more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to

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such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or

(b) Individuals who, as of January 1, 2005, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board during any 12-month period, provided that any individual becoming a director subsequent to January 1, 2005, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board; or

(c) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition. For purposes hereof, “a sale or other disposition of all or substantially all of the assets of the Company” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to the acquisition. For this purpose, “gross fair market value” means the value of the assets without regard to any liabilities associated with such assets.

For purposes of this Section 10.2, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

Section 10.3. Maximum Payment Limitations

(a) Limit on Payments. Except as provided in subsection (b) below, if any portion of the payments or benefits described in this Plan or under any other agreement with or plan of the Company or an Affiliate (in the aggregate, “Total Payments”), would constitute an “excess parachute payment”, then the Total Payments to be made to the Participant shall be reduced such that the value of the aggregate Total Payments that the Participant is entitled to receive shall be one dollar ($1) less than the maximum amount which the Participant may receive without becoming subject to the tax imposed by Section 4999 of the Code or which the Company may pay without loss of deduction under Section 280G(a) of the Code. The terms
“excess parachute payment” and “parachute payment” shall have the meanings assigned to them in Section 280G of the Code, and such “parachute payments” shall be valued as provided therein. Present value shall be calculated in accordance with Section 280G(d)(4) of the Code. Within forty (40) days following delivery of notice by the Company to the Participant of its belief that there is a payment or benefit due the Participant which will result in an excess parachute payment, the Participant and the Company, at the Company’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by the Company’s independent auditors and acceptable to the Participant in his sole discretion (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments and (C) the amount and present value of any excess parachute payments determined without regard to the limitations of this Section. As used in this Section, the term “Base Period Income” means an amount equal to the Participant’s “annualized includible compensation for the base period” as defined in Section 280G(d)(1) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company’s independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Participant. Such opinion shall be addressed to the Company and the Participant and shall be binding upon the Company and the Participant. If such opinion determines that there would be an excess parachute payment, the payments hereunder that are includible in Total Payments or any other payment or benefit determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by the Participant in writing delivered to the Company within thirty days of his receipt of such opinion or, if the Participant fails to so notify the Company, then as the Company shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section, the Participant and the Company shall obtain, at the Company’s expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Participant. If the provisions of Sections 280G and 4999 of the Code are repealed without succession, then this Section shall be of no further force or effect.

(b) Employment Contract Governs. The provisions of subsection (a) above shall not apply to a Participant whose employment is governed by an employment contract that provides for Total Payments in excess of the limitation described in subsection (a) above.

ARTICLE 11.
ERISA PROVISIONS

Section 11.1. Claims Procedures.

(a) Initial Claim. If a Participant, Spouse or beneficiary (the “claimant”) believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his legal representative shall file a written claim for such benefit with the Administrator within ninety (90) days of the date the payment that is in dispute should have been made. The Administrator shall review the claim and render a decision within ninety (90) days following the receipt of the claim; provided that the Administrator may determine that an additional ninety (90)
day extension is necessary due to circumstances beyond the Administrator’s control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefore, and the date by which the Administrator expects to render a decision. If the claimant’s claim is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan’s review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse determination upon review.

(b) Request for Appeal. The claimant has the right to appeal the Administrator’s decision by filing a written appeal to the Administrator within sixty (60) days after the claimant’s receipt of the Administrator’s decision, although to avoid penalties under Code Section 409A, the claimant’s appeal must be filed within one hundred eighty (180) days of the date payment could have been timely made in accordance with the terms of the Plan and pursuant to Regulations promulgated under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant’s appeal. The claimant may submit written comments, documents, records and other information relating to his claim with the appeal. The Administrator will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Administrator shall make a determination on the appeal within sixty (60) days after receiving the claimant’s written appeal; provided that the Administrator may determine that an additional sixty (60)-day extension is necessary due to circumstances beyond the Administrator’s control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Administrator expects to render a decision. If the claimant’s appeal is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant’s claim; and a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA. If the claimant does not receive a written decision within the time period(s) described above, the appeal shall be deemed denied on the last day of such period(s).

Section 11.2. ERISA Fiduciary. For purposes of ERISA, the Committee shall be considered the named fiduciary under the Plan and the plan administrator, except with respect to claims and appeals, for which the Administrator shall be considered the named fiduciary.

ARTICLE 12.
TAX WITHHOLDING

The Company shall have the right to deduct from any deferral or payment made hereunder, or from any other amount due a Participant, the amount of cash sufficient to satisfy
the Company’s or Affiliate’s foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Company may distribute from the Participant’s benefit under Article 4 or Savings Supplement Account balance under Article 5 the amount needed to pay the Participant’s portion of such tax, plus an amount equal to the withholding taxes due under federal, state or local law resulting from the payment of such FICA tax, and an additional amount to pay the additional income tax at source on wages attributable to the pyramiding of the section 3401 wages and taxes, but no greater than the aggregate of the FICA amount and the income tax withholding related to such FICA amount.

**ARTICLE 13. OFFSET**

The Company shall have the right to offset from the benefits payable hereunder any amount that the Participant owes to the Company or any Affiliate without the consent of the Participant (or his Spouse or beneficiary, in the event of the Participant’s death).

**ARTICLE 14. SUCCESSORS**

All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

**ARTICLE 15. DISPUTE RESOLUTION**

Section 15.1. Governing Law. This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin, without regard to conflict of law principles thereof, to the extent such laws are not preempted by federal law.

Section 15.2. Limitation on Actions. Any action or other legal proceeding under ERISA with respect to the Plan may be brought only after the claims and appeals procedures of Article 10 are exhausted and only within the period ending on the earlier of (i) one year after the date the claimant receives notice of a denial or deemed denial upon appeal under Section 10.1(b), or (ii) the expiration of the applicable statute of limitations period under applicable federal law. Any action or other legal proceeding not adjudicated under ERISA must be arbitrated in accordance with the provisions of Section 14.3.
Section 15.3. Arbitration.

(a) Application. Notwithstanding any employee agreement in effect between a Participant and the Company or any Affiliate, if a Participant, Spouse or beneficiary brings a claim that relates to benefits under this Plan that is not covered under ERISA, and regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) Initiation of Action. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel
Johnson Controls, Inc.
5757 North Green Bay Avenue
P.O. Box 591
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(c) Compliance with Personnel Policies. Before proceeding to arbitration on a complaint, the Participant, Spouse or beneficiary must initiate and participate in any complaint resolution procedure identified in the Company’s or Affiliate’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company or Affiliate complaint resolution procedure has been completed.

(d) Rules of Arbitration. All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.
(e) **Representation and Costs.** Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his/her attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.

(f) **Discovery; Location; Rules of Evidence.** Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(g) **Confidentiality.** The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
APPENDIX A  
OFFICERS

1. **Eligibility.** This Appendix A covers officer employees of the Company who are participants in the Pension Plan and/or the Savings Plan, and whose benefits under the Pension Plan and/or Savings Plan are limited as described in Section 1.1. Notwithstanding the foregoing, an officer who was employed by York International Corporation or a subsidiary thereof on December 9, 2005, shall not be eligible to accrue a Pension Plan Supplement benefit.

2. **Participation Date.** An officer employee shall become a Participant on the date he or she is elected as an officer of the Company by the Company’s Board of Directors.

3. **Pension Plan Supplement.**
   
   (a) **Eligibility.** Any Participant who retires under the Pension Plan on or after January 1, 1980, or such Participant’s Spouse who is entitled to a benefit under the Pension Plan, shall be entitled to a benefit payable hereunder in accordance with this Section 3. Notwithstanding the foregoing, if a Participant is not eligible to receive a benefit under the Pension Plan, then such Participant shall not be eligible to receive a Pension Plan Supplement under this Appendix A.

   (b) **Amount of Pension Plan Supplement.** The amount of monthly benefits to which an eligible individual is entitled shall equal the excess, if any, of:

   (1) The amount of such Participant’s, surviving Spouse’s or other beneficiaries’ Pension Plan Benefits computed under the provisions of the Pension Plan as of the Annuity Starting Date, without regard to the limitations imposed by reason of Section 415 of the Code or the limit on considered compensation under Section 401(a)(17) of the Code, and on the assumption that all amounts of cash compensation which the Participant elected to defer under the Annual Incentive Plan and/or under Article 5 of this Plan were paid as “Compensation” as defined in the Pension Plan (to the extent not already included in such “Compensation” under the applicable Pension Plan definition); over

   (2) The amount of Pension Plan Benefits payable to such Participant, surviving Spouse or other beneficiary for each month under the Pension Plan, as computed under the provisions of the Pension Plan as if the Annuity Starting Date under this Plan were the annuity starting date under the Pension Plan.

   (c) **Vesting.** The Pension Plan Supplement Benefits provided in this Appendix shall vest in accordance with the vesting provisions of the Pension Plan. If a Participant who was covered by Appendix C becomes an officer who is covered by this Appendix A, the vesting provisions of this Appendix A shall apply to the Participant’s entire Pension Plan Supplement Benefits.
4. **Savings Plan Supplement**

   (a) **Before-Tax Contributions Allocation**. For each calendar year, each Participant may elect that, in the event the Participant’s ability to make Before-Tax Matched Contributions under the Savings Plan is limited by reason of Sections 401(k), 402(g) or 415 of the Code and/or the limit on considered compensation under Section 401(a)(17) of the Code, then the difference between the amount of Before-Tax Matched Contributions that the Participant could have made under the Savings Plan for any calendar year (assuming the Participant elected the maximum amount of Before-Tax Matched Contributions for the calendar year and did not change his election during the calendar year) and the amount that would have been contributed as Before-Tax Matched Contributions but for such limits shall be credited, as of December 31 of such year, to the Participant’s Savings Supplement Account. A Participant’s election shall be made prior to the first day of the calendar year to which it relates, and shall be irrevocable as of the first day of such year.

   Notwithstanding the foregoing, in the first calendar year in which an individual becomes a Participant, the Participant shall be automatically deemed to have elected to defer six percent (6%) of his or her compensation that is paid after the date he or she becomes a Participant and that exceeds the Code Section 401(a)(17) limit for such year; provided that the foregoing shall not apply to any individual who first becomes a Participant on or after November 1.

   A Participant’s election (or deemed election in the initial year of participation) shall be effective only for the calendar year to which the election relates, and shall not carry over from year to year. An election (or deemed election) under this subsection (a) shall constitute an election by the Participant to reduce the Participant’s salary by the amount determined under this subsection. The Participant’s election shall be made in the form and manner and within such timeframes as the Administrator may prescribe.

   (b) **Matching Contributions Allocation**. A Participant’s Savings Supplement Account shall also be credited as of each December 31 with an amount equal to the difference between the amount of Matching Contributions actually credited to the Participant’s Savings Plan account for the year and the amount of Matching Contributions that would have been so credited if the amount determined under subsection (a) had actually been contributed to the Savings Plan (determined without regard to the limitations imposed by Sections 401 (m) and 415 of the Code), but only with respect to the period the Participant is covered by this Plan; provided the Participant has met the eligibility requirements to receive a Matching Contribution under the Savings Plan for such year. The Matching Contributions credited hereunder shall be subject to the same vesting requirements as are imposed on matching contributions under the Savings Plan, except that service with York International Corporation prior to January 1, 2006 will not count as vesting service for purposes of this Plan.

   (c) **Retirement Income Allocation**. A Participant’s Savings Supplement Account also shall be credited as of each December 31 with an amount equal to the
difference between the amount of Retirement Income Contributions actually credited to the Participant’s Savings Plan account for the year and the amount of Retirement Income Contributions that would have been so credited if the limit on considered compensation under Section 401(a)(17) of the Code did not apply; provided the Participant has met the eligibility requirements to receive a Retirement Income Contribution under the Savings Plan for such year. The Retirement Income Contributions credited hereunder shall be subject to the same vesting requirements as are imposed on Retirement Income Contributions under the Savings Plan, except that service with York International Corporation prior to January 1, 2006 will not count as vesting service for purposes of this Plan. If a Participant who was covered by Appendix B becomes an officer who is covered by this Appendix A, the vesting provisions of this Appendix A shall apply to the Participant’s entire Savings Supplement Account.

(d) Modification of Compensation. Notwithstanding the foregoing, when determining a Participant’s compensation for purposes of subsections (a), (b) and (c), the only bonus that may be included is the amount a Participant receives (or would receive but for a deferral election) under the Annual Incentive Plan for the calendar year.

(e) Cancellation of Deferral Elections. If the Administrator determines that a Participant’s deferral elections must be cancelled in order for the Participant to receive a hardship distribution under the Savings Plan, or any other 401(k) plan maintained by the Company or an Affiliate, the Participant’s deferral election(s) shall be cancelled. A Participant whose deferral election(s) are cancelled pursuant to this subsection (e) may make a new deferral election under subsection (a) with respect to future calendar years, unless otherwise prohibited by the Administrator.

(f) Distribution Election. A Participant’s Savings Supplement Account shall be paid in accordance with the distribution election filed under Appendix B if the Participant had previously been eligible for an allocation under Appendix B. If a Participant was not previously participating under Appendix B when he or she first becomes eligible hereunder, then the amounts deferred hereunder in the first year of participation (and earnings thereon) shall be paid in a lump sum, and all future amounts shall be paid in accordance with the Participant’s distribution election, which must be submitted by December 31 of the first year of participation, or if no election is so filed, in accordance with the Plan’s default rules.
APPENDIX B
HIGHLY COMPENSATED EMPLOYEES (RIC)

1. **Eligibility**. This Appendix B covers non-officer employees of the Company, Johnson Controls Interiors, LLC (on and after January 1, 2006) and York International Corporation who participate in the Savings Plan, and whose Retirement Income Contribution under such plan is limited by reason of the application of Code Section 401(a)(17).

2. **Participation Date**. An eligible employee shall become a Participant on the date the Participant’s compensation first exceeds the Code Section 401(a)(17) limit. For this purposes, the only bonus that may be included in compensation is the amount a Participant receives (or would receive but for a deferral election) under the Annual Incentive Plan for the calendar year.

3. **Vesting**. A Participant shall be entitled to benefits under this Appendix only if the Participant retires or otherwise terminates employment with the Company and its Affiliates on or after the Participant’s attainment of age fifty-five (55) and on or after the date on which the Participant has completed ten (10) years of service. For purposes of this Plan, a Participant shall be credited with years of service equal to the Participant’s years of Vesting Service credited under the Savings Plan, provided that years of service with York International Corporation (or any affiliate thereof) prior to January 1, 2006 shall not be counted as years of service hereunder. In the event that a Participant’s employment is terminated prior to satisfying the vesting requirements of this paragraph, no benefit shall be payable from this Appendix.

4. **Retirement Income Allocation**. A Participant’s Savings Supplement Account shall be credited as of each December 31 with an amount equal to the difference between the amount of Retirement Income Contributions actually credited to the Participant’s Savings Plan account for the year and the amount of Retirement Income Contributions that would have been so credited if the limit on considered compensation under Section 401(a)(17) of the Code did not apply and by including all amounts of cash compensation which the Participant would have received under the Annual Incentive Plan for the year but for a deferral election; provided the Participant has met the eligibility requirements to receive a Retirement Income Contribution under the Savings Plan for such year.

5. **Special Distribution Rules**. Amounts credited under this Appendix B (plus earnings thereon) in the initial year of participation and the immediately following calendar year shall be paid in a lump sum. For all amounts credited thereafter, payment shall be made in accordance with the Participant’s distribution election, which must be submitted by December 31 of the second year of participation, or if no election is so filed, in accordance with the Plan’s default rules.
APPENDIX C
HIGHLY COMPENSATED EMPLOYEES (PENSION)

1. **Eligibility.** This Appendix C covers those non-officer employees of the Company or Johnson Controls Interiors, LLC (on and after January 1, 2006), who are participants in the Pension Plan, and whose benefits under the Pension Plan are limited as described in Section 1.1. Notwithstanding the foregoing, an employee who was employed by York International Corporation or a subsidiary thereof on December 9, 2005, shall not be eligible to accrue a Pension Plan Supplement benefit.

2. **Vesting.** A Participant shall be entitled to benefits under this Appendix only if the Participant retires or otherwise terminates employment with the Company and its Affiliates on or after the Participant’s attainment of age fifty-five (55) and on or after the date on which the Participant has completed ten (10) years of service. For purposes of this Plan, a Participant shall be credited with years of service equal to the Participant’s years of Vesting Service credited under the Pension Plan, provided that years of service with York International Corporation (or any affiliate thereof) prior to January 1, 2006 shall not be counted as years of service hereunder. In the event that a Participant’s employment is terminated prior to satisfying the vesting requirements of this paragraph, no benefit shall be payable from this Appendix.

3. **Supplemental Retirement Benefit.** A Participant who retires under the Pension Plan on or after January 1, 2005 (or with respect to an employee of Johnson Controls Interiors, LLC, on or after January 1, 2006), or such Participant’s Spouse or other beneficiary, shall be entitled to a benefit payable hereunder equal to the excess, if any, of:

   (a) The amount of such Participant’s, surviving Spouse’s or other beneficiaries’ Pension Plan Benefits computed under the provisions of the Pension Plan as of the Annuity Starting Date (and assuming the Annuity Starting Date under this Plan is the annuity starting date under the Pension Plan), without regard to the limitations imposed by reason of Section 415 of the Code or the limit on considered compensation under Section 401(a)(17) of the Code, and on the assumption that all amounts of cash compensation which the Participant elected to defer under the Annual Incentive Plan and/or under Appendix A of this Plan were as “Compensation” as defined in the Pension Plan (to the extent not already included in such “Compensation” under the applicable Pension Plan definition); over

   (b) The amount of Pension Plan Benefits payable to such Participant, surviving Spouse or other beneficiary for each month under the Pension Plan, as computed under the provisions of the Pension Plan as of the Annuity Starting Date (and assuming the Annuity Starting Date under this Plan is the annuity starting date under the Pension Plan), and subject to the above mentioned limitations.

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PERT Equalization Benefit Plan

Effective January 1, 2006, employees of Johnson Controls Interiors, LLC who were previously eligible to participate in the PERT Equalization Benefit Plan, became eligible for the Johnson Controls Pension and Savings Plans. Accordingly, effective as of January 1, 2006, the PERT Equalization Plan was merged with and into this Plan, with the effect that the account balances under the PERT Equalization Plan were transferred to this Plan. Such account balances will be subject to all of the same terms and conditions of the Plan as apply to the Savings Supplemental Accounts. PERT transferred account balances vest in accordance with the provisions of Appendix C (i.e., upon attainment of age 55 and completion of ten years of service while an employee), provided that the account balance of a Participant who entered the PERT Equalization Plan on January 1, 1999, shall vest in accordance with Section 4.2 of such plan.

During 2005, the PERT Equalization Benefit Plan was operated in good faith compliance with Code Section 409A. The provisions of this Plan that apply to the Savings Supplemental Accounts effective as of January 1, 2005 are deemed to apply to the PERT Equalization Plan effective as of the same date, and the PERT Equalization Plan is amended with respect to the 2005 calendar year to incorporate such provisions.

JCI Pension Restoration Plan

Effective January 1, 2006, the Johnson Controls, Inc. Pension Restoration Plan was merged with and into this Plan, such that the benefits accrued under the Pension Restoration Plan as of December 31, 2005, will be accounted for and subject to the terms of this Plan effective January 1, 2006. Such accrued benefits will be subject to all of the same terms and conditions of the Plan as apply to the Pension Plan Supplement Benefits, but the amount of the benefits payable will be determined in accordance with Appendix C.

During 2005, the JCI Pension Restoration Plan was operated in good faith compliance with Code Section 409A. The provisions of this Plan that apply to the Pension Plan Supplement benefits effective as of January 1, 2005 are deemed to apply to the JCI Pension Restoration Plan effective as of the same date, and the JCI Pension Restoration Plan is amended with respect to the 2005 calendar year to incorporate such provisions.
ADDENDUM
SPECIAL GRANDFATHER AND TRANSITION RULES

Pursuant to the provisions of Notice 2005-1 and the additional transition rules provided in proposed and final regulations under Code Section 409A:

1. The terms of this Amended and Restated Plan shall not apply to any participant who terminated employment prior to January 1, 2005, and was entitled to a payment under Article 4 (prior to its amendment) or the JCI Pension Restoration Plan. Such participants shall continue to be entitled to receive payment of the supplemental pension benefit at the same time and in the same form as the benefit is paid under the Pension Plan.

2. Any Participant who terminated employment during 2005, 2006 and 2007 and who was entitled to a payment under Article 4 (Pension Supplement) or the JCI Pension Restoration Plan received such payment in the same form and at the same time as payments were made under the Pension Plan. Those payments, and any other payments that began to be made under the Plan prior to January 1, 2005, shall continue to be paid in the form of distribution in effect as of the date payments began.

3. The Company provided each Participant with an opportunity to file a new distribution election during calendar years 2005, 2007 and 2008, with respect to his Savings Supplement Account and his vested PERT Equalization Benefit Plan Account, as applicable. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for each of his sub-accounts. The distribution election received by the Administrator as of December 31, 2008 is irrevocable.

4. The Company provided each Participant who did not have a vested interest in his PERT Equalization Benefit Plan Account with an opportunity to file a new distribution election during calendar year 2006, provided that such election could not cause a payment otherwise due in 2006 to be deferred to a later year or cause a payment otherwise due in 2007 to be made in 2006. The new distribution election allowed the Participant to select a lump sum or up to ten (10) annual installments for each of his sub-accounts. The distribution election received by the Administrator as of December 31, 2006 is irrevocable.

5. During calendar year 2006, the Company provided Mr. C. David Myers with an opportunity to file an election as to the form of distribution for the portion of his Supplemental Plan Account attributable to retirement income supplemental contributions (and earnings thereon). The distribution election received by the Administrator as of December 31, 2006 is irrevocable with respect to such portion of the Supplemental Plan Account. The distribution election on file as of December 31, 2005, continues to apply to the remainder of his Supplemental Plan Account.

6. For 2006, Mr. Barth and Mr. Wandell, participants under Appendix A, delayed the implementation of their salary increases until July 1, 2006. For purposes of calculating the Pension Plan Supplement and Matching Contributions under Appendix A for such individuals, the increase in base salary shall be deemed effective January 1, 2006.
Compensation for non-employee members of the Board of Directors (the “Board”) of Johnson Controls, Inc. (the “Company”), effective September 14, 2007, consists of the payment for the Company’s fiscal year of:

(i) a retainer at the annual rate of $200,000 to each non-employee director in the form of $100,000 in cash and $100,000 in common stock of the Company (the “Retainer”) and

(ii) a Committee chair fee at the annual rate of $25,000 in cash to each non-employee chair and successor chair for the Audit, Corporate Governance, Nominating and Compensation Committees of the Board (the “Committee Chair Fee”).

Payment of Common Stock Portion of the Retainer. The Company will pay the common stock portion of the Retainer on the date of the annual shareholders meeting to each director then in office, subject to the following:

- If a director is newly appointed or elected to the Board after the annual shareholders meeting in the fiscal year in question, then the director will be entitled to receive common stock with an aggregate value equal to (x) the number of days in the period from the effective date of the director’s appointment or election through September 30 of the fiscal year in question divided by (y) 365, multiplied by $100,000.

- If a director retires from the Board either on October 1 or after October 1 of the fiscal year in question but prior to the annual shareholders meeting in such fiscal year, then the director will be entitled to receive common stock with an aggregate value equal to (x) the number of days that have elapsed from October 1 of the fiscal year in question to the date of the director’s retirement divided by (y) 365, multiplied by $100,000.

Payment of the Cash Portion of the Retainer and Committee Chair Fee. The Company will pay the cash portion of the Retainer and the Committee Chair Fee in the form of a quarterly payment ($25,000 per quarter for the cash portion of the Retainer and $6,250 per quarter for the Committee Chair Fee) in advance on the first business day of each quarter to each director then in office, except that the Company will make the first payment on November 15, 2006. If a director is either elected or appointed to the Board or is appointed as a Committee Chair (or successor to a Committee Chair) at any time during the fiscal year after the first business day of a quarter, then such director will receive upon the effective
date of such election or appointment, for the quarter in which such election or appointment is effective, a prorated amount of the cash portion of the Retainer and/or any Committee Chair Fee with such amount to be determined in the manner set forth below:

- **Cash portion of Retainer**: The director shall receive a cash amount equal to \((x)\) the number of days from the effective date of the appointment or election to the first day of the next quarter divided by \((y)\) 90, multiplied by $25,000; and

- **Committee Chair Fee**: The director shall receive a cash amount equal to \((x)\) the number of days from the effective date of the appointment or election to the first day of the next quarter divided by \((y)\) 90, multiplied by $6,250.

The Company will not pay any fees for attendance at meetings of the Board or any committee.

Additionally, the Company will grant to all new non-employee members of the Board 2400 shares of common stock of the Company upon election or appointment to the Board. In the event of an adjustment event as described in Section 13(a) of the Company’s 2007 Stock Option Plan, the number of shares to be issued to a new non-employee member shall be adjusted in the same manner as an adjustment is made to the aggregate shares reserved for issuance under such plan.

All shares of stock to be issued to directors as contemplated above will be issued pursuant to the 2003 Director Stock Plan.

Non-employee directors are permitted to defer all or any part of their Retainer and Committee Chair Fees under the Johnson Controls, Inc. Deferred Compensation Plan for Certain Directors.

The Company will also reimburse non-employee directors for any expenses related to their service on the Board.
ARTICLE 1.
PURPOSE AND DURATION

Section 1.1. Purpose. The purpose of the Johnson Controls, Inc. Long-Term Incentive Performance Plan is to motivate key employees of the Company and its Affiliates who have the prime responsibility for the operations of the Company and its Affiliates to achieve performance objectives measured on a long-term basis, which is intended to result in increased value to the shareholders of the Company.

Section 1.2. Duration. The Plan was originally effective October 1, 2005. The Plan is amended and restated effective as of January 1, 2008. The Plan will remain in effect until terminated pursuant to Article 11.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) “Administrator” means, with respect to executive officers of the Company, the Committee, and with respect to all other key employees, the Chief Executive Officer of the Company.

(b) “Affiliate” has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act, or any successor rule or regulation thereto.

(c) “Base Salary” of a Participant means the annual rate of base pay in effect for such Participant as of the last day of the Performance Period (or such other date as the Administrator may specify by action taken at the time of grant of a Long Term Performance Award).

(d) “Board” means the Board of Directors of the Company.

(e) “Beneficiary” means the person or persons entitled to receive any amounts due to a Participant in the event of the Participant’s death as provided in Article 8.

(f) “Cause” means: (1) if the Participant is subject to an employment agreement that contains a definition of “cause”, such definition, or (2) otherwise, any of the following as determined by the Administrator: (A) violation of the provisions of any employment agreement, non-competition agreement, confidentiality agreement, or similar agreement with the Company or an Affiliate, or the Company’s or an Affiliate’s code of ethics, as then in effect, (B) conduct rising to the level of gross negligence or willful misconduct in the course of employment with the Company or an Affiliate, (C) commission of an act of dishonesty.
or disloyalty involving the Company or an Affiliate, (D) violation of any federal, state or local law in connection with the Participant’s employment, or (E) breach of any fiduciary duty to the Company or an Affiliate.

(g) “Code” means the Internal Revenue Code of 1986, as amended. Any reference to a particular provision of the Code shall be deemed to include any successor provision thereto.

(h) “Company” means Johnson Controls, Inc., a Wisconsin corporation, and any successor thereto as provided in Article 14.

(i) “Committee” means the Compensation Committee of the Board, which shall consist of not less than two (2) members of the Board each of whom is a “non-employee director” as defined in Securities and Exchange Commission Rule 16b-3(b)(3), or as such term may be defined in any successor regulation under Section 16 of the Securities Exchange Act of 1934, as amended. In addition, each member of the Committee shall be an outside director within the meaning of Code Section 162(m).


(k) “Excluded Items” means any gains or losses from the sale of assets outside the ordinary course of business, any gains or losses from discontinued operations, any extraordinary gains or losses, the effects of accounting changes, any unusual, nonrecurring, transition, one-time or similar items or charges, the diluted impact of goodwill on acquisitions, and any other items specified by the Administrator; provided that, for Long Term Performance Awards intended to qualify as performance-based compensation under Code Section 162(m), the Administrator shall specify the Excluded Items in writing at the time the Long Term Performance Award is made.

(l) “Inimical Conduct” means any act or omission that is inimical to the best interests of the Company or any Affiliate, as determined by the Administrator in its sole discretion, including but not limited to: (1) violation of any employment, noncompete, confidentiality or other agreement in effect with the Company or any Affiliate, (2) taking any steps or doing anything which would damage or negatively reflect on the reputation of the Company or an Affiliate, or (3) failure to comply with applicable laws relating to trade secrets, confidential information or unfair competition.

(m) “Long Term Performance Award” means an opportunity granted to a Participant to receive a payment of cash based in whole or part on the extent to which one or more Performance Goals for one or more Performance Measures are achieved for the Performance Period, subject to the conditions described in the Plan and that the Administrator otherwise imposes.

(n) “Participant” means a key employee of the Company or an Affiliate who has been selected by the Administrator to participate in the Plan.
(o) “Performance Measures” means the following categories (in all cases after taking into account any Excluded Items, as applicable), including in each case any measure based on such category:

1. Basic earnings per common share for the Company on a consolidated basis.
2. Diluted earnings per common share for the Company on a consolidated basis.
3. Total shareholder return.
5. Cost of sales.
7. Selling, general and administrative expenses.
8. Operating income.
9. Income before interest and/or the provision for income taxes.
11. Accounts receivables.
12. Inventories.
13. Return on equity.
14. Return on assets.
15. Return on capital.
16. Economic value added, or other measure of profitability that considers the cost of capital employed.
17. Net cash provided by operating activities.
18. Net increase (decrease) in cash and cash equivalents.
20. Market share.
The Performance Measures described in items (4) through (21) may be measured (A) for the Company on a consolidated basis, (B) for any one or more Affiliates or divisions of the Company and/or (C) for any other business unit or units of the Company or an Affiliate as defined by the Administrator at the time of selection.

In addition, with respect to Long Term Performance Awards that are not intended to comply with Code Section 162(m), the Administrator may designate other categories, including categories involving individual performance and subjective targets, not listed above.

(p) “Performance Goal” means the level(s) of performance for a Performance Measure that must be attained in order for a payment to be made under a Long Term Performance Award, and/or to determine the amount of such payment based on the Performance Scale.

(q) “Performance Period” means a period of more than one fiscal year of the Company or an Affiliate as selected by the Administrator.

(r) “Performance Scale” means, with respect to a Performance Measure, a scale from which the level of achievement may be calculated for any given level of actual performance for such Performance Measure. The Performance Scale may be a linear function, a step function, a combination of the two, or any other manner of measurement as determined by the Administrator.

(s) “Plan” means the arrangement described herein, as from time to time amended and in effect.

(t) “Retirement” means termination of employment from the Company and its Affiliates (without Cause) on or after attainment of age fifty-five (55) with at least ten (10) years of vesting service or age sixty-five (65) with at least five (5) years of vesting service (such vesting service to be determined within the meaning of the Johnson Controls Pension Plan or such other plan or methodology prescribed by the Administrator).

(u) “Total and Permanent Disability” means the Participant’s inability to perform the material duties of his or her occupation as a result of a medically-determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a period of at least twelve (12) months, as determined by the Administrator. The Participant will be required to submit such medical evidence or to undergo a medical examination by a doctor selected by the Administrator as the Administrator determines is necessary in order to make a determination hereunder.

Section 2.2. Gender and Number. Except where otherwise indicated by the context, any masculine term used herein includes the feminine, the plural includes the singular, and the singular the plural.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the said illegal or invalid provision had not been included.
ARTICLE 3.
ELIGIBILITY

Section 3.1. Selection of Participants. The Administrator shall select the key employees of the Company or an Affiliate for participation in the Plan. No employee shall have any right to receive a Long Term Performance Award in any year even if a Long Term Performance Award has been previously granted in prior years. In general, it is expected that the Administrator will determine which key employees are to receive a Long-Term Performance Award prior to, or within the first ninety (90) days of, the first day of the applicable Performance Period.

Section 3.2. Termination of Approval. Until the earlier of the end of a Performance Period or a Participant’s termination of employment, the Administrator may at any time withdraw its approval for a Participant’s participation in the Plan. In the event of the Administrator’s withdrawal of approval, the employee concerned shall cease to be a Participant as of the date selected by the Administrator, the employee’s Long Term Performance Award shall be cancelled, the employee shall not be entitled to any payment under that Long Term Performance Award unless the Administrator determines otherwise. An employee shall be notified of the Administrator’s withdrawal of its approval for the employee’s participation in the Plan as soon as practicable following such action.

Section 3.3. Transfers In, Out and Between Eligible Positions.
(a) Notwithstanding Section 3.1, if a key employee is hired or promoted into a position that is eligible for a Long Term Performance Award, the Administrator may (1) select such key employee as a Participant at any time during the course of a Performance Period, (2) take action resulting in a key employee’s receipt of an additional Long Term Performance Award, where, with respect to a particular Performance Period already in progress, the key employee is currently a Participant in the Plan and already has a Long Term Performance Award for that Performance Period, or (3) change the Performance Goals, Performance Measures, Performance Scale or potential award amount under a Long Term Performance Award that is already in effect. The Administrator may, but is not required to, prorate the amount that would have otherwise been payable to the Participant under such Long Term Performance Award had the Participant been employed during the entire Performance Period to reflect the Participant’s actual period of employment during the Performance Period.

(b) If a Participant is demoted during a Performance Period, the Administrator may decrease the potential award amount of any Long Term Performance Award the Participant may be eligible to receive, or revise the Performance Goals, Performance Measures or Performance Scale applicable to the Participant, as the Administrator determines is necessary to reflect the Participant’s demotion, or the Administrator may withdraw its approval for the Participant’s participation in the Plan in accordance with Section 3.2.

(c) If a Participant is transferred from employment by the Company to the employment of an Affiliate, or vice versa, the Administrator may revise the Participant’s Long Term Performance Award to reflect the transfer, including but not limited to, changing the
potential award amount, Performance Measures, Performance Goals and Performance Scale applicable to the Participant.

Section 3.4. Termination of Employment.

(a) Except as otherwise provided under the terms of an employment or severance agreement between a Participant and the Company, no Participant shall earn an incentive award for a Performance Period unless the Participant is employed by the Company or an Affiliate (or is on an approved leave of absence) on the last day of such Performance Period, unless the Participant’s employment was terminated during the year as a result of Retirement, Total and Permanent Disability or death at a time when the Participant could not have been terminated for Cause, or unless payment is approved by the Administrator after considering the cause of the Participant’s termination.

(b) If a Participant’s employment is terminated as a result of death, Total and Permanent Disability or Retirement, at a time when the Participant could not have been terminated for Cause, then unless otherwise determined by the Administrator, the Participant (or the Participant’s Beneficiary or estate in the event of his or her death) shall be entitled to receive an amount equal to the product of (x) the award amount calculated under Section 5.1 and (y) a fraction, the numerator of which is the number of the Participant’s whole calendar months of employment during the Performance Period for such award and the denominator of which is the number of calendar months in the Performance Period for such award. Payment shall be made in accordance with Section 5.2, subject to Section 5.3.

ARTICLE 4.
CONTINGENT LONG TERM PERFORMANCE AWARDS

The Administrator shall determine, at the time a Long Term Performance Award is granted, the Performance Period, the Performance Measure(s), the Performance Goal(s) for such Performance Measure, the Performance Scale (which may vary for different Performance Measures), and the amount payable to the Participant if and to the extent the Performance Goals are met (as measured under the Performance Scale). The amount payable to a Participant for meeting the Performance Goal(s) may be designated as a flat dollar amount or as a percentage of the Participant’s Base Salary, or may be determined by any other means specified by the Administrator at the time the Long Term Performance Award is granted.

ARTICLE 5.
PAYMENT

Section 5.1. Evaluating Performance and Computing Awards. As soon as practicable following the close of a Performance Period, the Administrator shall determine and certify whether and to what extent the Performance Goals and other material terms of the Long Term Performance Award for that Performance Period were satisfied, and shall determine whether any discretionary adjustments under Subsection (b) shall be made. Based on such certification, the Administrator (or its delegate) shall determine the award amount payable to a Participant under the Long Term Performance Award for that Performance Period, provided that the maximum award amount for any Participant shall be, with respect to any and all Long Term

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Performance Awards of such Participant with Performance Periods ending on the last day of, or at any time within, the same fiscal year of the Company, no more than six million dollars ($6,000,000).

Section 5.2. Timing and Form of Payment. When the payment due to the Participant has been determined, unless otherwise deferred pursuant to a Participant’s election under the Company’s deferred compensation plan, payment shall be made in a cash lump sum by the 75th day following the close of the Performance Period.

Section 5.3. Inimical Conduct. Notwithstanding the foregoing, after the end of the Performance Period for which a payment for a Long Term Performance Award has accrued, but before payment or deferral of such amount actually occurs, if the Participant engages in Inimical Conduct, or if the Company determines after a Participant’s termination of employment that the Participant could have been terminated for Cause, the Long Term Performance Award shall be automatically cancelled and no payment or deferral shall be made. The Administrator may suspend payment or deferral (without liability for interest thereon) pending the Administrator’s determination of whether the Participant was or should have been terminated for Cause or whether the Participant has engaged in Inimical Conduct.

ARTICLE 6.
CHANGE OF CONTROL

Section 6.1. Acceleration of Payment. Notwithstanding any other provision of this Plan, within thirty (30) days after a Change of Control (as defined below), the Company shall pay each Participant, with respect to each Long Term Performance Award of the Participant, a lump sum payment in cash equal to the product of (x) such Participant’s maximum potential award amount for the Performance Period(s) in which the Change of Control occurs, as specified in the Performance Award and (y) a fraction, the numerator of which is the number of days after the first day of the Performance Period on which the Change of Control occurs and the denominator of which is the number of days in the Performance Period. If, however, the Participant has a deferral election in effect with respect to any amount payable under this Section 6.1, such amount shall be deferred pursuant to such election and shall not be paid in a lump sum as provided herein.

Notwithstanding the foregoing, with respect to amounts payable to a Participant (or the Participant’s Beneficiary or estate) who is entitled to a payment hereunder because the Participant’s employment terminated as a result of death or Disability, or payable to a Participant who has met the requirements for Retirement (without regard to whether the Participant has terminated employment), no payment shall be made unless the Change of Control (as defined below) also constitutes a change of control within the meaning of Code Section 409A.

Section 6.2. Definition of Change of Control. A “Change of Control” means any of the following events:

(a) The acquisition, other than from the Company, by any individual, entity or group of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the
Exchange Act), including in connection with a merger, consolidation or reorganization, of more than either:

(1) Fifty percent (50%) of the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”)

(2) Thirty-five percent (35%) of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Company Voting Securities”),

provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any corporation with respect to which, following such acquisition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, shall not constitute a Change in Control of the Company; or

(b) Individuals who, as of October 1, 2005, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board during any twelve (12)-month period, provided that any individual becoming a director subsequent to October 1, 2005, whose election or nomination for election by the Company’s shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, shall be considered as though such individual were a member of the Incumbent Board; or

(c) A complete liquidation or dissolution of the Company or sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition. For purposes hereof, “a sale or other disposition of all or substantially all of the assets of the Company” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to the acquisition. For this purpose, “gross fair market value” means the value of the assets without regard to any liabilities associated with such assets.
For purposes of this Section 6.2, persons will not be considered to be acting as a “group” solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a “group” if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and any other corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a group with other shareholders in such corporation only with respect to the ownership in that corporation prior to the transaction giving rise to the change and not with respect to the ownership interest in the Company.

**ARTICLE 7.**
**ADJUSTMENTS**

In the event of any change in the outstanding shares of Company Common Stock by reason of any stock dividend or split, recapitalization, reclassification, merger, consolidation or exchange of shares or other similar corporate change, then if the Administrator shall determine, in its sole discretion, that such change necessarily or equitably requires an adjustment in the Performance Goals established under a Long Term Performance Award, such adjustments shall be made by the Administrator and shall be conclusive and binding for all purposes of this Plan. No adjustment shall be made in connection with the issuance by the Company of any warrants, rights, or options to acquire additional shares of Common Stock or of securities convertible into Common Stock.

**ARTICLE 8.**
**BENEFICIARY**

If permitted by the Company, a Participant may designate a Beneficiary by filing a beneficiary designation on the form provided by the Administrator. In such event, if the Participant dies prior to receiving any payment due hereunder, such payment shall be made to the Participant’s Beneficiary. If, however, the Participant has an effective deferral election in place for such amount under the Company’s deferred compensation plan, then the amount shall be deferred and paid in accordance with that plan. A Participant entitled to file a beneficiary designation may change his beneficiary designation at any time, provided that each beneficiary designation form filed with the Company shall revoke the most recent form on file, and the last form received by the Company while the Participant was alive shall be given effect. In the event there is no valid beneficiary designation on file, or in the event the Participant’s designated Beneficiary is not alive at the time payment is to be made, or in the event a Participant is not entitled to file a beneficiary designation, the Participant’s estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a beneficiary, such beneficiary designation automatically shall become null and void on the date of the Participant’s divorce or legal separation from such spouse; provided the Administrator has notice of such divorce or legal separation prior to payment.
ARTICLE 9.
RIGHTS OF PARTICIPANTS

Section 9.1. No Funding. No Participant or Beneficiary shall have any interest in any fund or in any specific asset or assets of the Company (or any Affiliate) by reason of any Long Term Performance Award under the Plan. It is intended that the Company has merely a contractual obligation to make payments when due hereunder and it is not intended that the Company (or any Affiliate) hold any funds in reserve or trust to secure payments hereunder.

Section 9.2. No Transfer. No Participant may assign, pledge, or encumber his interest under the Plan, or any part thereof, except that a Participant may designate a Beneficiary as provided herein.

Section 9.3. No Implied Rights; Employment. Nothing contained in this Plan shall be construed to:
(a) Give any employee or Participant any right to receive any award other than in the sole discretion of the Administrator;
(b) Limit in any way the right of the Company or an Affiliate to terminate a Participant’s employment at any time; or
(c) Be evidence of any agreement or understanding, express or implied, that a Participant will be retained in any particular position or at any particular rate of remuneration.

ARTICLE 10.
ADMINISTRATION

Section 10.1. General. The Plan shall be administered by the Administrator. If at any time the Committee shall not be in existence, the Board shall assume the Committee’s functions and each reference to the Committee herein shall be deemed to include the Board.

Section 10.2. Authority. In addition to the authority specifically provided herein, the Administrator shall have full power and discretionary authority to: (a) administer the Plan, including but not limited to the power and authority to construe and interpret the Plan; (b) correct errors, supply omissions or reconcile inconsistencies in the terms of the Plan or any Long Term Performance Award; (c) establish, amend or waive rules and regulations, and appoint such agents, as it deems appropriate for the Plan’s administration; and (d) make any other determinations, including factual determinations, and take any other action as it determines is necessary or desirable for the Plan’s administration.

Section 10.3. Delegation of Authority. The Administrator may delegate to one or more officers of the Company any or all of the authority and responsibility of the Administrator, except that the Committee may not delegate any authority with respect to Long Term Performance Awards that are intended to comply with Code Section 162(m). If the Administrator has made such a delegation, then all references to the Administrator in this Plan include such officer(s) to the extent of such delegation.
Section 10.4. Decision Binding. The Administrator’s determinations and decisions made pursuant to the provisions of the Plan and all related orders or resolutions of the Board shall be final, conclusive and binding on all persons who have an interest in the Plan or a Long Term Performance Award, and such determinations and decisions shall not be reviewable.

Section 10.5. Procedures of the Committee. The Committee’s determinations must be made by not less than a majority of its members present at the meeting (in person or otherwise) at which a quorum is present, or by written majority consent, which sets forth the action, is signed by each member of the Committee and filed with the minutes for proceedings of the Committee. A majority of the entire Committee shall constitute a quorum for the transaction of business. Service on the Committee shall constitute service as a director of the Company so that the Committee members shall be entitled to indemnification, limitation of liability and reimbursement of expenses with respect to their Committee services to the same extent that they are entitled under the Company’s By-laws and Wisconsin law for their services as directors of the Company.

ARTICLE 11.
AMENDMENT AND TERMINATION

Section 11.1. Amendment. The Committee may modify or amend, in whole or in part, any or all of the provisions of the Plan, and may suspend the Plan, and the Employee Benefits Policy Committee (or any successor committee thereto) of the Company may modify or amend the Plan for ministerial or administrative changes or to conform the terms of the Plan to the requirements of applicable law; provided that, any such amendment or modification shall be approved by the Company’s shareholders to the extent required by Code Section 162(m) or other applicable law; provided, however, that no such modification, amendment, or suspension may, without the consent of the Participant or his or her Beneficiary in the case of the Participant’s death, reduce the right of a Participant, or his or her Beneficiary, as the case may be, to any payment due under the Plan except as specifically provided herein. Notwithstanding the foregoing, the Committee may amend the provisions of Article 6 prior to the effective date of a Change of Control.

Section 11.2. Termination. The Committee may terminate the Plan in accordance with the provisions of this Section 11.2. In order for the provisions of this Section 11.2 to apply, the Committee must designate in writing that the Plan is being terminated in accordance with this Section. Upon termination of the Plan, the Committee may provide that all amounts accrued under the Plan to the date of the Plan termination (as determined by the Committee in its sole discretion) be paid in a lump sum, provided that payments to a Participant (or the Participant’s Beneficiary or estate) who is entitled to a payment hereunder because the Participant’s employment terminated as a result of death or Disability prior to the date of such Plan termination, or amounts payable to a Participant who has met the requirements for Retirement (without regard to whether the Participant has terminated employment) as of the date of such Plan termination may be paid upon termination of the Plan only in the following circumstances:

(a) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the payment must be paid no later than the latest of:
(A) the last day of the calendar year in which the Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.

(b) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate, and all other plans required to be aggregate with this Plan under Code Section 409A are also terminated and liquidated. In such event, the payment shall be paid no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan’s termination

ARTICLE 12.
TAX WITHHOLDING

The Company shall have the right to deduct from all cash payments made hereunder (or from any other payments due a Participant) any foreign, federal, state, or local taxes required by law to be withheld with respect to such cash payments.

ARTICLE 13.
OFFSET

The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant’s death).

ARTICLE 14.
SUCCESSORS

All obligations of the Company under the Plan with respect to Long Term Performance Awards granted hereunder shall be binding on any successor or assign of the Company, whether the existence of such successor or assign is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company. The Plan shall be binding upon and inure to the benefit of the Participants, Beneficiaries, and their heirs, executors, administrators and legal representatives.

ARTICLE 15.
DISPUTE RESOLUTION

Section 15.1. Governing Law. This Plan and the rights and obligations hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin (excluding any choice of law rules that may direct the application of the laws of another jurisdiction), except as provided in Section 15.2 hereof.

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Section 15.2. Arbitration.

(a) Application. Notwithstanding any employee agreement in effect between a Participant and the Company or any Affiliate employer, if a Participant or Beneficiary (the “claimant”) brings a claim that relates to benefits under this Plan, regardless of the basis of the claim (including but not limited to, actions under Title VII, wrongful discharge, breach of employment agreement, etc.), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(b) Initiation of Action. Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel  
Johnson Controls, Inc.  
5757 North Green Bay Avenue  
P.O. Box 591  
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(c) Compliance with Personnel Policies. Before proceeding to arbitration on a complaint, the claimant must initiate and participate in any complaint resolution procedure identified in the Company’s or Affiliate’s personnel policies. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any applicable Company or Affiliate complaint resolution procedure has been completed.

(d) Rules of Arbitration. All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.
(e) **Representation and Costs.** Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.

(f) **Discovery; Location; Rules of Evidence.** Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(g) **Confidentiality.** The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.
1. Purpose and Effective Date.

(a) **Purpose.** The Johnson Controls, Inc. 2007 Stock Option Plan has two complementary purposes: (i) to attract and retain outstanding individuals to serve as officers and employees and (ii) to increase shareholder value. This Plan will provide participants incentives to increase shareholder value by offering the opportunity to acquire shares of the Company’s common stock, or receive monetary payments based on the value of such common stock, on the potentially favorable terms that this Plan provides.

(b) **Effective Date.** This Plan became effective, and Awards granted under this Plan, on and after January 24, 2007 (the “Effective Date”). Upon the Effective Date, no new awards may be granted under the Johnson Controls, Inc. 2000 Stock Option Plan (the “2000 Stock Option Plan”).

2. Definitions. Capitalized terms used in this Plan have the following meanings:

(a) “Administrator” means the Committee. In addition, the Chief Executive Officer of the Company may act as the Administrator with respect to Awards made (or to be made) to employees who are not Section 16 Participants or Section 162(m) Participants at the time such authority or responsibility is exercised.

(b) “Affiliate” means any entity that, directly or through one or more intermediaries, is controlled by, controls, or is under common control with the Company within the meaning of Code Sections 414(b) or (c), provided that, in applying such provisions, the phrase “at least 50 percent” shall be used in place of “at least 80 percent" each place it appears therein; and further provided that solely for purposes of Sections 2(e), 2(m), 2(r), 9 and 14(b), the phrase “at least 20 percent” shall be used in place of “at least 80 percent” each place it appears therein.

(c) “Award” means a grant of Options and/or Stock Appreciation Rights.

(d) “Board” means the Board of Directors of the Company.

(e) “Cause” means: (1) if the Participant is subject to an employment agreement with the Company or an Affiliate that contains a definition of “cause”, such definition, or (2) otherwise, any of the following as determined by the Administrator: (A) violation of the provisions of any employment agreement, non-competition agreement, confidentiality agreement, or similar agreement with the Company or an Affiliate, or the Company’s or an Affiliate’s code of ethics, as then in effect, (B) conduct rising to the level of gross negligence or willful misconduct in the course of employment with the Company or an Affiliate, (C) commission of an act of dishonesty or disloyalty involving the Company or an Affiliate, (D) violation of any federal, state or local law in connection with the Participant’s employment, or (E) breach of any fiduciary duty to the Company or an Affiliate.

(f) “Change of Control” means the first to occur of any one of the following events:

(i) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (A) the then-outstanding Shares (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that the
following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company (as defined below) or (4) any acquisition by any corporation pursuant to a transaction that complies with Sections 2(f)(iii)(A) — 2 (f)(iii)(C):

(ii) Any time at which individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company, or an Affiliated Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, for purposes of an Award that provides for the payment of deferred compensation that is subject to Code Section 409A, if a Change of Control triggers the payment of compensation under such Award, then the definition of Change of Control herein shall be deemed amended to conform to the requirements of Code Section 409A and the Administrator may provide such an alternate definition of a Change of Control in the Award agreement governing such Award.

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(g) “Code” means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes any successor provision and the regulations promulgated under such provision.

(h) “Committee” means the Compensation Committee of the Board (or a successor committee with the same or similar authority).

(i) “Company” means Johnson Controls, Inc., a Wisconsin corporation, or any successor thereto.

(j) “Disability” means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of at least twelve (12) months, as determined by the Administrator. The Administrator may request such evidence of disability as it reasonably determines.


(l) “Fair Market Value” means, per Share on a particular date, the closing sales price on such date on the New York Stock Exchange, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such market. If the Shares are not listed on the New York Stock Exchange, but are traded on a national securities exchange or in an over-the-counter market, the closing sales price (or if there is no closing sales price reported, the average of the closing bid and asked prices) for the Shares on the particular date, or on the last preceding date on which there was a sale of Shares on that exchange or market, will be used. If the Shares are neither listed on a national securities exchange nor traded in an over-the-counter market, the price determined by the Administrator, in its discretion, will be used. However, in connection with an exercise of Options, to the extent the Participant sells any Shares acquired upon such exercise in a market transaction on the date of exercise, the sale price(s) for any such Shares shall be the Fair Market Value for such Shares.

(m) “Inimical Conduct” means any act or omission that is inimical to the best interests of the Company or any Affiliate, as determined by the Administrator in its sole discretion, including but not limited to: (i) violation of any employment, noncompete, confidentiality or other agreement in effect with the Company or any Affiliate, (ii) taking any steps or doing anything which would damage or negatively reflect on the reputation of the Company or an Affiliate, or (iii) failure to comply with applicable laws relating to trade secrets, confidential information or unfair competition.

(n) “Option” means the right to purchase Shares at a stated price for a specified period of time.

(o) “Participant” means an individual selected by the Administrator to receive an Award.

(p) “Person” has the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof.

(q) “Plan” means this Johnson Controls, Inc. 2007 Stock Option Plan, as may be amended from time to time.

(r) “Retirement” means termination of employment from the Company and its Affiliates (for other than Cause) on a date the Participant is then eligible to receive immediate early or normal retirement benefits under the provisions of any of the Company’s or its Affiliate’s defined benefit pension plans, or if the Participant is not covered under any such plan, on or after attainment of age fifty-five (55) and completion of ten (10) years of continuous service with the Company and its Affiliates.
or on or after attainment of age sixty-five (65) and completion of five (5) years of continuous service with the Company and its Affiliates.

(s) “Rule 16b-3” means Rule 16b-3 as promulgated by the United States Securities and Exchange Commission under the Exchange Act.

(t) “Section 16 Participants” means Participants who are subject to the provisions of Section 16 of the Exchange Act at the time in question.

(u) “Section 162(m) Participants” means the Chief Executive Officer of the Company (or person acting in such capacity) and the four highest compensated officers (other than the Chief Executive Officer).

(v) “Share” means a share of Stock.

(w) “Stock” means the Common Stock of the Company, par value of $0.04-1/16 per share.

(x) “Stock Appreciation Right” or “SAR” means the right to receive a payment equal to the appreciation of the Fair Market Value of a Share during a specified period of time.

(y) “Subsidiary” means any corporation, limited liability company or other limited liability entity in an unbroken chain of entities beginning with the Company if each of the entities (other than the last entity in the chain) owns the stock or equity interest possessing more than fifty percent (50%) of the total combined voting power of all classes of stock or other equity interests in one of the other entities in the chain.

3. Administration.

(a) Administration. The Administrator shall administer this Plan. In addition to the authority specifically granted to the Administrator in this Plan, the Administrator has full discretionary authority to administer this Plan and all Awards, including but not limited to the authority to:

(i) interpret the provisions of this Plan, (ii) prescribe, amend and rescind rules and regulations relating to this Plan, (iii) correct any defect, supply any omission, or reconcile any inconsistency in any Award or agreement covering an Award in the manner and to the extent it deems desirable to carry this Plan into effect and (iv) make all other determinations necessary or advisable for the administration of this Plan. All determinations of the Administrator are final and binding.

(b) Delegation to Other Committees or Officers. To the extent applicable law permits, the Board may delegate to another committee of the Board, or the Committee may delegate to one or more officers of the Company, any or all of the authority and responsibility of the Committee. However, no such delegation is permitted with respect to Awards made to Section 16 Participants or Section 162(m) Participants at the time any such delegated authority or responsibility is exercised. The Board also may delegate to another committee of the Board consisting entirely of Non-Employee Directors any or all of the authority and responsibility of the Committee with respect to individuals who are Section 16 Participants or Section 162(m) Participants. If the Board or the Committee has made such a delegation, then all references to the Committee in this Plan include such other committee or one or more officers to the extent of such delegation.

(c) Indemnification. The Company will indemnify and hold harmless each member of the Committee, the Chief Executive Officer of the Company, and each officer or member of any other committee to whom a delegation under Section 3(b) has been made, as to any act done, or determination made, with respect to this Plan or any Award to the maximum extent that the law and the Company’s articles of incorporation and by-laws permit.
4. Eligibility. The Administrator (to the extent of its authority) may designate any of the following as a Participant from time to time: any officer or other employee of the Company or its Affiliates, or an individual that the Company or an Affiliate has engaged to become an officer or employee. The Administrator’s designation of a Participant in any year will not require the Administrator to designate such person to receive an Award in any other year. No individual shall have any right to be granted an Award, even if an Award was granted to such individual at any prior time, or if a similarly-situated individual is or was granted an Award under similar circumstances.

5. Types of Awards. Subject to the terms of this Plan, the Administrator may grant any type of Award to any Participant it selects, but only employees of the Company or a Subsidiary may receive grants of incentive stock options within the meaning of Code Section 422. Awards may be granted alone or in addition to, in tandem with, or in substitution for any other Award (or any other award granted under another plan of the Company or any Affiliate).

6. Shares Reserved under this Plan.
   (a) Plan Reserve. Subject to adjustment as provided in Section 13, an aggregate of 36,965,289 Shares, plus the Shares described in subsection (c), are reserved for issuance under this Plan. Notwithstanding the foregoing, subject to adjustment as provided in Section 13, the Company may issue only 36,965,289 Shares under this Plan upon the exercise of incentive stock options.
   (b) Depletion and Replenishment of Share Reserve. The aggregate number of Shares reserved under Section 6(a) shall be depleted by the number of Shares with respect to which an Award is granted. If, however, an Award lapses, expires, terminates or is cancelled without the issuance of Shares under the Award, or if Shares are forfeited under an Award, or if Shares are issued under any Award and the Company subsequently reacquires them pursuant to rights reserved upon the issuance of the Shares, or if an SAR is settled in cash, then such Shares may again be used for new Awards under this Plan under Section 6(a), but such Shares may not be issued pursuant to incentive stock options.
   (c) Addition of Shares from Predecessor Plan. After November 15, 2006, and prior to December 31, 2009, if any Shares subject to awards granted under the 2000 Stock Option Plan would again become available for new grants under the terms of such plan (and are in fact not used for new grants under such plan prior to the Effective Date), then those Shares will be available for the purpose of granting Awards under this Plan, thereby increasing the number of Shares available for issuance under this Plan as determined under the first sentence of Section 6(a). Any such Shares will not be available for future awards under the 2000 Stock Option Plan after the Effective Date.
   (d) Participant Limitations. Subject to adjustment as provided in Section 13, no Participant may receive Options for, and/or Stock Appreciation Rights with respect to, more than 2,000,000 Shares during any two consecutive calendar years. In the initial calendar year that this Plan is in effect, any Options or SARs granted to a Participant under the 2000 Option Plan in such calendar year shall be counted towards this limit. In all cases, determinations under this Section 6(d) should be made in a manner that is consistent with the exemption for performance-based compensation that Code Section 162(m) provides.

7. Options. Subject to the terms of this Plan, the Administrator will determine all terms and conditions of each Option, including but not limited to: (a) the grant date, which may not be any day prior to the date the Administrator approves the grant; (b) the number of Shares subject to the Option; (c) the exercise price, which may not be less than the Fair Market Value of the Shares subject to the Option as determined on the date of grant; (d) the terms and conditions of exercise; and (e) the term, except that an Option must terminate no later than ten (10) years after the date of grant. In all other respects, the terms of any incentive stock option should comply with the provisions of Code Section 422 except to the extent the Administrator determines otherwise.
8. Stock Appreciation Rights. Subject to the terms of this Plan, the Administrator will determine all terms and conditions of each SAR, including but not limited to: (a) whether the SAR is granted independently of an Option or relates to an Option; (b) the number of Shares to which the SAR relates; (c) the grant date, which may not be any day prior to the date the Administrator approves the grant; (d) the grant price, provided that the grant price shall not be less than the Fair Market Value of the Shares subject to the SAR as determined on the date of grant; (e) the terms and conditions of exercise or maturity; (f) the term, provided that an SAR must terminate no later than ten (10) years after the date of grant; and (g) whether the SAR will be settled in cash, Shares or a combination thereof. If an SAR is granted in relation to an Option, then unless otherwise determined by the Administrator, the SAR shall be exercisable or shall mature at the same time or times, on the same conditions and to the extent and in the proportion, that the related Option is exercisable and may be exercised or mature for all or part of the Shares subject to the related Option. Upon exercise of an SAR in respect of any number of Shares, the number of Shares subject to the related Option shall be reduced by the same amount and such Option may not be exercised with respect to that number of Shares. The exercise of any number of Options that relate to an SAR shall likewise result in an equivalent reduction in the number of Shares covered by the related SAR.

9. Termination of Awards

(a) **Termination of Employment**. Unless otherwise provided by the Administrator, in the event of the Participant’s termination of employment or service from the Company and its Affiliates:

(i) As a result of death, the Participant’s Award shall be exercisable immediately to the extent it would have been exercisable had the Participant remained in service for twelve (12) months after the date of death, and may be exercised until the earlier of the first (1st) anniversary of the date of the Participant’s death or the last day of the term of the Award.

(ii) As a result of Retirement, the Participant’s Award shall be exercisable immediately in full (provided that an Award made to a Participant who Retires prior to the end of the first full calendar year following the completion of the fiscal year in which such Award was granted shall be exercisable only to the extent exercisable as of the date of Retirement and without regard to Retirement), and may be exercised until the earlier of the third (3rd) anniversary of the date of Retirement or the last day of the term of the Award; provided that if the Participant is an officer of the Company at the time of Retirement, the Award may be exercised for the remainder of its full term;

(iii) As a result of Disability, the Participant’s Award shall be exercisable immediately in full, and may be exercised until the earlier of the third (3rd) anniversary of the date of termination or the last day of the term of the Award; provided that if the Participant is an officer of the Company at the time of Disability, the Award may be exercised until the earlier of the fifth (5th) anniversary of the date of termination or the date the Award expires;

(iv) For any other reason not described above (other than Cause, which is governed by subsection (b)), the Participant’s Award may be exercisable (to the extent exercisable as of the date of such termination) until the earlier of thirty (30) days from the date of termination or the date the Award expires.

For purposes of this subsection (a) and Sections 7 and 8, the termination of an Award shall occur at the close of business at the Company’s headquarters on the date in question, or if the date in question is a Saturday, Sunday or holiday, on the immediately preceding business day.

(b) **For Cause or Inimical Conduct**. Unless otherwise provided by the Administrator, notwithstanding any provisions of this Plan or an Award agreement to the contrary, a Participant’s Award shall be immediately cancelled and forfeited, regardless of vesting, and any pending exercises shall be cancelled, on the date that: (i) the Company or an Affiliate terminates the Participant’s
employment for Cause, (ii) the Administrator determines that the Participant’s employment could have been terminated for Cause if the Company or Affiliate had all relevant facts in its possession as of the date of the Participant’s termination, or (iii) the Administrator determines the Participant has engaged in Inimical Conduct. The Administrator may suspend all exercises or delivery of cash or Shares (without liability for interest thereon) pending its determination of whether the Participant has been or should have been terminated for Cause or has engaged in Inimical Conduct.

10. Transferability. Awards are not transferable other than by will or the laws of descent and distribution, unless and to the extent the Administrator allows a Participant to: (a) designate in writing a beneficiary to exercise the Award after the Participant’s death; or (b) transfer an Award.

11. Termination and Amendment of Plan; Amendment, Modification or Cancellation of Awards.

(a) Term of Plan. Unless the Board earlier terminates this Plan pursuant to Section 11(b), this Plan will terminate on the tenth (10th) anniversary of the Effective Date.

(b) Termination and Amendment. The Board or the Committee may amend, alter, suspend, discontinue or terminate this Plan at any time, subject to the following limitations:

(i) the Board must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) action of the Board, (B) applicable corporate law or (C) any other applicable law;

(ii) shareholders must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) Section 16 of the Exchange Act, (B) the Code, (C) the listing requirements of any principal securities exchange or market on which the Shares are then traded or (D) any other applicable law; and

(iii) shareholders must approve any of the following Plan amendments: (A) an amendment to materially increase any number of Shares specified in Section 6(a) or 6(d) (except as permitted by Section 13); or (B) an amendment that would diminish the protections afforded by Section 11(e).

Notwithstanding anything in the Plan to the contrary, the Board reserves the right to amend the provisions of Section 13(c) prior to the effective date of a Change of Control without the need to obtain the consent of a Participant or any other individual with an interest in an Award.

(c) Amendment, Modification or Cancellation of Awards. Subject to the requirements of this Plan including Section 11(e), the Administrator may modify, amend or cancel any Award, or waive any restrictions or conditions applicable to any Award or the exercise of the Award, provided that any modification or amendment that materially diminishes the rights of the Participant, or the cancellation of the Award, shall be effective only if agreed to by the Participant, but the Administrator need not obtain Participant consent for the modification, adjustment or cancellation of an Award pursuant to the provisions of Section 13 or the modification of an Award to the extent deemed necessary in the judgment of the Administrator to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Shares are then traded or to preserve favorable accounting treatment of any Award for the Company. Notwithstanding the foregoing, unless determined otherwise by the Administrator, any such amendment shall be made in a manner that will enable an Award intended to be exempt from Code Section 409A to continue to be so exempt, or to enable an Award intended to comply with Code Section 409A to continue to so comply.

(d) Survival of Authority and Awards. Notwithstanding the foregoing, the authority of the Board and the Administrator under this Section 11 and to otherwise administer this Plan will extend beyond the date of this Plan’s termination. In addition, termination of this Plan will not affect the rights of
Participants with respect to Awards previously granted to them, and all unexpired Awards will continue in force and effect after termination of this Plan except as they may be terminated by their own terms and conditions or the terms and conditions of this Plan prior to its termination.

(e) **Repricing Prohibited**. Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 13, neither the Administrator nor any other person may decrease the exercise price for any outstanding Option or SAR after the date of grant nor allow a Participant to surrender an outstanding Option or SAR to the Company as consideration for the grant of a new Option or SAR with a lower exercise price.

(f) **Foreign Participation**. To assure the viability of Awards granted to Participants employed in foreign countries, the Administrator may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Administrator may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Administrator approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country. In addition, all such supplements, amendments, restatements or alternative versions must comply with the provisions of Section 11(b)(ii) or (iii).

(g) **Code Section 409A**. The provisions of Code Section 409A are incorporated herein by reference to the extent necessary for any Award that is subject to Code Section 409A to comply therewith.

12. **Taxes**.

(a) **Withholding**. The Company is entitled to withhold the amount of any tax attributable to any amount payable or Shares deliverable under this Plan, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. If Shares are deliverable upon exercise or payment of an Award, the Administrator may permit or require a Participant to satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with such Award by electing to (a) have the Company withhold Shares otherwise issuable under the Award, (b) tender back Shares received in connection with such Award or (c) deliver other previously owned Shares, in each case having a Fair Market Value equal to the amount to be withheld. However, to the extent that the limitation in this sentence must apply for the Company to avoid an accounting charge, the amount to be withheld may not exceed the total minimum federal, state and local tax withholding obligations associated with the transaction. If the Administrator permits an election, the election must be made on or before the date as of which the amount of tax to be withheld is determined and otherwise as the Administrator requires.

(b) **No Guarantee of Tax Treatment**. Notwithstanding any provisions of this Plan, the Company does not guarantee to any Participant or any other Person with an interest in an Award that any Award intended to be exempt from Code Section 409A shall be so exempt, nor that any Award intended to comply with Code Section 409A shall so comply, nor will the Company or any Affiliate indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.

13. **Adjustment Provisions; Change of Control**.

(a) **Adjustment of Shares**. If (i) the Company shall at any time be involved in a merger or other transaction in which the Shares are changed or exchanged, (ii) the Company shall subdivide or combine its Shares or the Company shall declare a dividend payable in Shares, other securities, or other property; (iii) the Company shall effect a cash dividend the amount of which exceeds ten percent (10%) of the Fair Market Value at the time the dividend is declared, or the Company shall effect any other dividend or other distribution on the Shares in the form of cash, or a repurchase of Shares, that
the Board determines by resolution is special or extraordinary in nature or that is in connection with a transaction that the Company characterizes publicly as a recapitalization or reorganization involving the Shares, or (iv) any other event shall occur, which, in the case of this clause (iv), in the judgment of the Committee necessitates an adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then the Board or Committee shall, in such manner as it deems equitable, adjust any or all of:
(i) the number and type of Shares subject to this Plan (including the number and type of Shares described in Sections 6(a), 6(c) and 6(d)) and which may after the event be made the subject of Awards under this Plan, (ii) the number and type of Shares subject to outstanding Awards, and (iii) the exercise or grant price with respect to any Award. Without limitation, in the event of any reorganization, merger, consolidation, combination or other similar corporate transaction or event, whether or not constituting a Change of Control (other than any such transaction in which the Company is the continuing corporation and in which the outstanding Stock is not being converted into or exchanged for different securities, cash or other property, or any combination thereof), the Committee may substitute, on an equitable basis as the Committee determines, for each Share then subject to an Award and the Shares subject to this Plan (if the Plan will continue in effect), the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction.

Unless the Administrator determines otherwise, any such adjustment to an Award that is exempt from Code Section 409A shall be made in manner that permits the Award to continue to be so exempt, and any adjustment to an Award that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. Further, the number of Shares subject to any Award payable or denominated in Shares must always be a whole number. Notwithstanding the foregoing, in the case of a stock dividend (other than a stock dividend declared in lieu of an ordinary cash dividend) or subdivision or combination of the Shares (including a reverse stock split), if no action is taken by the Board or Committee, adjustments contemplated by this subsection that are proportionate shall nevertheless automatically be made as of the date of such stock dividend or subdivision or combination of the Shares.

(b) Issuance or Assumption. Notwithstanding any other provision of this Plan, and without affecting the number of Shares otherwise reserved or available under this Plan, in connection with any merger, consolidation, acquisition of property or stock, or reorganization, the Administrator may authorize the issuance of Awards under this Plan or the assumption of awards issued under other plans upon such terms and conditions as it may deem appropriate, subject to the listing requirements of any principal securities exchange or market on which the Shares are then traded.

(c) Change of Control. If the Participant has in effect an employment, retention, change of control, severance or similar agreement with the Company or any Affiliate that discusses the effect of a Change of Control on the vesting of a Participant’s Awards, then such agreement shall control the vesting of such Awards upon the occurrence of a Change of Control. In all other cases, unless provided otherwise in an Award agreement, upon a Change of Control, all Awards then held by Participants who are employed by the Company or an Affiliate shall be exercisable in full. In addition, upon a Change of Control, the Committee may, in its discretion, cancel each outstanding Award effective on the date of the Change of Control in exchange for a cash payment to the holder thereof in an amount equal to the number of Options or Stock Appreciation Rights that have not been exercised multiplied by the excess of the fair market value per Share on the date of the Change of Control (as determined by the Committee) over the exercise price of the Option or the grant price of the Stock Appreciation Right, as the case may be.

Except as otherwise expressly provided in any agreement between a Participant and the Company or an Affiliate, if the receipt of any payment by a Participant under the circumstances described above would result in the payment by the Participant of any excise tax provided for in Section 280G and Section 4999 of the Code, then the amount of such payment shall be reduced to the extent required to prevent the imposition of such excise tax.

(a) *Other Terms and Conditions*. Any Award may also be subject to other provisions (whether or not applicable to the Award granted to any other Participant and whether determined at the time of grant or later) as the Administrator determines appropriate, including, without limitation, provisions for:

(i) the payment of the purchase price of Options by delivery of cash or other Shares or other securities of the Company (including by attestation) having a then Fair Market Value equal to the purchase price of such Shares, or by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the Shares and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price;

(ii) restrictions on resale or other disposition of Shares; and

(iii) compliance with federal or state securities laws and stock exchange requirements.

(b) *Employment*. The issuance of an Award shall not confer upon a Participant any right with respect to continued employment or service with the Company or any Affiliate. Unless determined otherwise by the Administrator, for purposes of this Plan and all Awards, the following rules shall apply:

(i) a Participant who transfers employment between the Company and its Affiliates, or between Affiliates, will not be considered to have terminated employment;

(ii) a Participant who ceases to be employed by the Company or an Affiliate and immediately thereafter becomes a non-employee director of the Company or of an Affiliate, or a consultant to the Company or any Affiliate shall not be considered to have terminated employment until such Participant’s service as a director of, or consultant to, the Company and its Affiliates has ceased;

(iii) a Participant employed by an Affiliate will be considered to have terminated employment with the Company and its Affiliates when such entity ceases to be an Affiliate.

Notwithstanding the foregoing, for purposes of an Award that is subject to Code Section 409A, if a Participant’s termination of employment triggers the payment of compensation under such Award, then the Participant will be deemed to have terminated employment upon a “separation from service” within the meaning of Code Section 409A.

(c) *No Fractional Shares*. No fractional Shares or other securities may be issued or delivered pursuant to this Plan, and the Administrator may determine whether cash, other securities or other property will be paid or transferred in lieu of any fractional Shares or other securities, or whether such fractional Shares or other securities or any rights to fractional Shares or other securities will be canceled, terminated or otherwise eliminated.

(d) *Offset*. The Company shall have the right to offset, from any amount payable or stock deliverable hereunder, any amount that the Participant owes to the Company or any Affiliate without the consent of the Participant or any individual with a right to the Participant’s Award.

(e) *Unfunded Plan*. This Plan is unfunded and does not create, and should not be construed to create, a trust or separate fund with respect to this Plan’s benefits. This Plan does not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of an Award granted under this Plan, such rights are no greater than the rights of the Company’s general unsecured creditors.
(f) **Requirements of Law and Securities Exchange.** The granting of Awards and the issuance of Shares in connection with an Award are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding any other provision of this Plan or any Award agreement, the Company has no liability to deliver any Shares under this Plan or make any payment unless such delivery or payment would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity, and unless and until the Participant has taken all actions required by the Company in connection therewith. The Company may impose such restrictions on any Shares issued under this Plan as the Company determines necessary or desirable to comply with all applicable laws, rules and regulations or the requirements of any national securities exchanges.

(g) **Governing Law.** This Plan, and all Awards hereunder, and all determinations made and actions taken pursuant to this Plan, shall be governed by the internal laws of the State of Wisconsin (without reference to conflict of law principles thereof) and construed in accordance therewith, to the extent not otherwise governed by the laws of the United States or as otherwise provided hereinafter. Notwithstanding anything to the contrary herein, if any individual (other than the Company) brings a claim that relates to benefits under this Plan, regardless of the basis of the claim (including but not limited to wrongful discharge or Title VII discrimination), such claim shall be settled by final binding arbitration in accordance with the rules of the American Arbitration Association (“AAA”) and the following provisions, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(i) **Initiation of Action.** Arbitration must be initiated by serving or mailing a written notice of the complaint to the other party. Normally, such written notice should be provided to the other party within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint. However, this time frame may be extended if the applicable statute of limitation provides for a longer period of time. If the complaint is not properly submitted within the appropriate time frame, all rights and claims that the complaining party has or may have against the other party shall be waived and void. Any notice sent to the Company shall be delivered to:

Office of General Counsel  
Johnson Controls, Inc.  
5757 North Green Bay Avenue  
P.O. Box 591  
Milwaukee, WI 53201-0591

The notice must identify and describe the nature of all complaints asserted and the facts upon which such complaints are based. Notice will be deemed given according to the date of any postmark or the date of time of any personal delivery.

(ii) **Compliance with Personnel Policies.** Before proceeding to arbitration on a complaint, the claimant must initiate and participate in any complaint resolution procedure identified in the personnel policies of the Company or an Affiliate, as applicable. If the claimant has not initiated the complaint resolution procedure before initiating arbitration on a complaint, the initiation of the arbitration shall be deemed to begin the complaint resolution procedure. No arbitration hearing shall be held on a complaint until any complaint resolution procedure of the Company or an Affiliate, as applicable, has been completed.

(iii) **Rules of Arbitration.** All arbitration will be conducted by a single arbitrator according to the Employment Dispute Arbitration Rules of the AAA. The arbitrator will have authority to award any remedy or relief that a court of competent jurisdiction could order or grant including, without limitation, specific performance of any obligation created under the award or policy, the awarding of punitive damages, the issuance of any injunction, costs and attorney’s...
fees to the extent permitted by law, or the imposition of sanctions for abuse of the arbitration process. The arbitrator’s award must be rendered in a writing that sets forth the essential findings and conclusions on which the arbitrator’s award is based.

(iv) **Representation and Costs**. Each party may be represented in the arbitration by an attorney or other representative selected by the party. The Company or Affiliate shall be responsible for its own costs, the AAA filing fee and all other fees, costs and expenses of the arbitrator and AAA for administering the arbitration. The claimant shall be responsible for his attorney’s or representative’s fees, if any. However, if any party prevails on a statutory claim which allows the prevailing party costs and/or attorneys’ fees, the arbitrator may award costs and reasonable attorneys’ fees as provided by such statute.

(v) **Discovery; Location; Rules of Evidence**. Discovery will be allowed to the same extent afforded under the Federal Rules of Civil Procedure. Arbitration will be held at a location selected by the Company. AAA rules notwithstanding, the admissibility of evidence offered at the arbitration shall be determined by the arbitrator who shall be the judge of its materiality and relevance. Legal rules of evidence will not be controlling, and the standard for admissibility of evidence will generally be whether it is the type of information that responsible people rely upon in making important decisions.

(vi) **Confidentiality**. The existence, content or results of any arbitration may not be disclosed by a party or arbitrator without the prior written consent of both parties. Witnesses who are not a party to the arbitration shall be excluded from the hearing except to testify.

(h) **Construction**. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply. Title of sections are for general information only, and this Plan is not to be construed with reference to such titles.

(i) **Severability**. If any provision of this Plan or any Award agreement or any Award (i) is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or (ii) would disqualify this Plan, any Award agreement or any Award under any law the Administrator deems applicable, then such provision should be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of this Plan, Award agreement or Award, then such provision should be stricken as to such jurisdiction, person or Award, and the remainder of this Plan, such Award agreement and such Award will remain in full force and effect.

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JOHNSON CONTROLS, INC.

Following is a list of significant subsidiaries of the Company, as defined by section 1.02(w) of Regulation S-X, as of October 31, 2007.

<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdiction Where Subsidiary is Incorporated</th>
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<tbody>
<tr>
<td>Hoover Universal, Inc.</td>
<td>Michigan</td>
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<tr>
<td>Johnson Controls Battery Group, Inc.</td>
<td>Wisconsin</td>
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<td>Johnson Controls Holding Company, Inc.</td>
<td>Delaware</td>
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<tr>
<td>Johnson Controls Technology Company</td>
<td>Michigan</td>
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<tr>
<td>York International Corporation</td>
<td>Delaware</td>
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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 and Form S-8 listed below of Johnson Controls, Inc. of our report dated November 26, 2007 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

1. Registration Statement on Form S-8 (Registration No. 33-30309)
2. Registration Statement on Form S-8 (Registration No. 33-31271)
3. Registration Statement on Form S-8 (Registration No. 33-58092)
4. Registration Statement on Form S-8 (Registration No. 33-58094)
5. Registration Statement on Form S-3 (Registration No. 33-64703)
6. Registration Statement on Form S-8 (Registration No. 333-10707)
7. Registration Statement on Form S-3 (Registration No. 333-13525)
8. Registration Statement on Form S-3 (Registration No. 333-130714)
9. Registration Statement on Form S-8 (Registration No. 333-66073)
10. Registration Statement on Form S-8 (Registration No. 333-41564)
11. Registration Statement on Form S-3 (Registration No. 333-59594)
12. Registration Statement on Form S-8 (Registration No. 333-117898)
13. Registration Statement on Form S-3 (Registration No. 333-111192)
14. Registration Statement on Form S-8 (Registration No. 333-141578)
15. Registration Statement on Form S-3 (Registration No. 33-57685)

/s/ PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
November 26, 2007
CERTIFICATIONS

I, Stephen A. Roell, Chief Executive Officer of Johnson Controls, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Johnson Controls, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 29, 2007

/s/ Stephen A. Roell
Stephen A. Roell
Chief Executive Officer
CERTIFICATIONS

I. R. Bruce McDonald, Executive Vice President and Chief Financial Officer of Johnson Controls, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Johnson Controls, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 29, 2007

/s/ R. Bruce McDonald
R. Bruce McDonald
Executive Vice President and
Chief Financial Officer
CERTIFICATION OF PERIODIC FINANCIAL REPORTS

We, Stephen A. Roell, Chief Executive Officer, and R. Bruce McDonald, Executive Vice President and Chief Financial Officer, of Johnson Controls, Inc., certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K for the year ended September 30, 2007 (the “Periodic Report”) to which this statement is an exhibit fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Johnson Controls, Inc.

Dated: November 29, 2007

/s/ Stephen A. Roell
Stephen A. Roell
Chief Executive Officer

/s/ R. Bruce McDonald
R. Bruce McDonald
Executive Vice President and
Chief Financial Officer